

League Affiliates Cooperative by Design, Connected by Philosophy

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You've undoubtedly heard their names. Your credit union is likely a member of a few of these organizations (if not all of them).

But do you know how much they do for credit unions in California and Nevada? Or how effectively they work alongside the League on your behalf? The Leagues' system affiliates have your credit union and your members' best interests at heart.

They may provide different services to credit unions,

but the California and Nevada Credit Union Leagues' system affiliate organizations have a common philosophy running through their veins. CO-OP Financial Services, CUDL, CUNA Mutual Group, Financial Service Centers Cooperative, Inc. (FSCC), and Western Corporate Federal Credit Union (WesCorp) keep the spirit of cooperation and member service at the heart of everything they do.

No credit union has been left unaffected by the headline-making economic debacles of the past year. But as the industry begins to pick up the pieces, these organizations are prepared to bolster those efforts and help the system move forward. Read on to learn how and why these friends will be a key facet of your credit union's transformation.

Strength in Size



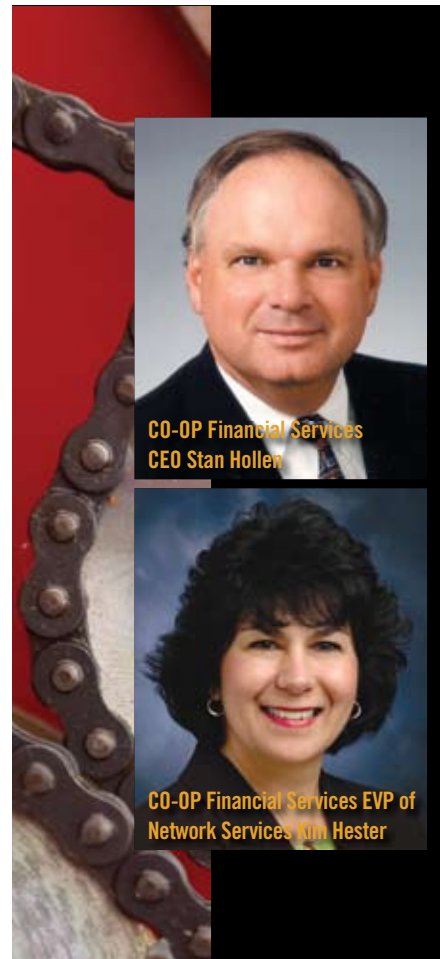
CO-OP Financial Services has two great things going for it: size and strength. As the largest credit union service organization (CUSO) in the country in terms of membership, and with more than 28,000 surcharge-free ATMs and 3,500 shared branch locations, the company enjoys healthy revenue that is returned to member-owners through innovative products and services, cost-saving technologies, and a sizeable yearly patronage that enhance the value of the organization to credit unions and their members.

CEO Stan Hollen says the company has taken great strides to address member concerns during these recent difficult times. It began with offering registration at no charge for this year's annual THINK conference, along with a shift to more webinars and fewer all-day town meetings around the country—decisions that were well-received by members who appreciate the information at a reduced cost. "We've had very good registration with webinars," Hollen says, noting that the opportunity for product updates, idea exchanges, and training are still available through their town hall events as well.

EVP of Network Services Kim Hester says CO-OP is mainly focused on giving members added value.

"I think the most important thing our credit unions want us to invest in is research and development," she explains. "That's going to help our credit unions grow and enhance profitability."

The strategy has already created a wealth of pioneering products and services. These include CO-OPs Next Generation Network (NGN) "switch"



CO-OP Financial Services
CEO Stan Hollen



CO-OP Financial Services EVP of
Network Services Kim Hester

for enhanced transaction functionality and greater information capacity. New CO-OP products, accessible through the NGN platform, include the My Deposit program, which allows members to make deposits with just a scanner and a home computer; a suite of mobile products, which allow credit union members to text a search for the nearest CO-OP ATM, among other things; CO-OP Revelation, yet another new tool, which allows credit unions to easily view and analyze cardholder usage behavior—for free; and its newest product, The LoanLink Center, which was acquired through an agreement with CUNA Mutual.

The company is also prepping for the next frontier in payment systems: contactless cards. “Technology keeps changing, and we have to be adept and quick at adoption,” Hollen explains. “Contactless cards are a fairly new innovation and not widely accepted at this point, but we are up and running on that technology and prepared to roll it out when our credit unions are ready for it.”

Member-First Philosophy

Products and services are just one aspect of the total focus on member service, Hester explains. The rigorous emphasis on member satisfaction includes surveys every six months. CO-OP boasts a current rating of 8.2 out of 10, and the rate has risen in each of the past six surveys, which is partly attributed to company’s beefed-up field representation—now composed of 22 national relationship managers to increase the level of face-to-face customer contact.

A strong, organization-wide commitment to exemplary service helps keep those numbers high as well. CO-OP recently made the switch to a new provider of ATM and host connectivity managed network services to support the evolution of CO-OP’s product offerings. Add the shift to bring outsourced operations back in-house—as with the company’s decision to launch its Card Member Security Fraud Call Center—and CO-OP has created a recipe for satisfied members and huge results.

Support System

CO-OP has long been a stalwart for state and federal credit union advocacy.

The company has been heavily involved with the Leagues and the Credit Union National Association (CUNA) with regard to recent interchange legislation that aims to strip interchange income from credit unions.

“Whatever affects credit unions will affect CO-OP,” he says. “We’re extremely supportive of advocacy efforts, be they regulatory or legislative. Growth and a good operating environment for credit unions are very important to us.”

As such, CO-OP contributes to the Leagues’ political action committees, research grants, and public advocacy campaigns, in addition to working closely with and supporting the efforts of CUNA, the National Credit Union Foundation (NCUF), America’s Credit Union Museum, and Credit Union House.

One thing Hollen is adamant about, however: “We do not seek to duplicate the services the Leagues provide. They do a good job of advocacy and we try to complement that.”

Meanwhile, the company throws its full weight into philanthropic efforts for the Children’s Miracle Network. The innovative Miracle Match program has already contributed \$1 million to the program (as of June) and spurred 15 new fundraising events among credit unions across the country—many of them in California and Nevada.

In that spirit of support, Hollen says CO-OP continues to look for additional services that will assist the work credit unions do to serve their members.

“I think we’ll continue to grow and evolve,” he says. “We have strong resources;

we’re strong financially; and if an acquisition opportunity occurs that makes sense for CO-OP and credit unions, we have the resources to do it. CO-OP will be there as the primary provider of convenience and access for credit union members.”

Back to Basics



The poor economy and operational losses and costs associated with the corporate credit union conservatorships have prompted CUDL CEO Tony Boutelle to implement a “back-to-basics” strategy.

Auto lending has always been credit unions’ bread and butter. “We’ve tried to help credit unions put their focus back on auto lending, which has some of the best margins of all loan products” Boutelle says. “We’re trying to help credit unions with products and services that will enable them to earn their way back from huge losses and what has been one of the most challenging years I’ve ever seen.”

Executive Vice President Jerry Neemann says CUDL anticipated the market changes and took great strides to implement products that would assist credit unions with today’s challenges.

“We recognized even before the market started to turn that we needed to offer solutions narrowly focused on credit unions and their members,” he says. The result is a member-direct, point-of-sale capture process with several features that allow credit



CUDL
CEO Tony Boutelle



CUDL Executive Vice
President Jerry Neemann

unions to increase the loan income they will need to survive and move forward.

It's a departure from CUDL's reputation as solely an indirect lending CUSO—something Boutelle and Neemann hope more credit unions will come to understand.

Much More than Selling Cars

Mortgages weren't the only bills that stopped getting paid when the economy tanked. CUDL anticipated the increase in car repossessions with a product that has brought many credit unions success.

"There's no question re-marketing is up," Neemann says. "When you're in an economy like this, it becomes a situation of how well prepared credit unions are to deal with it." CUDL enhanced its strategic alliance with GE and Manheim to offer a best-of-breed remarketing solution for asset disposition.

"Our credit unions have jumped on that solution and had tremendous results with increasing their amount of return," says Neemann.

And to help credit unions combat future losses and follow best practices in the auto lending arena, CUDL acquired Blue Oaks Analytics risk management software.

"Whether it's remarketing, risk management, or best practices, we continually spend a lot of time trying to assess current market positions," Neemann says.

"Given the current environment, the focus on risk management is higher than it's ever been," adds Boutelle. "The acquisition of Blue Oaks Analytics is very timely for credit unions because it allows them to use risk management tools that most large banks use."

But CUDL isn't stopping there. The company has already partnered with CU Student Choice to handle loan processing for more than 5,000 student loans each semester. And they continue to improve standalone products, such as the AutoSMART website, which allows consumers to search for new and used vehicles.

"We've really become a lending technology company," Boutelle says. "What you'll see going forward are more and more lending products that help credit

unions make loans on a direct lending basis and across other lending categories."

Coming Full Circle

Boutelle has been with CUDL since its inception as a small offshoot of the League and The Golden 1 Credit Union. The company initially served only California credit unions, but as it began to grow, the decision was made to take CUDL national. Boutelle admits the company's standing today would be vastly different had it remained a California-focused organization.

"Going national wasn't always an easy thing to agree on," he concedes. "But we would be very challenged to operate at our current level if we were not a national company. There's something to say about diversification when it comes to businesses like ours."

Neemann says California and Nevada credit unions have benefited from CUDL's decision and a continued relationship with the League. "The additional service offerings, capabilities, and price points available to California and Nevada credit unions would not have been possible without nationalizing."

CUDL maintains a solid relationship with the Leagues through its support of legislative and regulatory advocacy efforts. "When something happens to credit unions, it happens to us," says Neemann. "That is one of our greatest challenges." The other great challenge is to increase awareness about CUDL's brand and scope in this new financial marketplace.

"We've come full circle," says Boutelle. "When CUDL started, we knew 90 percent of financing was done at the dealership and we were focused on trying to capture members and sign up new members at the dealership.

"Now we're seeing a change back to a direct member contact," he adds. "We're giving credit unions the tools to capture their members at the point of sale and work with the dealers to do that in a positive way. Because what hasn't changed is that 90 percent of all new cars are financed at the dealership, and credit unions will lose those members if they are not represented there."

A Commitment to Succeed



CUNA Mutual Group CEO Jeff Post says the credit crisis that put credit

unions in the middle of the "economic storm" naturally affected his company as well. "CUNA Mutual stands right next to credit unions, so we, too, have been affected," he says. "We have seen an increase in claims related to default insurance products and declines in revenues connected to lending."

But throughout the economic crisis, the company has taken action to remain financially strong and to continue to support credit unions in California and Nevada, and across the nation. It began with Post's decision earlier this year to hire Bob Trunzo as Chief Operating Officer to oversee CUNA Mutual's credit union product and sales divisions.

"Under his leadership, we have revitalized our credit union strategy and we are improving our focus on what we do best in serving credit unions," says Post. Already this year, the company has developed new products for credit unions, including its new Medicare solutions product through MemberCONNECT; and partnered with other companies, like State National for collateral protection insurance, to strengthen the products it delivers to credit unions.

Adapting to the changing marketplace has been a priority for Post since he



CUNA Mutual Group
CEO Jeff Post

joined the company nearly five years ago. “We launched a comprehensive three-year transformation in 2006 to improve every aspect of CUNA Mutual—a transformation necessitated by the changing credit union marketplace,” he says. “Our transformation has helped improve our performance in the credit union market and position us to diversify and grow in new ways.”

For example, this year the company acquired CPI Qualified Benefit Consultants, Inc., a 450-employee retirement services company that serves the small-business market, which complemented CUNA Mutual’s retirement services business. In addition, CUNA Mutual acquired ProAg, a 390-employee crop insurer, after originally partnering with the company three years ago, and has since helped it become the fastest-growing crop insurer in the country.

“As we diversify, our focus on credit unions is stronger than ever,” Post says. “In fact, as our company’s overall financial strength grows, so does our ability to support the credit union market.”

Mutual Support

“I have learned a great deal about partnership in my five years at CUNA Mutual, through our work with CUNA and with the credit union leagues,” Post says. “We are actively engaged in advocacy efforts—Reg Z, UBIT, and consumer legislation are the most recent examples where we have worked closely with CUNA on the behalf of credit unions.”

In addition, the company worked at the state level in support of the California League’s efforts in recent years to pass stronger data security legislation.

“I learned early on in my career at CUNA Mutual—when there’s a credit union fight, CUNA Mutual is there,” says Post. “Advocating for credit unions is part of our ‘TRUE’ commitment to credit unions—a commitment that is part of our past, our present, and our future.”

The company remains concerned about pending consumer legislation that would call for credit insurance and mortgage insurance to be regulated as

consumer products, but Post is confident of his government affairs team and his employees’ commitment to grassroots initiatives.

Evolving with Passion

When asked what he thinks CUNA Mutual will look like in the near and far future, Post chuckles. “Tell me what the credit union market will look like in the future,” he says, “and I can tell you what CUNA Mutual will look like!

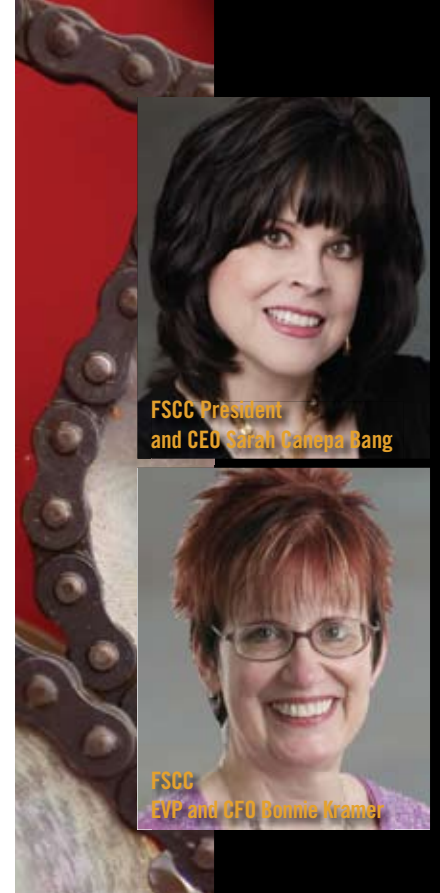
“We were founded by pioneers of the credit union movement nearly 75 years ago. Those credit union leaders deemed insurance to be as important as savings and credit to members,” he says. “Over the years, the needs and priorities of credit unions have changed—and CUNA Mutual has evolved with those changes.”

Post says the products and structure of the organization may evolve, but the focus on credit union success, advocacy for credit union issues, and the company’s values of integrity, collaboration, focus, innovation, courage and passion will remain steadfast.

“Our products and our structure may change in the future. And we will continue to diversify, because diversification is absolutely in the best interests of our 500,000 policyholders and the credit unions we serve,” he says. “But our commitment to and support of credit unions will continue.”

Post believes there may be more economic troubles ahead for credit unions, despite recent glimmers that the “official” recession has come to an end. But he also believes in the old adage: “what doesn’t kill you makes you stronger.”

“CUNA Mutual will emerge from this economic crisis as a stronger, more focused, and more resolute company—a company with a clear strategy for serving credit unions,” he says. “I believe there are opportunities for many credit unions—credit unions that have earned the trust of those they serve and can leverage that trust to grow membership and product penetration. To capitalize on these opportunities requires hard work, careful planning and preparation, and a commitment to succeed.”



Small, But Mighty



FSCC President and CEO Sarah Canepa Bang says the challenges credit unions

faced during the previous year brought the value of her CUSO into focus. “You need more cooperation when resources are scarce,” she explains. “Well, FSCC is all about cooperation.”

The company has attained growth recently via the increase in branch closures and credit union mergers, which Bang says is not the way they would like to grow. But she is pleased more credit unions have come to realize the benefit they receive as member-owners of FSCC. “The challenges of this year made us take a hard look at how we could help our credit unions in the short term,” she says.

The network support team works around the clock with merging credit unions, specifically where one is an FSCC member and the other is not. EVP and CFO Bonnie Kramer says the team ensures a smooth transition by supporting credit union staff and alerting members about how to access their funds.

Additionally, CUs merging with a credit union on the FSCC switch have the luxury of an unhurried conversion to a new data processor. “The merged credit union can continue to run on old data processing and do a shared branch transaction until they’re ready to convert,” explains Bang. “Mistakes happen when you have to move fast, and this gives them a lot of breathing room.”

Foresight and Preparation

FSCC’s focus on immediate help for struggling credit unions is effectively bolstered by the direction it took several years ago. “We adapted to this changing marketplace years ago, when we took financial services to retail locations—not ATM services, but full financial services,” Bang says.

“Ask credit union members if they think their branches are convenient and 80 percent will say no,” she explains. “We adapted to that by pushing shared branching out to retail and automating it. Of course, that was a gutsy move, but one that is paying off now.”

Especially, she notes, in California where branches have closed, but members still have hundreds of close-by 7-Eleven Vcom Terminals to service all their branching needs. “Our credit unions can tell their members they have a branch a mile away that stays open 24-7,” she says.

The FSCC Call Center was introduced in 2003 as another service for FSCC members that complements the company’s other business continuity efforts and assists credit unions that are looking for ways to operate more efficiently.

“We’ve seen a real increase in usage since last fall by credit unions that can’t afford their own call centers,” Bang says. “Credit unions that weren’t big users of FSCC then, are now because of the economy. It’s a wonderful opportunity for our credit unions.”

And Kramer points out that the call center is good for more than cost-efficiencies: it is a key aspect of the company’s commitment to credit union assistance during an interruption of service—whether it is within the credit union itself, or due to a full-scale regional disaster.

“We’ve had six years of experience with our call center so that now in these

challenging and sometimes emergent times, there’s a tested solution for credit unions,” Bang says. “That’s the true measure of preparedness.”

Up Next

Bang says FSCC will continue to research how it can help credit unions leverage their investment in FSCC. As an example, the company is exploring peer-to-peer payment technology through Facebook as something that might be of interest in the future. “We’ve got this huge connection that we can plug into any network out there,” she says. “Now all we have to do is decide what our credit unions are working on that they’d like us to work on for them.”

In addition, Bang urges credit unions to share their payment system projects and technology ideas if they are struggling to get them off the ground. “If a credit union is trying to develop a project, and it’s too expensive or too massive, or they don’t have the resources, they should give us a call,” she says. “If it’s good for one or two credit unions, it’s probably good for all of them and it’s easy for FSCC to connect in.”

“We can deploy new products quickly because we have the technology and we have a remarkable team,” adds Kramer. “When we all come together, everyone works 200 percent to get the job done. We are lean and mean—we don’t have a lot of people, but we’re able to do it because it’s automated.”

Bang says the staff’s commitment to its members comes from roots within the industry. “We feel great accomplishment on behalf of the credit union movement when we roll out a product or get through a crisis,” she says. “I don’t know any of our staff who thinks this is a job, and part of that is our relationship with the League.”

Bang and Kramer are eager to articulate the benefits FSCC enjoys as a result of the League relationship. “We get to stay close to the movement, not through our business, but through the heart and soul of credit unions,” Bang explains. “We’re not just listening to our own credit unions; we’re listening to all of them. “Maybe it’s because we’re credit union-owned, but we all feel that we’re credit union people and not vendors,” she adds. “The League has

helped us feel like partners and that makes us want to do more and better for you.”

Regaining Trust



When he took the helm of WesCorp upon its conservatorship, it didn’t take long for CEO Philip Perkins to understand an important fact: the industry still needs the corporate credit union. What’s more, he is surprised and delighted that many credit unions concur.

“I have been very heartened by the response and willingness of people to consider a future relationship with WesCorp,” says Perkins, a former fixed-income portfolio manager. “There still continues to be anger and disappointment, and that’s not going to go away quickly. But many credit unions seem to be capable of holding that in their heads while understanding it still makes sense for the relationship.”

While he will not discuss the National Credit Union Administration’s (NCUA) plans for restructuring the corporate system, or address the opinions of the credit union trade associations for what should be done, Perkins is happy to share WesCorp’s efforts to adapt to the changing marketplace and address the needs of its member CUs.

At the top of that list is the focus on liquidity maintenance. “We have to be prepared to provide liquidity to our members if things get worse; or conversely, if the economy gets better and people don’t want their money sitting at 25 basis points,” explains Perkins. “Institutions like WesCorp face the least liquidity pressures if things bump along. We obviously don’t know which of those is going to occur, so our soundness strategy is to maintain plenty of liquidity.”

Hinging on Employment

While Perkins can’t predict future economic events, he says credit unions will likely experience a lag effect from problem loans for a year or two more.

“If you were to look at a pool of real estate loans three years ago, you would probably find—depending on the type

of underwriting (not credit unions')—a number of weak loans that were likely to fail with the slightest economic tremor," he explains. "Well, what we've experienced was not a tremor—it was a full earthquake."

Perkins says those loans were the first to go bad, and many of them have since been worked out of the system or are in the process of being modified. The loans that remain continue to get paid—as long as the homeowners keep their jobs.

"Is the worst over? It's really a question of what happens with employment," he says. "Employment has shown signs of stabilizing in terms of job losses, but that doesn't mean firms are hiring en masse ... the worst is over for many of the observable market phenomenon: listed markets, stocks, credit spreads, and other things that we read about and see on CNN. But I think there's still considerable risk of further losses even if home prices stabilize."

A Second Look

To prepare for potential further losses and adjust to the new marketplace, Perkins says WesCorp is spending a great deal of time reviewing products and services to make them more cost-efficient.

"Maybe in years past you didn't bother with those types of changes because they weren't a big driver of earnings. All the money was being thrown off by the investment portfolio," he explains. "Now, we have a chance to go back and look at the things we might not have done because it wasn't going to be a big revenue earner, or technology or operations were cost prohibitive. But now, maybe we can deliver those products on a cost-effective basis."

The first of those changes came in early summer when WesCorp closed its item-processing branch locations and encouraged members to adopt image-processing. Perkins says the decision had its pros and cons, but was ultimately well-received by members because of the cost-efficiency it brought.

"Nobody likes to be dragged into the future, and I realize many credit unions don't have limitless resources," he says. "Of course we did this at a time when credit unions are under their own economic stress, but if we can provide products that

may save money for credit unions, that's the business we should be in."

Perkins says one clear goal is to provide products and services that allow smaller and medium-sized credit unions to "look, taste, and feel" like a larger financial institution. "I think that's critical to maintaining their unique role in the marketplace for consumer-based financial services," he says. "It's a marketplace that is becoming increasingly technology literate and value-oriented.

"Credit unions have a tremendous growth opportunity in this market because many people are fed up with the big banks," he adds. "Most of our members ironically find themselves with the problem of too many deposits. But there will come a day when their members will start to feel good about things again. When a credit union looks like it can provide all the things the big guys can provide, then we have given them an opportunity to maintain growth without the fear factor."

Perkins says he does not think there is an appetite for building levered, and potentially risky, portfolios in the future. "We have to focus on the other side of our business, and that is serving credit unions through our services," he says. "That really describes the evolution of WesCorp. We are currently capable and ready to manage the investments the new rules will permit, but cannot pin the future on just one source of revenue."

All in This Together

Perkins says WesCorp's new focus is aided by a wholly committed staff, the support of the Leagues and other system affiliates, and the philosophy that guides the organization.

"It's very refreshing to see people who work in this industry—from the most junior person to the most senior manager—really believe in what they do here," he says. "People believe WesCorp has a vital part in the credit union movement, and that glue really helps me do my job."

Aside from the relationship and support he receives from his employees, Perkins says he enjoys a wonderful working relationship with Leagues President and CEO Bill Cheney, along with the support of the other system affiliates—all of whom have helped him overcome the steep



learning curve of being new to the credit union industry. "We are absolutely all in this together, that is clearer to me than it's ever been," he says, noting the value he has discovered makes his job to keep WesCorp sustainable all the more important.

"I think a number of credit unions' operating philosophies are actually a sounder and better way of doing and providing financial services," he says. "Having spent most of my career in other parts of the financial industry, it's clear to all that such out-of-control behavior helped lead us to the economic damage we're now seeing. That's why I think it is so important to ensure that WesCorp survives. We have a lot to teach the rest of the financial industry—not how WesCorp does things, but how credit unions do things."

As such, Perkins says WesCorp's leadership is deeply committed to returning the institution to its members as soon as possible—provided there is something of value to return. He concedes that is his greatest challenge.

"Our members have to want us ... WesCorp really does provide a value proposition and an absolutely necessary service to hundreds of credit unions," he says. "What it means is we have to survive. We have to thrive. We have no choice. We are not an organization that can just go away without affecting many, many credit unions.

"But the days that any corporate assumes they're going to get business coming through the doors just because 'we're your corporate' are over," he adds. "We can't think that way. When I get asked the question, 'Why do we have to do business with WesCorp?' My answer is honest and direct: we're going to provide you what you need at a competitive price you are willing to pay. Everything we do is anchored around that strategy." 🌞