



The Seven Cooperative Principles and Credit Unions That Live Them

CUES Research Reports™

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Credit Union Executives Society (CUES)
5510 Research Park Drive
Madison, WI 53711
800.252.2664
cues@cues.org
cues.org

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INTRODUCTION

Credit unions are financial cooperatives. Written in 1844, The Rochdale Principles outlined fundamental concepts of cooperatives and the value of equality, equity and mutual self-help. These seven principles were developed in Rochdale, England by the Rochdale Society of Equitable Pioneers.

Many credit unions use the cooperative principles as strategic guideposts and communicate them to stakeholders as a strategic differentiator.

In 2012, cooperatives around the world celebrate the United-Nations-declared “International Year of Cooperatives.” CUES and the Center for Credit Union Board Excellence have developed this white paper to commemorate the event for our members.

Cooperative Principle 1.

VOLUNTARY MEMBERSHIP

Credit unions are voluntary, cooperative organizations serving people without discrimination. Many cooperatives operate as not-for-profit institutions with volunteer boards of directors.

\$16.1 billion Vancity Credit Union www.vancity.com
Vancouver, British Columbia
Paula Martin, Advisor to the CEO

Does Vancity Credit Union emphasize the cooperative principles in the credit union's mission and strategy?

Vancity is a financial cooperative and is guided by the cooperative principles and our own statement of values and commitments. In developing our 2012-2014 strategic plan, our board of directors identified three key dimensions of healthy communities that describe the successful future state of our vision, which we call “redefining wealth.” This vision calls on us to think differently about wealth, knowing that individuals can only truly prosper if they are surrounded by and connected to a vibrant, healthy community that is sustainable for the long term.

The board developed a guiding framework within which we built our plan to deliver on this vision. They described three key dimensions of a healthy community in this way:

1. Social justice and financial inclusion are enhanced.
2. Environmental sustainability is demonstrated.
3. Cooperative principles and practices are flourishing.

So cooperative principles are at the core of our strategic plan.

Voluntary membership is communicated through our overarching brand: “Make Good Money™.” <https://www.vancity.com/AboutUs/goodmoney/> We appeal to people's sense of wanting to belong to an organization that considers their own and their community's long-term health. People are demonstrating this sensibility more and more, making choices that align with their personal values—in this case about who they choose to bank with.

Mainstream, publicly traded banks focus on increasing short-term profits for the benefit of shareholders, who may have absolutely no relation to the bank's customers. The financial cooperative model doesn't differentiate—the owner is the member is the customer, one and the same. Because we are grounded in the local economy, we see the outcomes of the decisions we make every day.

One of the single biggest determinants of a community's future health is where capital is allocated today. So when people join Vancity, they can do even the simplest of banking transactions while contributing to long-term sustainability of the community. For example, member deposits fund member loans—and through funding those loans with their deposits our members are creating social and environmental health in their communities because we focus on supporting entrepreneurs and organizations that are working to create change across the social and environmental spectrum.

We believe that if we do the right things for our members, profitability and sustainable growth will come. We have been very deliberate in our strategy focused on “growth with impact.” Every business wants to grow; we want to grow while we ensure the health of people and their communities all at the same time.

In 2010, we began focusing on key areas of impact that contribute to a strong community. Our approach was to develop a “proof of concept,” essentially a pilot, for each of these areas to ensure we understood them deeply and that there was market scalability for them. We immediately found that two, affordable housing and social purpose real estate, had good growth potential and that we could support the entrepreneurs and organizations working in these areas to accelerate their impact across our communities.

We continue to look at other areas—environment and energy efficiency; resilient and social venture funds; local, natural and organic food; local economy; women entrepreneurs; and new immigrants—which represent both the opportunity we see in the local market as well as areas that we think will have positive impact on our communities.

Our intent is to deeply understand the needs of entrepreneurs and organizations working in these areas so we can support them in the best way through our products, services and advice.

Eighty percent of our members' deposits fund loans to other members in the same community. It's a story we reinforce through our marketing and communications. <https://www.vancity.com/MyCommunity/Impact/Stories/Map/>. Our Good Money™ brand reinforces the fact that members' money doesn't sit in a vault or a shoebox; it is at work helping others in the community improve where they live.

It's a very well-rounded story, one which we began to tell more widely in late 2011. It's not about us as Vancity. We aren't creating organic farms or developing green buildings or programs for new immigrants. We support the people who do those things, who are contributing to the health of our communities. We have started to see growth in our market. We believe we can bring people along to see that banking is not just a commodity. It can satisfy needs far beyond the financial. Not only can people choose a financial institution that does no harm, but they can choose one that does demonstrable good and is a profitable, thriving business.

Do you communicate the cooperative principles to stakeholders?

We do have quite a robust marketing and communications program and we use all the channels available to us. On a mass platform we use traditional streams: TV advertising, newspaper and print ads, out-of-home (billboard/transit shelters), and new media (including all forms of social media and Web channels). We also use media relations strategies to gain positive editorial coverage, extending our “Good Money” brand beyond advertising.

We have a fairly active social media group internally that helps us navigate new media channels. We use our online banking site, which has a secure message center so members can receive direct messaging through that center. We embed videos in all channels where we can. We are out quite a bit speaking in the public, both in the business and not-for-profit communities. There is always an opportunity to tell our story and our people are actively sought out to share it.

We have our annual general meeting which offers face-to-face opportunities for dialogue with our board, and we webcast the meeting to reach those who can't attend in person. We conduct stakeholder interviews with members for a variety of reporting purposes and believe we can do much more in terms of member engagement.

We also use different research methodologies, including an online member research panel, to communicate with members and solicit their feedback.

We also see our employees as important communication ambassadors. After all, more than 1,600 of them are talking to members every day. So our internal channels need to be as robust as the external. We hold quarterly meetings with about 200 managers, discussing strategy and results to date, and our communications system is built to encourage them to talk to their teams in the same way. We post information from these quarterly meetings on our intranet so employees can have the same sightlines into the business as board members and executives.

Vancity Credit Union's annual report is a fully-integrated accountability report. We're going into our third year where we report on financial, social and environmental outcomes in a fully-integrated manner. These indicators help us educate people about our business and how we fare against our targets.

Which stakeholders do you target to receive your message?

Our efforts are very much focused on members and employees, as well as suppliers and community partners. We work in conjunction with different levels of government on a variety of programs such as the City of Vancouver's "Greenest City" program. We have found that there is high demand to have Vancity at the table for a variety of reasons—our approach to sustainability and community engagement chief among them.

Vancity has a member-elected board of nine directors and a cooperative governance model. We have a significant opportunity every year through the election process to make sure our members have an understanding of the people they choose to represent them and why this model of governance is key to our success and their membership.

While there is a small and dedicated core membership who understand credit unions, there are many members who like our community approach but don't necessarily understand the credit union model or have a long history with it. So education is a continual exercise.

The Canadian Co-operative Association's annual Co-op Week is a good time for us to reinforce awareness about cooperative principles. Co-op Week is especially significant in 2012 with the International Summit of Cooperatives in Québec City in October as a focal point. We do take advantage of cooperative movement opportunities, both by hosting cooperatives at Vancity so they can take a look at our business and by extending our reach into other communities, sometimes international in nature, that are using the co-op model. It feels like there is always more to do and member (and public) education is an ongoing process.

How does your credit union emphasize voluntary and inclusive membership?

We use many different methods to emphasize the cooperative difference. Here are just a few:

- We incorporate language into our new account opening processes/materials and staff receive specific training on helping new members understand what is different about this financial cooperative.
- New employee education and orientation includes specific education about cooperatives and how this differentiates us.
- The Bologna Program: Each year we send a number of staff to Bologna, Italy (in the Emilia Romagna region), to learn about the successful cooperative culture that is pervasive in this region.
- Cooperative education: Each year we send several employees to the Saint Mary's University master's program in cooperative management in Halifax, Nova Scotia.
- Annual election: Through all phases of our annual directors' election, we emphasize the members' opportunity to choose their representatives as a fundamental right of being part of a financial cooperative.
- Shared success: We return 30 percent of our net earnings each year to our members directly and to our communities through grants.

What role does the board of directors play in formulating and carrying out the strategy?

The board has a key role in embodying cooperative values and ensuring they are resident in the strategy we create and the plans we execute. Because they are from the community they bring a direct sensibility about the community into the boardroom. Directors have a significant role in that oversight, one that requires an ongoing robust dialogue between the executive and the board.

What role does the staff play?

Staff has to clearly understand the plan and deliver against it, making sure we are responding to feedback from members. As the face of Vancity, employees help members feel the difference of belonging to a cooperative in tangible ways each day and they directly convey our values through their work with members.

How do you measure the impact of voluntary and inclusive membership?

It's about our results and how we measure them.

We have established a broad set of measures; seven metrics by which we assess our success. They fall under three headings—impact, confidence and integrity. They emphasize that how we are doing business is as important as what we are doing:

IMPACT:

1. **Enhanced member well-being**—This is the percentage of our members who believe their relationship with Vancity has enhanced their well-being.
2. **Percentage of assets invested in impact**—the extent to which we are leveraging our assets in service of creating impact.

CONFIDENCE:

3. **Growth in active membership**—This measures the number of people who are compelled to join Vancity by our value proposition. It also includes existing members who are doing more of their business with us.
4. **Return on member equity**—This represents how well we are using the equity and capital that we have accumulated over time to generate earnings that enable growth, reinvestment and future impact.

INTEGRITY:

5. **Employee engagement**—Our annual employee engagement survey shows us how our staff—an important group of members—feels about our business and how we are living our values.
6. **No contradictions**—Every time a conflict is identified in our organization—where we say one thing but do another—we call it out, unpack it and fix it so there are no contradictions between what we say and what we do.
7. **Transparency**—This is demonstrated through accountability reporting. The report shows what we planned to do, how we did it and how we did against our targets. That report is externally audited, and we are always looking for a clean audit as a sign of our success and progress.

We also have a detailed set of management indicators that sit below these three overarching measures.

What advice would you have for leaders of other credit unions who wish to embark on emphasizing voluntary and inclusive membership and the cooperative principles?

Understanding the power of cooperatives and finding a way to communicate their benefits is key. Cooperative values are not just a checklist of things to do, but rather frame an approach to doing business, one that can be very attractive to people, especially those who are disenchanted with mainstream banks. We do not have a separate sustainability strategy as it is embedded in everything we do and is built into the foundation of our business strategy—so rather we have a sustainable business strategy. It is the same with cooperative values—they are built into the core, not an add-on. It is vital that the board and management continually ensure the organization lives its values—there's a hunger in society for businesses and organizations grounded in values, and an opportunity for credit unions to lead the way.

Cooperative Principle 2.

DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations owned and controlled by their members, one member one vote, with equal opportunity for participation in setting policies and making decisions.

Lielvarde Community Credit Union, Riga, Latvia
Brigita Baltaca, vice president and
board member of the Latvian Association of Cooperative Credit Unions,
and assistant professor in management at the BA School of Business & Finance

In the 1940s, the Soviets replaced Latvia's credit cooperatives with a centralized, state-run financial system. The article below—reprinted from *cumangement.org*—shows how the Latvian credit union movement and its democratically controlled model has re-emerged to meet member needs and serve as a vehicle for democracy.

Exploring Credit Unions Around the World: The CU movement in Latvia, Lithuania and Estonia

October 2011 – Vol: 34 No. 10

In celebration of International Credit Union Day, Oct. 20, *Credit Union Management* is focusing on credit union movements around the world. The first installment examines the industry in the Baltic countries of Latvia, Lithuania and Estonia.

In this Q&A, Brigita Baltaca, board member of the Latvian Association of Cooperative Credit Unions, vice president of Lielvarde Community Credit Union and assistant professor in management at the BA School of Business & Finance, Riga, Latvia, discusses her country's CU experience.

What is the history of the Baltic CU movement?

The Baltics, like in the rest of Europe and North America, experienced the classical history of credit cooperatives that started in the beginning of the 20th century. The history of the Baltic credit union movement dates back to the same and even earlier times than the American one and is based on the same principles of belief in the power of cooperation and self help.

Unfortunately, with the establishment of the Soviet regime in 1940s, this self-help movement in all three countries was destroyed.

After regaining independence—Lithuania in 1990, Latvia and Estonia in 1991—the Baltic states had to struggle to free themselves from state ownership and the centralized support system in all sectors of the economy. The existing financial and crediting system did not meet with the needs of the general public. It was necessary to have a type of financial institution that would be able to meet the interests of people with small incomes and possible deposits, thus really supporting the population to solve their personal financial matters. Due to the positive past historical experience, development of credit unions was considered as one of the most prospective possibilities to solve the problems mentioned above.

Describe the CU system today:

Today in Lithuania there are 66 credit unions joining over 75,000 residents, including farmers, workers, students, medical staff, and members of religious and public organizations. The total number of assets of the CU system there is \$520 million U.S. dollars.

Latvia has experience in organizing credit unions for employees of big enterprises as well as for residents of rural communities since 1995. Currently there are 34 credit unions in Latvia, ranging from 90 to 12,200 members and \$10,000 USD to \$9 million USD in assets. The system has a total of \$22 million in assets.

There are 22 credit cooperatives in Estonia, including nine credit unions that are mostly rural community-based institutions. They account for less than 1 percent of the financial market and serve approximately 2,700 members in total. They range in size from a 52-member financial institution to one with 569 members. Total CU assets in Estonia are \$16 million.

Why are credit unions important in Latvia, Estonia and Lithuania?

Development of cooperative savings and credit organizations is essential in our countries because it also serves as a vehicle for democracy and participation in the local community for thousands of people who have become socially passive through the breakdown of the old system.

Credit unions actively promote education of their members and employees, along with the general public, in the economic, social, democratic and mutual self-help principles. As member-owned, not-for-profit cooperative financial institutions, operated democratically by members, credit unions have proved to be “agents of change” in a society on its way to becoming a civic society.

The case of credit unions in Latvia has proved that education and training of credit union members results in the active involvement of residents in social and economic activities of their community. As credit unions were generally started by people who did not have previous experience in organizing financial institutions, credit union supporters had to actively promote the education of groups of people who wanted to start, together with the general public, in economic, social, democratic, and mutual self-help principles. Credit unions, reasonably promoted and fostered, potentially could play an important role in Latvian society by helping low-income people to organize access to necessary financial services.

What are the opportunities and positives for your credit unions right now?

Latvian credit unions have raised people's self-confidence and belief in their own abilities. Rural credit unions foster participation of their members in the local economy, not only by pooling their financial resources but also by investing their time and skills, thus creating considerable social capital. Just working on establishing a credit union energizes people and makes them believe in themselves.

It is also a tremendous investment in democracy-building: Debates, voting, decision-making all take place in a collegial atmosphere, where people learn new social skills. Therefore the role of credit unions in the development of communities should be judged not so much by such quantifiable measures as assets and membership, but the opportunity they provide for people to become engaged in the development of their communities.

What are the challenges?

Contemporary technologies offer small credit unions an opportunity to compete with the big commercial banks through smart and creative use of technology. The particular challenge for the movement in Latvia is the imbalance in the distribution of urban and rural credit unions.

Currently our credit unions are facing similar challenges to our U.S. counterparts as the external economic environment continues to make life very difficult for many credit union members.

How did you get involved in credit unions?

At the end of 1994, the World Council of Credit Unions, with the financial support of the United States Agency for International Development, started its technical aid project in Latvia, focusing on both credit union development and the creation of an enabling environment for the implementation, growth and sustainability of financial cooperatives. I had this wonderful opportunity to be a member of the project team and thus to participate in the establishment of most of the currently operating credit unions of Latvia.

What are your hopes for the future of credit unions?

My hope is for credit unions to become the primary provider of retail banking services to the citizens and communities of Latvia.

Cooperative Principle 3.

MEMBERS' ECONOMIC PARTICIPATION

Members are the owners. They contribute to and democratically control the capital of the cooperative. This benefits the members in proportion to the transactions with the cooperative rather than on the capital invested. Credit union members recognize benefits in proportion to the extent of their financial transactions and general usage.

\$307 million ASI Federal Credit Union www.asifcu.org

Harahan, La.

**Sarah Taylor, senior vice president and
executive director of ASII, ASI FCU's nonprofit affiliate**

Does ASI FCU emphasize the cooperative principles in the credit union's mission and strategy?

Our strategy emphasizes economic empowerment and financial justice. In every detail of our operations, we strive to put our members' interests first; it is our commitment as a member-owned cooperative. Since the earliest days of ASI FCU's inception when a few shipyard members pooled their savings to vote on the first loan recipient of the credit club, cooperative principles have been the foundation for ASI FCU's vision.

Do you communicate the cooperative principles to stakeholders?

Yes, a big selling point of our institution that we communicate to members and staff is the concept of "one voice, one vote" for each member. In an era when many average working Americans are increasingly fed up with Wall Street, the cooperative principles of credit unions strike a chord with many people looking for increased accountability in banking.

What methods do you use to communicate the principles?

Education to members about ASI FCU's cooperative mission and structure is part of the account opening process. We also pitch our cooperative structure to new employees and potential employees as a selling point for joining our team. ASI FCU's CEO always makes it a point to stress to our employees that ASI FCU is a member-owned, not-for-profit cooperative, and that our front-line staff members represent our most important resource, as they are in direct contact with our member-owners on a daily basis.

How does your credit union emphasize members' economic participation?

We strive to move people up through the cycle of credit. Much of our work hinges on creating pathways out of poverty. Traditionally in New Orleans, micro-enterprise is one of the few ways families are able to escape generational poverty.

We seek market gaps intentionally and are very deliberate in our attempts to craft strategies and products that address those gaps. For instance, we have a micro-enterprise loan which is layered with financial literacy. No collateral is required, and there is no minimum credit score to qualify. This is just one example of ASI FCU trying to make its products inclusive to those who have been traditionally left behind by mainstream financial institutions.

Survey data leads us to conclude that approximately one in 10 ASI FCU members was previously unbanked. We work hard to provide dignity to all members, and to create opportunities for economic empowerment and financial mobility.

Last year, we revamped our checking account products to ensure that any person, regardless of credit history, can now qualify for one of our products. Our checkless checking account product provides a means (an ATM card) for members with blemished or no credit to establish or repair credit in order to move to a more traditional product. We live in one of the least regulated states in the union, when it comes to usury, and it is estimated that as many as one in five of our members has relied on predatory payday lending at some point.

Over the years, we have designed a whole stream of products to help move people through the credit cycle, beginning with a \$200 STRETCH Plan starter loan, which is not credit based. With a solid repayment history, members can qualify for a \$500 loan, then up to \$3,000, then a traditional signature loan. Each ladder rung of our program offers a progressively lower interest rate to reward members for positive payment history.

What role does the board of directors play in formulating and carrying out the strategy?

Our board of directors is visionary and strategic. They understand the needs of our community because they mirror our community. As a Community Development Financial Institution and low-income designated credit union, we take accountability and board representation very seriously at ASI FCU. Almost all our board members are representatives of ASI FCU's Low Income Targeted Population or its Other Targeted Population, terms defined by the U.S. Department of Treasury-CDFI Fund and relating to the percentages of a credit union's membership that include minority and low-income borrowers, respectively. The board helps ASI FCU's management team establish goals and they consistently monitor our effectiveness at aligning strategy and practice with mission.

What role does the staff play?

Our most important asset is our staff. Staff members are responsible for product innovations, communicating feedback from the front line that can shape product development and pricing decisions, and, in general, building loyalty to the cooperative principles under which we were established through member relationships.

How do you measure the impact of members' economic participation?

We track shifts in member income over time, and we also employ survey data methodology to measure members' perceptions about ASI FCU and its service offerings. For instance, third-party survey data shows that ASI FCU has a 97 percent member satisfaction rating and that 91 percent of members agree that ASI FCU is doing a good job of providing education on financial issues (our nonprofit affiliate, ASII, functions as a financial literacy arm of the credit union). Data reflects that one in five of our members used payday lender loans prior to joining ASI FCU and that 31 percent of our members have household incomes under \$20,000.

This data shapes product design and service delivery because we know that a large segment of our member-owners would be limited in their economic participation if we designed products that were too costly or too restrictive in underwriting criteria. Thus, we have developed a cycle of “step-up” products, so a borrower can qualify for a basic product and “graduate” on to the next product, culminating with a traditional product. Using product features like a frozen savings account component (for a loan) to promote asset building, or required financial literacy classes (for a payday lender rebuilder loan), we try to change financial patterns that might be detrimental to our members' financial health.

What advice would you have for leaders of other credit unions that wish to embark on emphasizing members' economic participation?

There are economically marginalized families and business owners living in every community. The first step in emphasizing members' economic participation is to really ensure that your service and service delivery speaks to your mission. There must be alignment.

Capturing survey data related to members' demographics and the rates at which they are approved for your service offerings is also invaluable data. From survey data, we learned that a disproportionate number of our members experienced difficulty in qualifying for our checking accounts a few years ago. We pulled staff members together representing every area of the credit union's operations to discuss how to make our products more inclusive, and we have added almost 5,000 new checking accounts over the last year.

Members are usually delighted to give feedback; it makes them feel valued and it is important to let members know their opinions count. Surveys capture the reality of the member experience and we can make increasingly good data-driven decisions about how to improve service and service delivery. We have used survey data to help make decisions about new branch locations, extended hours of service, checking account product development and more. Knowing that 47 percent of our members prefer to do business in person really helps us understand and identify how we should build product awareness messaging.

Cooperative Principle 4.

AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the member and maintains the cooperative autonomy.

**\$15 million Community Plus Federal Credit Union www.cplusfcu.org
Rantoul, Ill.
CUES member Michael Daugherty, president/CEO**

Does Community Plus CU emphasize the cooperative principles in the credit union's mission and strategy?

If you were to ask us what our mission is, it is to improve our members' financial lives. How we do it to a large degree is determined by the legal structure of the credit union. I seriously doubt if anybody here has looked at the list of seven cooperative principles, but having said that, all of the seven principles go to the core of what we are and how we do it. To a large degree they are the fundamental building blocks of the credit union movement in this country. Someone else did the heavy lifting in the 1930s and 1940s to organize the credit unions in this country. We inherited that structure from them, so we are able to focus more narrowly on improving our members' financial lives.

Do you communicate the cooperative principles to stakeholders?

We focus a lot on the education aspect, educating members to improve their financial lives. That's the message we get out to our membership. When we're meeting with elected officials or even when we are networking with other credit unions, that's a lot of what we talk about.

The other thing I noted was cooperation with other cooperatives. We are very involved with other credit unions. One of our staff people is the youth involvement leader for our local chapter. Each chapter has a leader, and our employee volunteered. She's served as a state officer, too.

We use our website and newsletters to communicate, and we work a lot with other non-profits that are trying to improve their clients or members. So, for example, we work with a faith-based homeless transition program. One of the group's requirements for participants is financial education, learning how to budget, have a checkbook, etc. So our credit union's staff teaches those classes.

We first started working with other non-profits five or six years ago. Probably the biggest challenge we had was helping non-profit organizations understand what we do. We don't have money to give them; we want to help them educate. It took a few years of plugging away and developing a reputation among the community that we are a resource. Now we find they are contacting us. It was a lot of trust-building.

The credit union has received a lot of positive impressions. There have been articles in the local media and national credit union press. We make it a point to interact with elected officials so they know who we are and know the credit union issues.

How does your credit union emphasize autonomy and independence?

To take our efforts to the next level, we applied for a capital infusion from the U.S. Treasury Department's Community Development Capital Initiative. Since we are heavily regulated by the National Credit Union Administration, we were used to operating in an environment with federal oversight. We really didn't give up any autonomy by working with the Treasury Department; we are just providing them with much of the same information as the NCUA in a different form. So it hasn't been a big impact on us.

The National Federation of Community Development Credit Unions assisted us with the application to become a Community Development Credit Union and for the application for secondary capital through the CDCI.

What role does the board of directors play in formulating and carrying out the strategy?

Becoming a CDCU is something we started discussing in planning sessions years earlier. We had taken a look at ourselves. We didn't originally set out to become a low income credit union or a CDCU, but because of changing demographics in our community when the military base closed, that is what we had become. So having become that, what should we do? When former NCUA Board Member Rodney Hood spoke at a conference in Illinois, he talked about what a low income designation could mean. That spurred us on.

In our annual strategic planning session, we had been discussing it. The board very much wanted to pursue it and understood the value. Our directors understood the value of using consultants like the experts at NFCDCU in the planning process.

What role does the staff play?

We did apply and received the designation. I'd read about the CDCI offered through the Treasury Department. There was a very short application deadline—just a few months. We jumped and got it all done. We were approved for the funding.

My role was implementing the strategy, filling out the forms and applications.

How do you measure the impact of autonomy and independence?

We very clearly were able to roll those additional funds out. Secondary capital has two benefits: Capital means we get money in and can loan it out. Since it counts as secondary capital, we can take in additional deposits without adversely impacting our capital ratios. We were successful because we did both.

The Treasury Department gets our quarterly call reports and annual reports. There are also Uses of Funds Reports and certification that we continue to meet the requirements.

As an example, we were required to adopt certain compensation policies. I would not receive a bonus. The board would have a compensation committee. We needed to certify that we have done that. For institutions like ours, the Treasury waives requirement for a formal compensation committee and allows our board to be a committee of the whole. This needs to be done annually as a stipulation of secondary capital.

What advice would you have for leaders of other credit unions who wish to embark on emphasizing autonomy and independence (through designation as a CDCU) and the cooperative principles?

First and foremost, get help from someone like the NFCDCU, which has experience with the complicated process.

The leaders need to ask the question, “Does this align with our strategy?” If you’re not really committed to community development, this is not a good fit for you. The leaders need to be committed that the credit union is more than just a place where people can get a checking account with good fees or a car loan. Those are just by-products of what we are doing.

Bottom line, that better deal on a car loan gives our member the opportunity to have a regular job. It improves their financial lives, not just giving them the means to a shiny new car.

Cooperative Principle 5.

EDUCATION, TRAINING AND INFORMATION

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of the cooperative.

Credit unions place particular importance on educational opportunities for their volunteer directors, and financial education for their members and the public, especially the nation's youth. Credit unions also recognize the importance of ensuring the general public and policy makers are informed about the nature, structure and benefits of cooperatives.

\$116 million Latino Community Credit Union <http://www.latinoccu.org/en>

Durham, N.C.

Erika Bell, VP/strategy and services

Does Latino Community CU emphasize the cooperative principles in the credit union's mission and strategy?

Yes, the cooperative principles are an integral part of our mission and strategy. Latino Credit Union's vision is "Economic opportunity for all" through our mission, which is to "provide ethical financial services and education to empower communities." Founded in 2000 as a grassroots response to a wave of robberies and muggings of Latino immigrants in Durham, N.C., LCCU has become a national model for credit unions and community development financial institutions seeking to serve unbanked, immigrant communities. The majority of LCCU's members are low-income and had never had an account with a financial institution when they first joined the credit union. By focusing on providing bilingual, bicultural, affordable financial services to its members, LCCU has become the fourth largest community development credit union in membership throughout the United States.

LCCU offers a full range of accessible financial products and services, including affordable credit options, specifically designed to meet the needs of immigrant Latinos and low-income populations, who are typically marginalized from the U.S. financial system and, thus, pay higher fees for fringe financial products and have fewer opportunities to build wealth for the future. Due to the high percentage of previously unbanked members, financial literacy is a key component to the success of the credit union. We offer a multifaceted program targeted to newcomers, including free workshops, counseling, materials, entertaining and educational videos, as well as online resources.

Do you communicate the cooperative principles to stakeholders?

Yes, we regularly communicate our mission, vision, principles and values to members, volunteers, staff, community, media and elected officials, plus other partners, non-profit organizations, churches, employers and schools.

LCCU provides extensive orientation to our staff and volunteers about our history, mission and values to ensure they understand how to communicate to our members and external partners. We reinforce these messages in employee communications and meetings.

We communicate our principles to members primarily through our staff as well as in the monthly statement inserts, on our website, and in the branches with materials and videos displayed on our educational screens.

Staff creates and fosters key partnerships with fellow non-profits, churches, employers, schools, real estate agents and the media to promote awareness about our mission and increase our visibility.

We take advantage of key events, such as branch openings, to invite elected officials as featured speakers and educate them about our mission and impact.

How does your credit union emphasize education, training and information?

LCCU educates and informs its staff, members, partners, media and other key stakeholders about the benefits the cooperative model has for members and the community at large.

LCCU educates members every day in the branch through the expertise of the staff as well as targeted materials and entertaining videos displayed on our educational screens, which include financial literacy topics as well as general information about the mission and cooperative philosophy of the credit union. LCCU partners with Latino Community Development Center, a fellow non-profit dedicated to economic development and financial education for Hispanics, to provide a comprehensive financial education program including a series of free financial literacy workshops in each of our branches three times per year to members as well as the community at large.

What role does the board of directors play in formulating and carrying out the strategy?

Together with the CEO, board members set the vision, strategy and short- and long-range planning objectives that reflect the cooperative philosophy and primary interest of the membership at the forefront. LCCU's board members are effective in promoting LCCU's mission and philosophy within their own networks. They attend conferences and connect staff with key contacts to promote the credit union's mission.

What role does the staff play?

The CEO and staff, together with the board of directors, set the vision, strategy and policy and then implement those strategies with the goal of maximizing benefit for the members and ensuring the safety and soundness of the organization. Staff members also attend conferences to share LCCU's expertise in providing financial services and education to the underserved.

In the past two years, LCCU staff developed a pilot program that allows active members to volunteer on an advisory board that provides a vital communication link between the membership, the credit union staff and the board of directors. They meet regularly to discuss local branch issues or problems and to make recommendations regarding new services or changes in existing services, policies or procedures, and serve as a means of support for the local branch manager. We are in the process of evaluating the results of the initiative and making program improvements.

LCCU also empowers other active members, such as financial education graduates, with information about LCCU's history, mission and cooperative philosophy so they can act as peer educators, bringing information to their friends, family and other community members.

How do you measure the impact of education, training and information?

We believe our success in membership growth—we grew to over 54,000 members during our first 10 years—is due to the extra time staff takes to educate and inform new members about the U.S. financial system. This creates loyal members who promote the credit union through word of mouth; we do not do any paid advertising.

LCCU also attributes its focus on education and information, along with responsible, accessible and affordable loan products, to our successful lending program. Despite a crisis in the mortgage market, LCCU has maintained its mortgage production with a lower than average delinquency rate, compared to peers. As of March 31, 2012, our mortgage delinquency (60+ days) was 2.8 percent compared to 3.2 percent for our peers, community development credit unions (serving low-income populations).

LCCU's award-winning financial education program has had a significant impact on the lives of our participants. In the past year, we began measuring outcomes of the free financial literacy workshop program and found that participants are more likely to save more and manage their money more effectively (fewer non-sufficient funds fees) than a control group of non-participants. We plan to continue measuring impact to determine if participation has a positive effect on the use of credit and goal attainment, such as homeownership. The evaluation program is fairly new (two cohorts so far), but the preliminary data shows there are increases in savings for participants vs. non-participants as well as better management of accounts.

Beyond the positive effects on individual members, the presence of LCCU branches has had a measurable positive impact on our communities. A recent study undertaken by the University of Virginia's Darden School of Business found that the establishment of LCCU branches contributed to a 4.2 percent decrease in crime in the counties in which they were established, as well as a 3.8 percent increase in property values. Not only has the credit union helped members to integrate into the U.S. financial mainstream, but LCCU has improved their safety as well as has enhanced community assets.

LCCU focuses on public relations, attending community events and conferences and creating relationships with local media to ensure the community is aware of the resources available through the credit union. During 2011, 40 English and 39 Spanish articles about LCCU were published (an average of nearly 6.5 articles per month).

Over the past 12 years, LCCU has won numerous local, state and national awards, including the first ever 2007 Wachovia Wells Fargo NEXT Award for CDFIs with exceptional track records and extraordinary potential; the 2010 Southern Growth Innovator Award from the Southern Growth Policies Board; the 2003 Herb Wegner Award for Outstanding Organization from the National Credit Union Foundation; the 2012 Credit Union Times Trailblazer Award for serving the underserved; as well as numerous state and national Dora Maxwell Awards for Social Responsibility, Louise Herring Awards for Philosophy in Action, and Desjardin Awards for financial literacy from the North Carolina Credit Union League and the Credit Union National Association.

What advice would you have for leaders of other credit unions who wish to embark on emphasizing education, training and information and the cooperative principles?

LCCU has found that it is important to invest resources in education and training for both staff and members to ensure they understand our cooperative structure and principles. Our most qualified employees, our branch managers, receive training on the financial literacy workshops and are compensated for their time facilitating the workshops.

Is there anything I should have asked but did not?

Since inception, LCCU has benefited from the support of many credit unions, especially \$24 billion State Employees' Credit Union, <https://www.ncsecu.org/> Raleigh, N.C., and \$568 million Self-Help Credit Union, <http://www.self-help.org/> Durham, N.C. As LCCU has grown in experience, assets and membership, staff has been living the cooperation among cooperatives principle, responding to requests for advice and technical assistance from other credit unions and organizations hoping to reach out to underserved communities across the U.S. and abroad. In 2011 alone, LCCU staff provided free assistance to 18 organizations from the U.S. and abroad, ranging from small non-profits across the country, to the World Bank and the President's Advisory Council on Financial Literacy, and academic institutions (Kinjogakuin University, Japan, and Yale University).

A key to providing effective education and information is to have employees who represent the community being served. LCCU's staff is fully bilingual and bicultural and, in fact, all employees are either immigrants themselves, or have lived internationally, so they are able to relate to members living in a new culture with a new language, and understand their needs. The majority of employees have never had experience in a financial institution, so LCCU provides intensive training to grow staff and leaders from within the community.

Cooperative Principle 6.

COOPERATION AMONG COOPERATIVES

Cooperatives serve members most effectively and strengthen the cooperative movement by working together.

\$573 million Rogue Federal Credit Union <https://www.roguefcu.org/>
Jeanne Pickens, VP/marketing

Does Rogue Federal Credit Union emphasize the cooperative principles in the credit union's mission and strategy?

YES! "Providing exceptional experiences that build mutually beneficial relationships" is Rogue FCU's mission statement. We live our mission every day through the service our staff provides to our members and community.

How?

The principle of cooperation among cooperatives is vital to the success of our local communities and the credit union industry. Rogue FCU and the four other local cooperatives in Southern Oregon have formed Rogue Co-ops. The Rogue Co-ops group meets regularly to collaborate and find ways we can help our local cooperatives succeed. Anytime we can pool resources for the greater good we do it! The unique coalition of cooperatives focuses on the concept of cooperatives putting people first, innovating to meet members' needs, and providing local service while being part of a global network.

Rogue FCU constantly focuses on living our vision through the member service we provide, and making sure the products and services we offer inspire and reward member participation. The more members participate with the credit union, the more they are rewarded. One way members are rewarded is by using their Rogue FCU Visa card at local merchants participating in our Living Local Discount Program. This is not only beneficial for the members, who save when doing business at participating merchants, but for the credit union through card usage, and for the local businesses to increase sales.

Rogue FCU's many partnerships with local organizations, including CU for Kids, Access, the United Way, and Rogue Co-ops, help bring awareness to the cooperative movement.

How do you communicate the cooperative principles to stakeholders?

Members, volunteers, staff, community, media, local and national officials are kept informed of the many activities and programs Rogue FCU supports and participates in.

Rogue FCU is active in communicating information to our members, via email, website, statement inserts, our Facebook page, and various donation/sponsorship campaigns. Rogue FCU also sends out various press releases to the media and local/national officials to inform them of our work and accomplishments. Rogue FCU has an internal website to help keep staff informed of events, news and activities. Rogue FCU also offers a broad range of information in its annual report, which is available for anyone to view on our website.

How does your credit union strengthen the cooperative movement?

Rogue FCU has always been involved with various local organizations to bring awareness to the cooperative movement, but the addition of the Rogue Co-ops this year would probably be the best example of strengthening the movement. The theme of this year's annual meeting was "The International Year of the Co-ops" and we had each of the local co-ops in attendance to educate our members on the importance of cooperatives to our communities. We banded together to have a float in one of Medford's largest parade events, the Pear Blossom Parade, to create awareness about the local cooperatives. By joining together and leveraging our resources, the cooperatives can make Southern Oregon a better place for us all.

What role does the board of directors play in formulating and carrying out the strategy?

The board of directors sets the overall direction of the credit union through planning sessions that the executive team facilitates. They play a key role in the credit union's mission, vision and strategic drivers.

What role does the staff play?

Rogue FCU's staff plays an important role in bringing the message of the cooperative movement. Rogue Federal aims to keep the staff educated and informed of our mission and vision through our internal website posts, staff meetings and our enthusiastic leadership team. The cooperative movement is displayed through our many volunteer hours for community events and working with members to create the value in participation in the credit union.

How do you measure the impact of cooperation among cooperatives?

- Through Facebook we can measure the impact by the amount of engagement we receive in the different posts. We have seen interactions (likes and comments) increase with posts around cooperatives.
- We had approximately 75 people attend our annual meeting and the feedback we received was very positive.
- We have more than 70 local businesses that we partner with for the Rogue FCU Living Local Discounts program. We plan to measure the effectiveness of the Living Local Discount program through the percentage increase in sales from the collaboration with the local businesses. Our research shows that our members have spent over \$2 million dollars at local cooperatives with their Rogue FCU Visa cards in the last six months.

What advice would you have for leaders of other credit unions who wish to embark on cooperating with other cooperatives?

It can be something that is mutually beneficial to all parties involved, including the members, if you look for opportunities to further collaborate to increase value and awareness.

Cooperative Principle 7.

CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of communities, including people of modest means, through policies developed and accepted by the members.

\$1.1 billion Evangelical Christian Credit Union www.eccu.org
Brea, Calif.
Jac La Tour, public relations manager

Does Evangelical Christian Credit Union emphasize the cooperative principles in the credit union's mission and strategy?

Yes. Most recently, we have spent the past year refreshing ECCU's mission/vision statements. Part of this effort has focused on aligning the language of these statements to more clearly communicate our cooperative identity. The following expresses the spirit of how the credit union's identity will be communicated:

WHO WE ARE: We are an alliance of Christ followers stewarding resources for greater kingdom impact. This alliance is comprised of thousands of churches, para-church ministries, Christian schools, Christian workers, and Christ-centered individuals who share and maximize a multitude of resources (financial, informational, creative, physical, operational, relational) to support kingdom-building ministry. The alliance is an essential part of ECCU's identity and a key characteristic of how our mission is lived out.

With the credit union's identity clarified, a new mission statement can be understood in its proper context. The new mission statement reads as follows:

OUR MISSION: To fuel Christ-centered ministry worldwide.

This clarified mission will inform the credit union's envisioned future and allow us to describe it in terms of desired outcomes. This approach is evident in a definition of "ministry" that reads like this:

Ministry: We intentionally look beyond any individual or organization to the eternal-value work of the alliance—the "ministry" being accomplished—not the "ministries" doing the work.

The following are examples of how this focus on the cooperative nature of ECCU could work out strategically:

Provide ministry-expanding capital:

- as loans for the acquisition and improvement of ministry facilities; and
- as earned interest to alliance members to help fund their ministry activity.

Equip Christian leaders with:

- the ministry resources and management best-practices of our fellow stewards; and
- the training they need to lead better, so their organizations can more successfully fulfill the specific Christ-centered, kingdom-building ministry that God has called them to pursue.

Resource Christian workers and ministries worldwide with:

- access to the currency they need;
- financial planning services for budgeting and investment needs; and
- secure online access to financial tools, communications and ministry resources.

Channel funds in mission-aligned grants to member ministries:

- to serve the poor, sick, hungry and oppressed through Christian relief organizations; and
- to fuel church-planting efforts around the world.

The intent of this new mission/vision is embedded in existing credit union strategy and practice. For example, ECCU experienced the first foreclosures in its history in 2007, and delinquency/foreclosures increased after the financial markets collapsed in mid-2008. Part of the credit union's response was to create a special team to work with financially troubled ministries to help them return to financial health. Lessons learned through this process have informed resources like white papers and webinars to help other ECCU member ministries better understand how to become and remain financially healthy.

How do you communicate the cooperative principles to stakeholders?

We publish two blogs, one for missionaries and one for ministries, <http://blog.eccu.org/> and emphasize, whenever appropriate, the cooperative, partnership-oriented nature of ECCU membership. Regional Facebook pages serve a similar function. We produce **videos** that feature ministry members and illustrate the benefits of banking with a financial cooperative. Our **webinars** always feature member ministries as co-presenters whose actual experience and expertise can benefit other members.

At ministry-oriented conferences we present educational workshops and host breakfast or luncheon events that include educational presentations to showcase the benefits of partnering with a ministry-focused financial cooperative. News releases on our website and sent to media highlight unique distinctions of cooperatives.

Board members are immersed in and help to define the cooperative culture that is ECCU. ECCU employees are regularly reminded of the unique opportunity they have to not only meet members' banking needs but also to leverage the expertise gained by working with so many ministries for the

benefit of those they're serving on any given day. And we create opportunities for **staff from member ministries** to meet and network with their peers. Two examples are our annual Financial Forums for Ministries and simulcast luncheon events to coincide with our live webinars.

How does your credit union strengthen the cooperative movement?

ECCU employees are encouraged to invest their experience and expertise for the benefit of fellow credit unions and ministries. Several staff members serve on boards or committees of organizations such as NACHA and WesPay. One staff member entered and won a Co-op Financial Services THINK Prize. Our ministry development officers regularly volunteer in and promote involvement with cooperative ministry organizations, such as the Christian Leadership Alliance and National Association of Church Business Administration. Our senior leaders build relationships on Capitol Hill and lobby for credit union initiatives. And our CEO serves on the board of the Evangelical Council for Financial Accountability.

One other note: Our conviction that more effective ministry is the primary desired outcome means that we will at times make decisions that sacrifice financial return for ministry return. Examples would be providing financing to urban churches that other lenders might choose not to serve and providing grants to help member ministries respond to needs like disaster relief.

What role does the board of directors play in formulating and carrying out the strategy?

As is true for any board of directors, ours is integrally involved in setting the direction of the credit union. They were also heavily involved in the mission/vision refreshment process. The board is also highly supportive of the staff's efforts to carry out the work of the credit union. Recently one board member was the guest speaker at our weekly staff chapel and used the opportunity to affirm the work of the team. Board members' volunteer service models what commitment to the cooperative movement looks like.

What role does the staff play?

Our staff executes the strategy and is highly intentional about measuring progress toward goals and assuring that we remain aligned with the strategy. This is true for department as well as individual priorities. Perhaps most illustrative of the staff's living out of their cooperative commitment is the reasons they were hired in the first place. Each one brings not only expertise for their role but also involvement in ministry, most as volunteers. So they know firsthand the value of working together toward a common goal.

How do you measure the impact of support to missionaries and ministries?

As stated above, our ultimate measurement is increased funds made available to directly support Christ-centered ministry. Other practical measures include things like member surveys, Net Promoter® surveys, number of website www.eccu.org visits and downloads of online resources, attendance at webinars and resource events, and increases in membership and deposits.

Perhaps the best recent example of support we provide is the things we've done to make banking more accessible, convenient and affordable for overseas missionaries. For example:

- **no fees** for international Visa® over-the-counter cash withdrawals or ATM withdrawals (international or domestic) from Ambassador Checking accounts when using a Visa® Gold check card;
- various account balance or transaction options to avoid **paying monthly fees** for checking account maintenance;
- **remote access** to funds at any time and from anywhere; and
- affordable **electronic payment services** like wire transfers.

In addition, to help missionaries save for long-term needs like home assignment, we created a long-term savings checklist and calculator and developed a high-return savings account for them.

Mission-sending agencies and missionaries have responded positively to these services and resources. Deposits in our long-term savings account for missionaries, Provision Savings, have grown steadily since being introduced in 2011 and helped us exceed our consumer deposit goals for the first two quarters of 2012.

Improved financial health is another result of our support for ministries. Cash reserves are a good measure of our cooperative's commitment to help members become and remain financially healthy. We equip them to begin building reserves with a white paper, webinar recording, and the opportunity to consult with a ministry development officer, who will walk them through a tool we've developed to help them calculate a cash reserves target balance.

One measure of the impact of efforts like these comes from a September 2010 survey of ECCU's Ministry Advisory Panel. That survey found that "most ministries (73 percent) try to maintain between two and five months worth of their annual operating budget in cash reserves."

What advice would you have for leaders of other credit unions who wish to embark on "concern for community"?

Concern for a community is best expressed through relationship. If you're not yet personally involved in the communities you seek to serve, start there. Identify needs, identify people and organizations that are already working to meet those needs, and connect with those people and organizations. It also helps to identify where and how you and your staff would want to express concern for your community.

The Credit Union Executives Society is a
Madison, Wisconsin-based, independent,
not-for-profit, international membership
association for credit union executives.

Its mission is to educate and develop
credit union CEOs, directors and future leaders.



P.O. Box 14167, Madison, WI 53708-0167
5510 Research Park Drive, Madison, WI 53711-5377

Tel: 800.252.2664 or
608.271.2664, ext. 340

Fax: 608.441.3346
E-mail: cues@cues.org

cues.org