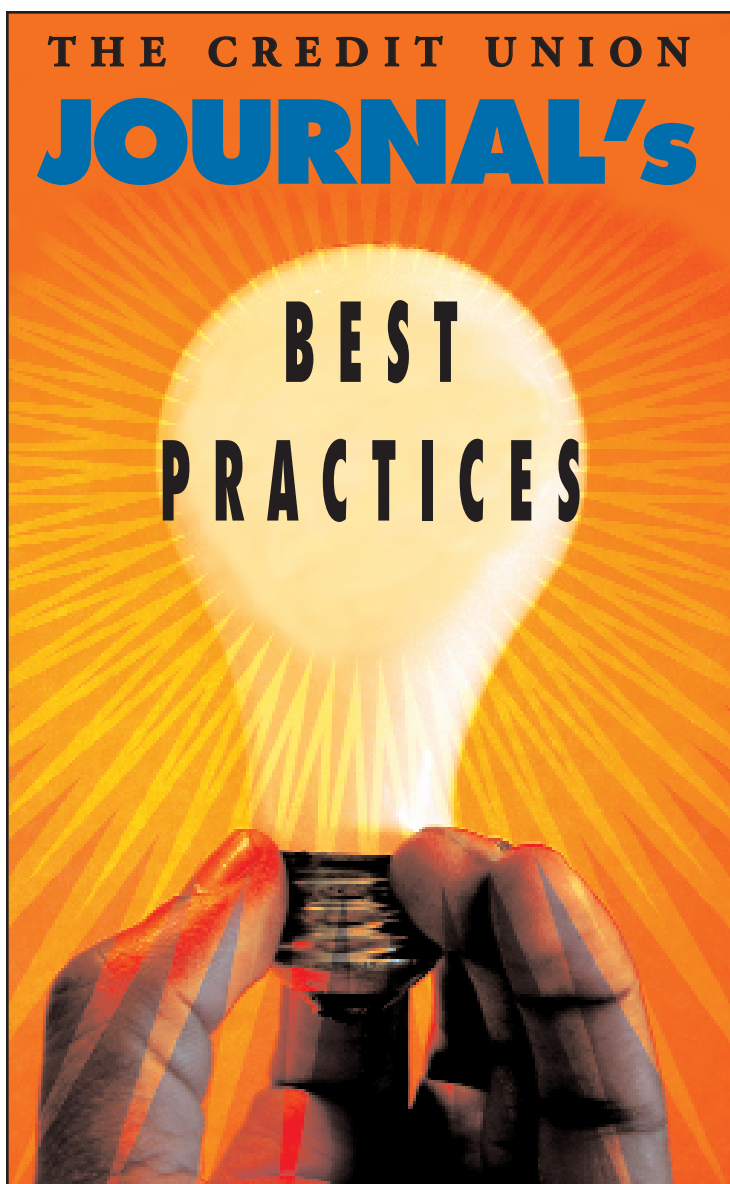


THE CREDIT UNION JOURNAL

SPECIAL REPORT

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WEST PALM BEACH, Fla.—Ideas.

From *The Credit Union Journal's* inception, readers have consistently indicated they are in search of new ideas and new ways of doing things at their credit unions, and especially in learning from their peers.

The Credit Union Journal has always prided itself on listening to and acting upon reader feedback and suggestions, and beginning on this page readers will find a comprehensive package of stories representing "Best Practices" within the credit union community.

These Best Practices are in no particular order and the order of their appearance in no way reflects any ranking of any kind. Earlier this year the editors of *The Journal* invited credit unions to share their own Best Practices without regard to particular categories or asset sizes. And readers responded in a big way. The editors of *The Journal* culled through all of those submissions and chose the Best Practices you will find beginning at right and continuing through page 32.

As always, we invite your feedback and suggestions to fdiekmann@cujournal.com.

Small CU, Small Balances & A Big Idea Alhambra Creates Way To Keep Members From Falling Below Minimum Balance Required For Membership—And Makes A Point In The Process

By **Lauralee Ortiz**, *Correspondent*

PHOENIX, Ariz.—Alhambra CU has found a way to protect members from ever falling below the minimum required balance on their share account—which puts their membership in jeopardy—and, at the same time, educate them about their rights and responsibilities as owners of a financial institution.

The \$20-million credit union has simply set up new sub-accounts, or "Membership Share Accounts," for each member, which it has funded by transferring \$25 in shares from their regular savings account.

"With today's electronic environment, having the members' \$25 share in their regular savings account was causing problems," said Mary Shipe, CEO of ACU. "Members were making transactions that were taking accounts below that \$25 minimum."

This put their membership in jeopardy and forced staff to send letters explaining the situation. By putting the money aside, she said, the CU eliminated any question for the member or the staff, about the status of membership.

"It has been a very positive experience and a tremendous learning tool," Shipe said. "Instead of always having to figure out their balance minus the \$25, they now know what they can spend."

The added bonus of the process, she said, was that members started asking questions about why the \$25 share was needed by the CU in the first place.

Opportunity Created

"As our members began to receive their statements showing the new account, the questions came rolling in," she said. "This created just the opportunity we were looking for."

Shipe said in anticipation of the members' reactions, staff had been trained and was prepared.

"They became quite proficient in explaining the cooperative structure of credit unions, the principles of member ownership, and the concept of 'one member, one vote.'"

Through the process, she said, staff became more

enthusiastic supporters of the credit union difference and more passionate in their stance that CUs should not be taxed.

"It was nice walking through the lobby of the credit union and hearing them explain why members should become more actively involved," she said.

In light of ongoing challenges within the industry, including threats to its tax exemption and members' rights in a charter conversion, Shipe said, her board and staff feel very strongly about their responsibility to educate members about the CU difference and urging their support of pro-credit union legislation.

"In our case, we found the best way to start is with the basics."

One Lesson Learned

Shipe said the only downside to the task was that it took about a year to add 2,500 sub accounts for existing members. Since the undertaking, all new member accounts—about 1,300, so far—automatically get the subaccount and an explanation of its purpose.

"If we had to do it again we would do it more quickly," she said. She said her staff of 15 had to take on the challenge "when they had time," making the transfer process very slow.

While members were notified about the additional account via the credit union's newsletter and notices printed on their statements, she said, very few actually read the information.

"People are usually in a hurry and don't read that stuff," she said, adding that most simply marched up to a teller and started asking questions—not always positive ones, either.

"It was not an easy process," she said. "Certainly not as easy as I thought it would be."

She said many members wanted to know "Why did you take money out of my account?"

One very irate charter member was among

them, she said.

"He had long since forgotten about the \$25 share and what it meant," she said. "Once I explained it to him, he loved the idea."

Shipe said the sub-accounts do earn dividends at the same rate as other share accounts.

The Credit Union Journal's
Best Practices

CU: Alhambra FCU
Category: Core Values

As our members began to receive their statements showing the new account, the questions came rolling in.

—Mary Shipe



Incentive Program Credited With Boost In Revenue, Product Penetration

By Lauralee Ortiz, Correspondent

WINSTON-SALEM, N.C.—Equity lines of credit at Allegacy Federal Credit Union grew 19% last year—faster than the previous seven years combined—thanks, in part, to a unique

employee incentive program aimed at growing membership and revenue.

The Credit Union Journal's
Best Practices

CU: Allegacy FCU
Category: Incentives

Officials of the \$1-billion CU are crediting its employee bonus plan for success in all four target areas of a campaign that included an aggressive product design and increased direct marketing for each product.

“We worked on it for several months before we put it out there,” said Cathy Pace, SVP and CMO at AFCU. “There actually had been another credit union who had been doing this for about three years, so we were able to follow their pattern.”

Pace said the goal of the program was to deepen and enhance member relationships with core products and services—Visa, checking, auto loans, and home equity/mortgages by providing superior service.

“The results have been impressive,” Pace said. For example, in 2004:

* Checking usage increased 23.2%. The previous year, it was 22.8%.

* Equity growth was 19%. The previous year, the CU experienced a *negative* 2.9% growth.

* Visa card usage grew to 28.9%. In 2003, it was 21.4%.

Cheryl Swaim, advertising and communications manager at AFCU, said auto loans weren't calculated for this best practice because other factors such as indirect lending numbers would have skewed the outcome.

Pace said the bonus plan with clearly defined goals and continuous progress reports were the driving force. For each core product, the CU created five levels for the employee to attain, plus an overall net income goal for the credit union. For each level met, the employee earned .2% of his or her annual salary.

Employees, by the way, receive cross-selling education as a regular part of the CU's training initiatives, Swaim noted.

In the first quarter of 2004, every employee achieved two levels and moved progressively up the chart together, Pace said. By the fourth quarter, the entire staff had achieved nine levels.

Pace said she thinks it helped that the CU provided an Intranet page that kept a running tally of each employee's success. It included a dollar value for the next employee payout and detailed charts that highlighted quarterly goals and progress.

The staff also appointed a bonus committee,

which met quarterly to discuss strategies for encouraging employees to boost numbers and create home stretch “push” campaigns to meet goals as deadlines approached.

Now in its third year, Pace and Cheryl Swaim, advertising and communications manager at AFCU, agreed the program is right on target with its goals.

“We have proven that when you have goals and you communicate those goals every day, you can have a direct impact on the bottom line,” Swaim said. “We feel that it was a wonderful success.”

As with year's passed, the staff plans to review the incentive plan and the levels achieved by its employees to determine what, if

anything, needs to be readjusted.

“Right now, we don't have any plans to change it,” Pace added. “We will go back and review it from a three years standpoint to see how productive and how profitable this has been.”



'MoneySense' Helps Financial Educators To Educate

By Lauralee Ortiz, Correspondent

MODESTO, Calif.—Community Trust Credit Union created and produced a financial education program to help area educators teach basic financial literacy to the community, particularly newly immigrated Spanish-speakers.

Called MoneySense, the program includes a CD-ROM, workbooks and other classroom materials for schools and community-based social service organizations.

“We were already teaching financial literacy in the community,” said

The Credit Union Journal's
Best Practices

CU: Community Trust
Category: Financial Education

Yolanda Meraz, Marketing Director at CTCU with \$51 million in assets. “But the demand was so large that we couldn't get to everybody so we decided to create this train-the-trainer program.”

While her original idea was to provide information on saving, Meraz said it quickly became clear that the target audiences can't save if they don't know how to budget.

“So we started from scratch,” she said, explaining that the basic theme of the program teaches audiences how to budget in order to save.

Sandell McLaughlin, Community Development Director, who wrote the materials and collaborated with Meraz on creating this program, said it allows instructors who know their students' needs to customize the

lessons accordingly.

“We knew that these community leaders were the trusted faces that needed to be giving out this information,” McLaughlin said. “We wanted something that they could almost be self-trained to use.”

She said the CD-ROM includes video vignettes using real people that appeal to the target audience and is “as basic as possible.”

“We wanted something very grassroots rather than assuming that people know what assets are or what the difference is between debit and credit cards,” she said. “When you are speaking to a population without a tradition of banking, (using certain terminology) is like it's from another planet. We wanted to take the mystery out of that and give them something they could use securely.”

For example, she said, one 30-second video blurb might include the simple comment: “I don't feel comfortable having a direct deposit of my paycheck” or “We should start a budget, but how can we when we're barely making it.”

She said she's watched audience members nod when hearing such comments, which triggers conversation and education. The final video segment shows one family planting flowers around their home. “It says, ‘Look what's happened to us now. We're homeowners.’”

McLaughlin said the effort, which took a year to complete—“We spent 450 hours on the CD alone”—is a best practice because it targets the unbanked and other members of the community who lack financial survival skills and are vulnerable to predatory practices. CTCU's membership is 40% Hispanic, 80% of whom are from Mexico.



Sandell
McLaughlin

“Many are recent immigrants and do not speak English,” she said. “As such, they have an ingrained distrust of banks which makes them vulnerable to predatory financial practices.”

She said requests for CTCU to bring financial information to various groups throughout the area have become overwhelming, thus the creation of MoneySense.

Grant From NCUF

CTCU received a grant from the National Credit Union Foundation to create a format and lesson plans. She said they include lessons that introduce financial concepts and tools that could be taught by a trusted face in their own language and environment, practical tools that the students could use to set and achieve long-term goals, and information about credit unions as the financial institution of choice.

She said the CD-ROMs are available in both English and Spanish and are free for the asking. In addition, CTCU provides \$10 gift certificates toward a new savings account to program graduates as an incentive to begin putting their savings skills to work.

“Riverbank High School seniors were taught the MoneySense program in their 2004-2005 economics class with improvement in their pre- and post-class knowledge scores ranging from 75% to 81%,” McLaughlin said.

The Latino Business Association Foundation showed its support for the program by opening education savings accounts of \$25 each at CTCU for 100 incoming kindergarteners whose parents received MoneySense lessons at a



local Healthy Start facility, she said.

“MoneySense is also being taught as part of Habitat for Humanity's homeowner education for partner families and as a session at their annual orientation,” she said.

The CD has been shared with CUs nationwide and was highlighted during the Community Development Credit Union Institute, sponsored by the National Foundation of Community Development Credit Unions, in August. The Texas Credit Union League also used the materials to conduct a workshop during its leadership conference in September.

And, thus far, McLaughlin said, 55 credit unions across the country have requested copies.

“We are so happy with the results that have come from this,” McLaughlin said. “You know,

it really wasn't about (gaining) accounts. It's about reaching. The whole philosophy was to help people—the core philosophy of the credit union movement.”

McLaughlin said that she and Meraz, whom she called a “marketing genius” for her role in producing

MoneySense, are now scouting for more grant money to produce a second volume.

“Now that we have some feedback, we need to answer more questions,” she said. “Such as how to look for a loan and how to establish or clean up credit. Now that they have the basics, they want to focus in more tightly on what they need to be successful.”

The demand was so large that we couldn't get to everybody so we decided to create this train-the-trainer program.
—Yolanda Meraz

