

THE *BLUE PAPER*

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Today's Critical Challenge — Helping Your Members In These Times of Crisis

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Credit Unions Are Finding
New Ways To Help Members
(Ways That, In Turn, Help CUs)

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In these troubled times, financial literacy is the key to increasing Member loyalty.

At the end of last year, Credit Union CEOs across the nation agreed on two things:

1. The recession is here and times are going to be really tough. In a special confidence survey taken immediately after the election by Southwest Corporate, the CEO confidence index took its greatest plunge from one survey to the next. It dropped from 14.72% to 10.50%. This was the *lowest CEO confidence index* since the survey began four years ago. The survey also measured the lowest index ever for “Member Financial Conditions,” both now as well as six months into the future.
2. Credit Unions across the country have begun gearing up to do all they can to help Members in this time of fiscal crisis. For example, CUs in Callahan & Associates First Look program reported that they have modified almost 2,000 mortgages for a total of over \$400 million for outstanding real estate loans.

To our benefit, this concern for our Members is already being reflected in positive results for Credit Unions. In the latest statistics for a year-long period, ending in October, consumer relationships at Credit Unions had increased from 46% to 60%. During this same period, banks have remained at 32%. (Results are from the Allegiance “Pulse of America’s Retail Banking Survey.”)

Floyd Norris, author “High and Low Finance,” stated it well in his column in the *International Herald Tribune* (October 17) when he wrote: “Trust is a precious thing and the banks still don’t have much of it — not from the public.” But Credit Unions *do* basically have the public’s trust — because of our concern for the Member.

The need is there, and the public is aware that Credit Unions are both concerned and willing to help. So let’s examine the areas in which CUs are concentrating most of their efforts.

LITERACY PROGRAMS

First and foremost are literacy programs for our members. Until recently, our Members have been quite oblivious to most financial concerns. This is no longer true. They are concerned now.

Many Credit Unions have found this to be the number one stated need of their Members. For information on this, please request a copy of the October 2008 *Blue Paper* titled “**IN THESE TROUBLED TIMES FINANCIAL LITERACY IS THE KEY TO INCREASING MEMBER LOYALTY.**” The issue contains a list of the most critical topics of concern to your Members. You can receive a complimentary copy from the A.I.L. Credit Union Center by calling 800-278-6661 or by visiting the website at www.aillife.com.

THRIFT PROGRAMS

Many CUs have instituted various programs to help Members with expenses as their incomes begin to diminish.

US Federal Credit Union (Burnsville, Minnesota) recently sponsored a seminar titled “Fuel for Thought.” It focused on ways to decrease fuel costs and increase vehicle efficiencies.

The Department of Commerce FCU (Washington, DC) instituted a microsite: LiveWellBelowYourMeans.org. It features gas-saving tips, advice on how to build a better credit report, a savings tip of the month, and a host of links to reading materials and other sites about managing money.

A CUNA study found that 55% of all consumers will try to spend “less money” in 2009 and 27% plan to spend “much less” than last year. Since this is a key objective of your Members, it’s an opportunity for your Credit Union to help.

HELP IN STAVING OFF BANKRUPTCIES

Staving off bankruptcies is foremost in the minds of many of your Members. Any advice or help will not be forgotten. Northland Area FCU (Oscoda, Michigan), like many other Credit Unions, has promoted loan restructuring, “skip-a-payment,” and interest-only loans.

The National Association of Credit Union Chairmen dedicated its most recent meeting to the topic of staving off bankruptcies.

MORTGAGE WORKOUTS

Helping with mortgage workouts is a key opportunity for building Member loyalty. ENT Credit Union (Colorado Springs, Colorado) has repositioned its collections department as the “Member Solutions Group,” reaching out to Members to begin a dialogue with them at early signs of loan problems. The CU has already put together hundreds of workouts for both consumer loans and mortgages. It was even able to help some Members avoid foreclosure.

GTE Federal Credit Union (Tampa, Florida) has sent out letters to everyone who had a real estate loan with the message “We can help,” to encourage them to come to the CU as soon as they realize they may be in trouble. GTE FCU has modified mortgages, cut some interest rates in half, and even stretched some amortization schedules to 80 years.

Blackhawk Community CU (Janesville, Wisconsin) has at times placed a temporary halt on foreclosures and put a special manager in place to oversee real estate problems and look into options for the Member.

PAYDAY LOANS

According to two articles in the *Los Angeles Times* (December 24 and 25, 2008), pawn shop business is up 20% to 31%. The story gave an example of a former recruiter for a technology firm who brought in a \$3,000 Rolex watch and was offered \$400. The agreement he signed stated that he could buy back the watch within 4 months at a *monthly* interest rate of 18%. And, according to the article, “More and more middle-class families use these loans.”

In these times of financial crisis, your Members sometimes need a loan to carry them to payday. The *New York Times* (November 9, 2008) quoted a Brookings Institution report that said that 90% of check cashers and payday lenders are within a mile of a bank or other financial institution.

Prospera Credit Union (Appleton, Wisconsin) has a program titled “Good Money” that enables CUs to offer their Members an alternative to high-interest payday loans. Prospera has worked with CU*Answers, a CU technology CUSO to develop this turnkey payday lending program. It is now available to all Credit Unions nationwide (at www.CU*answers.com).

INVESTMENT INFORMATION

Investments in the stock market, particularly in 529 and 401(k) plans, are at their lowest point in years, and Members have a variety of questions.

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The U.S. Department of Housing and Urban Development instituted the Hope for Homeowners Program just to help homeowners in financial need.

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Credit Unions have staff members who can answer many of these questions. Consequently, CUs have found it advantageous to utilize staff for seminars, classes, and even setting up a program manager for investment information.

HELPING MEMBERS AVOID SCAMS

Newspapers and TV programs have been rife lately with stories of companies scamming people, especially by purporting to offer assistance in avoiding foreclosures. Your Members should be aware of such scams, and your CU can help by publicizing any information you may have on avoiding them. Some Credit Unions have set up a hotline where Members can learn to stay clear of these programs. Your website or newsletter is also a convenient way to inform Members of these scams. (For information on this, go to www.fraudguides.com/mortgage-foreclosure-rescue-scam.asp.)

GOVERNMENT ASSISTANCE PROGRAMS

The U.S. Government has a variety of programs to help your Members in these troubled times.

For example the U.S. Department of Housing and Urban Development instituted the Hope for Homeowners Program under the Federal Housing Administration lender program. It is designed to directly help homeowners whose mortgage exceeds the value of their home or those who have an adjustable rate mortgage, have a high interest fixed rate, are behind in monthly payments, or are facing foreclosure.

To find other programs for government help for your Members, go to www.USA.gov.

THE ABILITY TO JOIN YOUR CREDIT UNION

Many people are not aware of the fact that they could be eligible to join your Credit Union and do not know the financial assistance they can gain through membership.

This is the time to tell them. For example, Belvoir Federal Credit Union (Woodbridge, Virginia) significantly increased in size by improving awareness of eligibility. According to Belvoir, the most important factor is to “tell them they can join.” And be sure to tell them about the benefits and assistance that CU membership can offer. For information on this go to www.belvoirfcu.org.

CONCLUSION

There has never been a time in Credit Union history when our Members are in such need of the kind of assistance we can offer.

Moreover, the research has shown that the Members’ response to our helping them in these times of financial crisis always reflects beneficially on the Credit Union. ◆

The advice, suggestions, ideas, and information herein are offered strictly for educational purposes. **The Blue Paper** is not intended to provide legal counsel, nor is it a substitute for legal counsel. Consult an attorney if you require legal advice.