

When CUs Work Together, Everyone Wins

SCOTT SPOLMAN

Partnerships facilitate service to those of modest means.

EACH YEAR, NEARLY 300 credit unions disappear through mergers and liquidations, according to Cliff Rosenthal, executive director of the National Federation of Community Development Credit Unions, New York. These closings diminish credit union presence and service in low-income communities.

In response, the Federation created its Community Development Partners program, where large credit unions team up with smaller, community development credit unions (CDCUs).

The program aims to:

- ▶ **Ensure** service to more low-income communities and individuals in more markets with more products on a greater scale;
- ▶ **Strengthen** the unity of the credit union movement by overcoming barriers dividing large and small credit unions; and

▶ **Address** the disappearance of increasing numbers of small credit unions.

Stories of cooperation among credit unions, within and outside of the Federation's program, bear out the program's mission.

Maximize collective abilities

A charter partner in the Federation's program is SCE Federal Credit Union, El Monte, Calif. **Dennis Huber**, president/CEO of the \$379 million asset institution, says SCE Federal has been committed to serving people of modest means for a long time.

"We have four underserved community fields of membership and have branches in all of them," he explains. "We liked the concept of sharing ideas and working closer with

credit unions that have experience in underserved communities. When the Federation approached us, we joined."

Huber believes the partnerships help credit unions serve all members more effectively. "CDCUs have the experience, knowledge, and trust of minority and low-income individuals

because CDCUs have been serving them for many years," he says. "Larger credit unions want to increase their assistance to minority and low-income individuals.

"They have the resources and economies of scale to provide a wide variety of products and services.

What better expression of the people-helping-people philosophy than creating a partnership between the two groups?"

Partnerships have their challenges, says Huber, chief of which is they can be time-consuming. Managers at partnering credit unions sometimes are stretched to find time to get together.

However "it's imperative for credit unions to continue to meet their responsibilities of serving people of lesser means," Huber contends. "A partnership strengthens our collective ability to achieve that goal."



Dennis Huber

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—DAVID BROCK
COMMUNITY EDUCATORS CU



Capture synergies

Harnessing that collective ability holds great promise for credit unions, says **Edward Boughal**, president/CEO of Suffolk Federal Credit Union, Medford, N.Y. The management and board of the \$685 million asset credit union recognized the needs of nearby underserved communities and sought to serve them using small-business services.

“To get involved in a community,” Boughal maintains, “you have to get involved with small businesses.”

The small-business-services market, he notes, doesn’t have the margins most big banks want. Yet it can be difficult for one credit union to serve that market. So Suffolk Federal joined with Bethpage (N.Y.) Federal Credit Union, with more than \$2 billion in assets, to create a business services group. Sharing underwriting and staff expenses, these partners manage Small Business Administration loans and other products and services for small businesses.

The biggest challenge of this arrangement for Suffolk Federal, says Boughal, has been convincing staff that a partnership is in



Edward Boughal

their interest. Employees could consider such a partnership a step toward a merger, which might seem threatening.

“The trick is to convince them that we all benefit,” says Boughal. “We have to allow staff to express their skepticism and anxiety and then answer with data and facts to demonstrate our success in partnerships.”

Boughal believes the partnership has contributed to Suffolk Federal’s dramatic growth during the past five years. Assets have more than tripled since 1999, and membership also has grown rapidly.

“Yet, we wouldn’t have been able to provide these business services on our own,” he says. “We’d have been overwhelmed with administrative challenges.”

For credit unions with qualms about forming partnerships, Boughal suggests, “Their real concern is they’ll put themselves out of business. But by maintaining and improving services to members, partnerships do the opposite. They keep us in business.”

Partner to bridge gaps

Another credit union long committed to serving

underserved communities is \$265 million asset Community Educators Credit Union, Rockledge, Fla. Community Educators President/CEO **David Brock** reports the credit union recognized one such group in the expanding Hispanic community of east central Florida. Many Hispanic immigrants move north to work for citrus growers and other farming operations.

A few years ago, Community Educators began focusing on this emerging market as a way to continue serving people of modest means. But it hit obstacles.

Most of the migrant workers were undocumented, making it difficult to serve them while complying with regulations.

Language and cultural differences also made it hard for some employees to communicate with, and draw in, potential new members from the Hispanic community. And many employers of migrant workers discourage financial independence among their employees.

To deal with these challenges, Community Educators looked for partners. It worked with Operation Hope, a charitable agency founded by Mexican-

Americans, to start a branch to serve the local Hispanic community. The Filene Research Institute, Madison, Wis., helped the credit union adapt its services to that growing group. Finally, it sought advice from Community Trust Federal Credit Union, Apopka, Fla.

“We shared the strong conviction that people in the community need to be served,” Brock explains. “And [Community Trust Federal] alerted us to cultural differences. This helped us build the sensitivity we need to bridge the gaps.”



David Brock

While the two credit unions don’t have a formal partnership yet, working together is a possibility. That partnership would be key if Community Educators

decides to build a new branch staffed mostly by Spanish-speaking employees and managers—an option under consideration. Such a partnership could be time-consuming and challenging, Brock notes, but it could be the most effective way to fulfill the community’s needs.

“We’re not in it for the money,” Brock concludes. “It’s about what will make the most positive difference in people’s lives.” ©