

Federation: CUs Face 'Historic Opportunity'

The need for safe and affordable savings, credit, and transaction services among low- and moderate-income communities is tremendous: More than 68 million American adults are unbanked or underbanked.

Many of these working people have been disappointed or disenfranchised by large banks and seek alternatives to high-cost and complex banking instruments.

This presents a "historic opportunity" for credit unions, says Cathie Mahon, president/CEO of the National Federation of Community Development Credit Unions.

How the movement takes advantage of this moment affects the visibility of credit unions and ultimately their market share in the financial services industry.

Many credit unions have already stepped up to fill the nation's underserved markets. And many are using NCUA's low-income

designation to do it.

This designation entitles credit unions that meet certain low-income membership criteria to a number of legislated benefits, including eligibility to:

- **Accept** nonmember deposits from any source;
- **Offer** secondary capital accounts;
- **Receive** exemption from the aggregated loan limit for member business loans; and
- **Apply** for grants and low-interest loans from NCUA.

As of August 2013, 1,961 credit unions with over \$157 billion in assets are designated low-income.

"The opportunity to empower underserved communities through credit unions is possible on a scale that didn't exist before," Mahon says about the NCUA designation.

While some credit unions might worry about the risks associated with serving consumers with little or no exposure to formal financial services, Mahon says it can be good business.

"Tapping into an underserved marketplace is the perfect example of 'doing well by being good,' a win for credit unions and a win for the underserved," Mahon says.

In fact, she says credit unions that embrace a community development mission tend to find a wealth of resources, partners, and good will that can "catapult their business" forward.

The Federation has been supporting these "win-win" efforts for years.

During the past year, the Federation has further broadened its focus to provide the information, tools, and partnerships to help credit unions of all shapes and sizes serve underserved markets.

"We're the bridge to connect the credit union industry to local economic development, safe and affordable home ownership, service delivery systems, and the vast network of nonprofit civic institutions that make communities strong," says Mahon.

Three-pronged platform supports development

The Federation supports its 250 member community development credit unions (CDCUs) with a three-pronged platform:

1. Capital. The Federation invests in CDCUs to boost net worth and to promote liquidity through its Community Development Investment Program.

CDCUs have received more than \$90 million in investments since the fund's inception in 1982.

These funds provide member credit unions with a cushion to test innovative products and services while mitigating the risk to their institutions, Mahon says.

2. Knowledge. The Federation was instrumental in establishing the Community Development Financial Institutions (CDFI) Fund in 1994.

This fund promotes economic revitalization in distressed communities by providing financial assistance and information to CDFIs.

The Federation is a permanent member of the national CDFI Coalition.

"From this perch, we represent

the credit union sector to the CDFI Fund, influencing major adaptations to their selection process" says Mahon.

Additionally, the Federation offers credit unions a wealth of experience in the certification and recertification process for the funds via its consulting firm CU Break-through.

3. Impact: The Federation assists credit unions by developing new resources.

The Federation recently developed an Emerging Market Review tool that's proving especially useful for credit unions as they try to align their cultures, products, and services to the needs of low-income members.

"We've always been good at working with strategic partners to develop products for vulnerable populations," Mahon says. "Now we're focused on translating pilots into scalable programs that will succeed because they've been tested in the real world."

Two additional tool kits will come out this fall:

- 1. "Borrow & Save,"** a small-dollar loan that builds savings; and
- 2. "Better Directions,"** a tool that helps seniors achieve and maintain financial security.



From left: Lynda Milton, Federation Board director, and president/CEO of Team Financial FCU, Houston; Federation President/CEO Cathie Mahon; Baltimore Mayor Stephanie Rawlings-Blake; and Bert Hash Jr., president/CEO of Municipal Employees CU, Baltimore. Mahon and Milton accepted a proclamation from the City of Baltimore at the Federation's 2013 Annual Conference earlier this year.

Meeting market expectations

The Federation's tools assist CDCUs with providing the service consumers have grown to expect from any provider at a cost credit unions can afford.

For example, the Federation is in the initial phase of a shared technology initiative, funded by a Citi Community Development grant. The grant was announced at the Federation's Annual Conference in Baltimore in June.

"Our goal is to provide a platform that will deliver core banking services and back-office support to member CDCUs at low cost," Mahon says.

"Next on our agenda is mobile banking," she continues. "We're aligning the resources credit unions need to make financial inclusion a reality for low- and middle-income Americans today."

For more information about the Federation, visit cdc.u.coop.

YOUR SAY

Should CUs replace CEOs from within or seek outside talent?

Hire from within when possible



Seek new leadership on the outside



Source: Online poll at creditunionmagazine.com

Next month: Should CUs use the term 'member' in their communications—or is it confusing? Cast your vote at creditunionmagazine.com and check the November issue for the results.

Condon Retires—and Heads to the Classroom

Mark Condon retired Sept. 30 as CUNA's senior vice president of business & consumer publishing after more than 30 years at the trade association.

But he's not really retiring; he's just shifting gears.

"My immediate post-retirement plan is to pursue a master's degree in history through Norwich University in Vermont," Condon says. "It's an 18-month program—and then I hope to teach."

During his career, he was responsible for CUNA publications such as *Credit Union Magazine*, the *Environmental Scan* products, and various newsletters and websites. He also oversaw CUNA's personal finance and member-education

products and publications.

Under his leadership, CUNA launched personal finance microsites, including *Home & Family Finance Resource Center*, *Googolplex*, *Money Mix*, and *Anytime Adviser*.

He was also instrumental in cultivating CUNA's relationship with Coopera, a full-service Hispanic market-solutions company.

He previously headed up CUNA's marketing department, overseeing the National Marketing Program.

Condon began his CUNA career in 1977 as a *Credit Union Magazine* editor after working as a reporter, sportswriter, and editor of community newspapers.

He frequently wrote chapters for the *E-Scan*, often focusing on the socioeconomic challenges of the middle class and how credit unions can better serve their members.

Condon writes and speaks regularly about credit union history—a passion he will take with him into his next career.



Mark Condon