



National Association of Federal Credit Unions

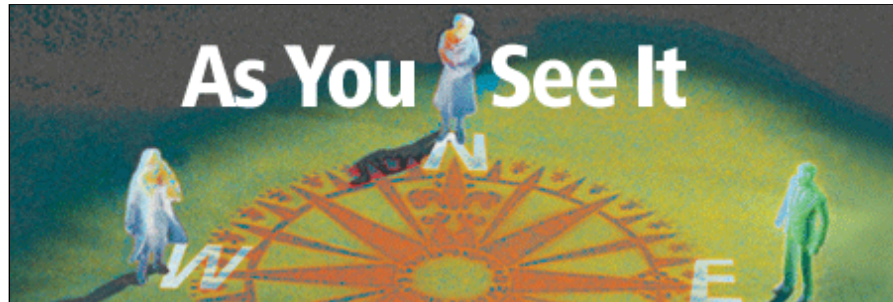
The direct membership association for federal credit unions

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THE FEDERAL CREDIT UNION Online

Jul/Aug 2008



Some credit union officials offer their views on what they see as being right—or wrong—with today's movement.

With their emphasis on “people helping people,” especially those of lesser incomes, credit unions have long been known as the wearers of white hats, the heroes of the financial services industry. Recent attacks by the usual suspects and some newer characters have left a few, relatively small scuff marks on those hats.

So, we thought this was a good time to look at the community's image from the viewpoints of those who help shape it. Following are some of the views your peers have about the current state of the credit union community.

If you would like to weigh in with additional comments or to offer an “amen”—or a “not so fast”—to the opinions offered here, please do so. Send your comments to rjohnston@nafcu.org.

Has the credit union white hat been scuffed?

By Marcus Schaefer

Credit unions have not changed materially in the last decade in terms of their structure and intent. We are still the only financial institution type that is owned by and operated solely to benefit the member-owner. That does not mean that credit unions have not had to stay current and even take the lead in changing to meet current and future member needs. However, this is best accomplished within the credit union structure that transcends time. We have been successful in growing memberships and assets—albeit less impressively than most of us would have hoped. We remain one of the best kept secrets that can maximize a consumer's or a small business' financial performance.

Some in our industry have confused the need to grow and change with a call to change structure. They have listened to the siren song of credit union to mutual savings bank to stock conversions as a panacea, even though members are stripped of the accrued equity in the organization. Others have allowed growth and a drive for profits to trump core credit

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union values. They have adopted programs and policies that many would argue are more "bank-like" in that the value to the member who uses the services is questionable.

Clearly there is room for differences of opinion on how far a credit union might go and still remain true to purpose. But risky real estate or business loans outside the geographic area that the credit union understands and subprime car loans at near usurious rates to credit-impaired new "members" who are not supported with financial literacy training clearly have caused our industry several black eyes. The latter program was endorsed by many of our own leagues. And one of our professional development organizations for credit union executives has granted a party, with a self-interest (profit!) in conversions, continuous and "most favored nation" access to our budding young professionals at meetings and in their communications.

We have failed to champion, in a meaningful way, our own strategic, competitive advantage of member-ownership of our institutions. We are either transfixed by the bank model (e.g. "We want to be a successful bank when we grow up") or we don't seem to have the fortitude to stick with a consistent strategy of maximizing the credit union model. Add a dose of CEO or board ego (yes, we all have some) and bias toward each of us doing it ourselves, and you have a formula for falling short of the role credit unions should play in the broader financial services sector.

Nonetheless, credit unions continue to remain strong financially. We stand out as the "good guys" when situations such as the subprime mortgage crisis occurs because we have generally still acted in our members' best interests (as well as the credit union's) when we make mortgage loans. We have improved our marketing and community outreach skills. Our trade associations have helped us to become much better at having our members' 90 million-plus voices heard on Capitol Hill and the White House.

So, although the credit union white hat may have a few stains and a bent brim here and there, the hat is still pretty white. One might even say it's developed some character. We don't need a new white hat; we just need to remember what our purpose is and how to use it. Our purpose is to improve our members' financial lives by harnessing the strengths of the member-owned financial cooperative and applying those advantages in our brave new world of financial services.

Marcus Schaefer is president and CEO of Truliant FCU in Winston Salem, N.C.

Defeat may come from within

By David Wright

There is an old saying that victory has a thousand fathers and defeat is an orphan. And truly, when it comes to credit unions, our victories have come because of our millions of members.

But, it is also true that there are thousands out there who would like to see credit unions defeated. I won't mention names but you know who they are. In my opinion, as long as credit unions focus on service to their members, these defeatists will not succeed.

But there is another segment of individuals out there who, whether they know it or not, are playing into the hands of the unmentionables. Tragically, these people are sitting in the boardroom chairs and the corner offices of credit unions. They are not thinking about service to their credit union's members, they are thinking about lining their own pockets.

Whether credit unions are victorious or are defeated will not be decided by outside forces. It will be decided from within credit unions.

I don't believe outside forces can defeat us, but I am far more worried

about the forces operating within credit unions.

David Wright is CEO of Services Center FCU in Yankton, S.D.

Shedding a light

By Cary J. Anderson

“Credit unions are like lampshades, they all look different but they all shed light on their members.”

Why open with this statement? Because it is true, and because it is true, I believe it's time that credit union leaders stop accusing their fellow credit unions of looking like banks.

As I understand our credit union mission, it is to help our members in their quest for financial security. We do this through the providing of financial products. Yes, financial products. For one credit union, this may mean a simple share account and a loan product; for another, it may mean everything a commercial bank has to offer. As democratic institutions, it is up to each credit union's board to determine what products and services to offer to meet the needs and demands of its members.

It is not appropriate for one credit union to judge another and accuse it of looking like a bank. There is a Buddhist prayer which states: “Today I shall judge nothing that occurs.

Non-judgment creates silence in your mind.” When we judge other credit unions based on our credit union, we create turbulence, which has a negative effect on the full potentiality of where we can all go.

In addition, we are giving ammunition to the bankers who like to claim that credit unions are offering services that we were never meant to offer.

Currently, with tightening credit standards and falling home values, our members need us more than ever for their financial security and prosperity. Instead of labeling each other, let's work together to rekindle the value of saving and thrift as our investment in the future of our members.

Cary J. Anderson is president and CEO of LA DOTD FCU in Denham Springs, La.

Right & wrong/generosity & greed

By Jean M. Yokum & Buena E. Crawford

There's no room for greed in a not-for-profit organization. Undoubtedly, greed is the leading cause of many of the problems that exist in today's credit union environment. The opposite of greed is generosity. Generosity, contrary to greed, is one of the building blocks from which the credit union movement was built.

What happens when greed creeps into an organization? Credit card portfolios are sold, resulting in short-term gains for the credit union and long-term profits for bankers. Risky mortgage loans, sometimes far outside the credit union's service area, are approved to boost short-term income, but wind up producing long-term risk and losses. The pursuit of individual agendas replace cooperation. Support for the credit union movement dwindles. Decisions aren't always made in the best interest of members. And most damaging, some credit unions start thinking that maybe they shouldn't be credit unions at all.

Fortunately, most credit unions keep greed at arm's length and focus on generosity. Many generous credit unions are listening to the needs of their members and providing products and services that improve lives.

Generous credit unions are supporting their communities more than ever through contributions, staff involvement and financial literacy efforts. Generous credit unions rightfully recognize and treat staff as the greatest asset of the organization. Generous credit unions, whether they are located across the country or across the street, freely share knowledge with their fellow credit unions. Most importantly, day in and day out, generous credit unions continue to go above and beyond to serve their members.

In our opinion, many of today's rights and wrongs in the credit union industry boil down to greed versus generosity. Greed can fulfill short-term desire, but can also devastate an organization or industry in the long run. Generosity is much different. In the short term, it sparks a credit union's most effective advertising: word-of-mouth. In the long term, unlike greed, generosity positions a credit union for continued future success.

Greed will always be louder than generosity. It often grabs headlines and the attention of bankers. But generosity has longevity, and it's generosity that will keep our industry alive and well for many years to come.

Jean M. Yokum is president and CEO of Langley FCU in Newport News, Va. Buena E. Crawford is the credit union's immediate past chairman.



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