



SPECTRUM

AN ELECTRONIC REPORT FROM THE CUNA LENDING COUNCIL

**SPECIAL EDITION:
Excellence in Lending Award**

Apply by July 31 for the Credit Union Excellence in Lending award

The prestigious Credit Union Excellence in Lending Award bestows year-long recognition to the leading credit unions in the fields of mortgage and consumer lending. There are tangible benefits as well: the award pays airfare, hotel and tuition for one representative from each winning credit union.

The Excellence in Lending program, co-sponsored by the CUNA Lending Council and CUNA Mutual Group, recognizes the nation's best credit union lending practices.

"Lending is the core business for credit unions," says Bill Klewin, Assistant Vice President, CUNA Mutual Group. "The Excellence in Lending Awards recognize credit unions that offer creative and sustainable lending programs, and are therefore leaders in the lending business."

Klewin points out that the demands of members have changed over the past 10 years. In the past the member sat across from the loan officer at a table. Members today want loans in a convenient and quick way. Credit union lenders need to offer a number of complex delivery channels—over the phone and via the Internet—as well as through traditional methods.

"Today's leaders in credit union lending are responding to the changes that members need," Klewin says. "And, they are telling their members about their services. The leaders are showcasing the achievements, large and small, that they have brought to members."

Credit unions that meet award criteria become eligible for one of four annual Credit Union Excellence in Lending Awards:

- Consumer Lending Excellence Award
–Under \$200 million in assets

- \$200 million in assets and above
- Mortgage Lending Excellence Award
–Under \$200 million in assets
–\$200 million in assets and above

Leaders are chosen for their distinction in consumer lending and mortgage lending for the year. Throughout the year, credit unions will be highlighted for practices deemed as best in field. Recognition comes in credit union publications, a web site dedicated to help credit unions achieve success in lending, and at the CUNA Lending Council annual conference which is scheduled for November 10-13 in Naples, Florida.

Award recipients receive a trophy at the Lending Council annual meeting and participate in a panel discussion during the conference.



Criteria used in judging applications include key financial ratios weighted for their importance in lending and reaching members. The weighting establishes a score—much like

a credit score—to place credit unions on a continuum based on financial measures. Short narratives on marketing service innovation and education rounds out the nomination process to give the

entire picture of the credit union's ability to serve its members while sustaining sound financial performance.

Submit your application for the *2002 Credit Union Excellence in Lending Awards* by July 31 by following the format listed on the council web site www.cunalendingcouncil.org. Select Recognition/Awards. All credit unions in the United States are eligible. ♦

Four credit unions win lending awards

The *Credit Union Excellence in Lending Award* winners for 2001 are:

Denver Public Schools Credit Union, with more than \$400 million in assets, won in the category of consumer lending, more than \$100 million in assets. In 2000, Denver Public Schools exceeded its consumer lending growth goal by almost 24%, achieving \$13.6 million in loans. The credit union attributes its success in part to risk-based lending that serves a many members as possible, while keeping delinquencies at 0.19% and charge-offs at 0.17%.

CSRA Federal Credit Union, of Augusta, Georgia, won in consumer lending, under \$100 million in assets. The \$39.7 million asset credit union has more than 12,000 members. Its loan growth in 2000 was 16.2%, with total loans exceeding \$26 million. Vehicle loans for autos and RVs made up more than 50% of its total loans. CSRA FCU provided motivational seminars to loan officers to aid in cross selling and held an employee incentive contest to cross-sell featured products.

Air Academy Federal Credit Union, of Colorado Springs, Colorado, won in the category of mortgage lending, with more than \$100 million in assets. The credit union has more than \$200 million in assets. Its mortgage loan volume jumped 285%, from \$19.6 million in 1999 to \$55.9 million in 2000. The credit union offers a variety of mortgage loans, including a "Lot Loan" program.

Alcoa Employees & Community Credit Union, of Bettendorf, Iowa was named a mortgage lending winner for credit unions with less than \$100 million in assets. Alcoa has a member base of 18,300, and assets of \$90 million. It grew its in-house mortgage portfolio by more than \$6 million and nearly doubled its first-mortgage loan goal of \$3.3 million in 2000.

The awards provide opportunities for other credit unions to learn from the success of award-winners, as lending managers share their strategies and perspectives. Though diverse, the lending leaders have several attributes in common:

- All emphasize a sales culture and pay employees incentives to close loans and cross-sell.
- All employ risk-based pricing as a strategy to offer the lowest possible rates across the continuum of creditworthiness while limit-

ing delinquency and charge-off losses.

- All focus on member education as a service that sets them apart in the marketplace and helps to sustain a financially healthy member base.
- The two mortgage winners have developed relationships with local realtors and brokers as a steady source of referrals.
- All agree that their status as a financial cooperative matters to members.

Extraordinary service delivered by a trusted advisor is a deceptively simple formula for success in today's financial services industry. That combination reflects two strategies that the winners of the 2001 Excellence in Lending Awards employ: a passion for member service and a commitment to financial education.

In fact, top lending managers in the credit union industry often speak about member service and education in the same breath. For example, at Air Academy Federal Credit Union, where mortgage loans exceeded growth goals by 285 percent, member education during the origination process is a crucial service that sets the credit union apart in a crowded competitive field.

At Alcoa Employees & Community Credit Union, even when members don't qualify for a loan, "we train our employees to make sure that when the members leave here, they know what they need to do the next time to get a loan," says R. Dale Owen, vice president of lending.

Top managers share lending strategies

A Lending Council white paper, *Learning from Success: The 2001 Excellence in Lending Awards* by Jim Jerving and Karen Bankston features a series of interviews with top managers of the winning credit unions. The paper explores the lending strategies that set high-achieving credit unions apart from their competitors. It also examines what these successful organizations have in common. As diverse as they may be—in geography, size, and fields of membership—these credit unions reflect several strikingly similar perspectives on what works to win borrowers and keep them coming back.

In addition to an emphasis on service and education, all lending award winners foster a sales culture and provide incentives to employees to encourage closing loans and cross-selling lending, savings, and checking



products. Far from detracting from their “members first” commitment, lending managers maintain that cross-selling—or, as CSRA Federal Credit Union calls it, “cross-helping”—is a fundamental approach to helping members save money and time.

These four credit unions all employ risk-based pricing as a strategy to offer the lowest possible rates to all members, from the “A” tier to the more risky categories. Risk-based pricing allows Denver Public Schools Credit Union to compete for the business of members with sterling credit and offer members with spotty credit histories better rates than they could obtain elsewhere, while at the same time balancing the portfolio and actually decreasing delinquency and charge-off ratios.

All these lending managers agree that their credit union’s mission as a financial cooperative matters to members. Far from being just another choice in the teeming financial services field, the words *credit union* convey a sense of community and caring to many members. All the credit union has to do is live up to that reputation with each and every member

encounter.

“It makes all the difference to our members that CSRA is a credit union,” says Brian Levins, senior vice president of lending. “If we are to continue to succeed, we need to keep doing those things that reflect our member focus and commitment to service outside the typical profit-oriented environment. If we step outside those boundaries, we’re going to be just like any other financial institution.”

Credit union lenders have two primary advantages over other financial institutions. First, credit unions can count on member loyalty. Members feel their credit union has their interests at heart. Customers of banks know that the bank’s first priority is their shareholder’s interests. The second advantage of credit unions is their presence in the community. Members know that the credit union has the community’s interests at heart. It is not going to be bought out by a larger financial institution.

Read the *Excellence In Lending* white paper on the Lending Council web site, www.cunalendingcouncil.org. ♦



CUNA Lending Council SPECTRUM is a web-based newsletter published quarterly by the CUNA Lending Council at www.cunalendingcouncil.org. Send news and Lending Council information to: Sharon Gaugler, Austin Area Teachers FCU, phone: (512)302-6836, fax: (512)451-9569, e-mail: sgaugler@aafc.u.org. For Council information, contact Pamela Frey, manager council administration, phone: (800)356-9655, ext. 4141 or fax: (608)231-4061, e-mail: pfrey@cuna.coop

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