

SPECTRUM



AN ELECTRONIC REPORT FROM THE CUNA LENDING COUNCIL

Taking credit union services to small business

Services to small business may be the next big thing in the evolution of the credit union idea. Business services provide a relatively untapped market for expansion, giving credit unions significant opportunities to create new revenue streams and to serve their members with a more comprehensive spectrum of products.

Credit union members have developed extremely diversified lives. Young people are more mobile and entrepreneurial. Experienced workers take on self-employment in addition to their regular jobs. Individuals downsized from major corporations find a demand for their skills in the business and consumer community. And early retirees increasingly embark upon second or third careers as business owners.



These members often need financial services beyond the traditional range of credit union products. The market for small businesses

totals millions of units. The small business market is a major component of the U.S. economy, with one half or more of total U.S. job growth in small businesses.

Small business services are among the most promising areas of growth for credit unions. Yet most credit unions have not taken advantage of the strategic opportunities presented by small business relationships. Those who are able to construct a workable overall program to serve the needs of these firms are sure to gain an important competitive edge.

This article is excerpted from the Lending Council White Paper, Serving Small Business Members, by Dick Radtke. ♦

Trend lines: more of the same?

First-quarter credit union financial results are in, and according to CUNA economist Mike Schenk, they show that 2002 is shaping up to look a lot like 2001. Credit union loans increased by 5 percent during the quarter, while savings increased nearly 6 percent, according to CUNA's Financial and Statistical Trends monthly sample of credit unions. As a result, credit union investment increased 12 percent in the quarter.

To some extent, these trends reflect seasonal

activity. But first-quarter savings growth has been very strong from a historical perspective in each of the past two years. Conversely, first-quarter loan growth has been weak in each of the past two years. The resulting fast growth in low-yielding investments squeezes credit union spreads.

Schenk expects consumers to continue to act hesitantly and to focus on repairing their balance sheets during the next few months. The typical consumer retrenchment seen in a

recession wasn't evident in the latest downturn. Credit market weakness reflected in the record-high level of bankruptcies last year is expected to continue. And credit union delinquencies and charge-off are likely to edge up.

These challenges will be intensified with the prospect of increasing interest rates, according to Schenk. As the economy recovers, the Federal Reserve will raise short-term interest rates and that will place additional earnings pressure on credit unions. But the Fed won't take back all of its reductions quickly. Increases will be slow, occurring over several years.

The Fed will act cautiously in the current forecast horizon because:

- Inflation remains relatively tame with no big increases anticipated soon.
- Unemployment, a lagging indicator of economic activity, will probably drift up, and the Fed will be reluctant to raise rates in the face of a soft job market.

- World-wide economic weakness is a concern. The Fed will keep rates low until other economies rebound.

The magnitude and speed of any rate increases will have a big influence on credit union operating results. Typically, rising interest rates cause credit union net income to fall because funding costs tend to increase more rapidly than asset yields.

As rates increase slowly but steadily over the next several years, Schenk expects credit union earnings to experience some weakness, but no wide swings. Overall, credit union return on average assets should be in the range of 0.9 percent to 0.95 percent this year, and 0.95 percent to 1 percent next year. The increase in earnings in 2003 should occur because the current fast growth in investments is apt to be replaced by stronger loan growth. ♦

Helping members get the best deal on car loans



With the first signs of recession in fall 2001, auto manufacturers and dealers looked for a way to keep Americans shopping for new cars. Their solution: zero-percent financing — but only for consumers with perfect credit will-

ing and able to make high monthly payments on relatively short-term loans available on a limited number of models.

The auto industry paid the price for those incentives, but so did credit unions that have through the decades earned the reputation as the place to go for the best rates on auto loans. To remain competitive in the auto lending market, credit unions have devised a variety of strategies. Most credit unions have adopted a blend of approaches to:

- Educate members about the drawbacks of zero-percent or extremely low-rate dealer financing.

- Offer a true basis for comparison to help members decide between signing on for incentive dealer financing or taking the rebate and getting a credit union loan.
- Continue to urge members to improve their bargaining position by stopping by their credit union first for pre-approval before heading to the showroom.
- Alert members to the many bargains available on "like-new" late model used cars and credit union financing for those autos.
- Provide convenient, hassle-free auto shopping services and independent comparative information on auto safety, reliability, and features.
- Position themselves as the always dependable place to go for low-rate auto loans.

Zero-percent financing may sound like one of those offers you can't refuse, but for many members, excitement turns to disappointment when they discover they don't qualify for an interest-free loan or when they see the size of the monthly payments. For those members, credit unions are working to present a low-cost alternative and win long-term goodwill.

This article is excerpted from the Lending Council white paper Better Than Zero Percent: Helping Members Get the Best Deal on Car Loans, by Karen Bankston. ♦

Lending Council Conference just around the corner

8th Annual CUNA Lending Council Conference
November 10-13, 2002
Registry Resort, Naples, Florida

Make plans now to participate in the Eighth Annual CUNA Lending Council Conference, November 10-13, at the Registry Resort, Naples, Florida. The Conference promises a wealth of opportunities to learn what's new in credit union lending, and to network with your peers.

General session keynoters for the conference include A. Rex Johnson, president, Lending Solutions, Inc; Chip Filson, president/CEO, Callahan and Associates, and Kevin Carroll, "Katalyst" and director of Leadership and Communication for Nike, Leigh Bureau.

Breakout sessions will address a diverse spectrum of subjects including mortgage and consumer lending, electronic lending systems, portfolio management strategies, relationship building, and legislation and regulation issues.

Excellence in Lending awards. A highlight once again at this year's conference is the

Excellence in Lending Awards luncheon on Monday, November 11, sponsored by CUNA Mutual Mortgage Corporation. 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. The awards recognize credit unions that offer creative and sustainable lending programs, and are therefore leaders in the lending business.

In addition to regular conference sessions, you are invited to participate in the many fine opportunities to exchange information and experiences with other leading lenders in the credit union community, and to build your store of resources for future growth. The Lending Council Annual Conference is the industry's number one event through which to create bonds with other

lending professionals.

For more information visit the conference section at www.cunalendingcouncil.org. ♦



NEW! Internet Café

For the convenience of our participants, an Internet Café will be available on site during conference meeting hours. Attendees will be able to download information and access e-mail messages



Naples Grande Golf Club
Sunday, November 10, 2002

Tee off at the Naples Grande golf tournament

The first forty people who sign up for this conference highlight will delight in a golf course that proves both interesting and challenging.

The golf tournament, co-sponsored by Payment Systems for Credit Unions, Inc (PSCU) and United Guaranty, will take place on Sunday, November 10, 2002, at the Naples Grande Golf Club.

Tee time begins at 7:30 a.m. Golf tournament fees are \$50 for conference registrants, \$175 per guest. Fees include green fees, cart, continental breakfast, and box lunch. Registration is limited to 40 individuals.

To register online, visit the Conference section of the CUNA Lending Council's home page www.cunalendingcouncil.org. ♦

Scholarship program aids professional development

The CUNA Lending Council offers a total of ten scholarship awards each year, available to individuals in eligible credit unions for a variety of professional development activities. Scholarships of up to \$500 may be used for council dues, conference registration, Center for Professional Development (CPD) school tuition, or course work not offered in CPD programs.

To be considered, applicants must meet these requirements:

- Credit unions up to \$50M in assets are eligible
- One scholarship per credit union per year
- Credit union must demonstrate a financial need
- Full-time employees and volunteers in troubled credit unions are eligible

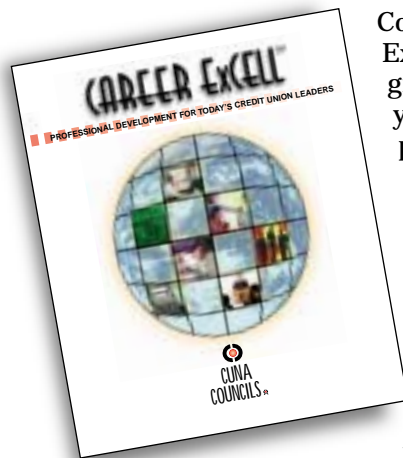
A scholarship committee selects the winners based on asset size, skills need, and financial

need. Entries must be postmarked forty-five days prior to the starting date of the conference or school selected. Scholarship winners are notified not later than thirty days prior to the starting date of the conference or school.

“The scholarship program is an excellent way for council members to assist peers who might not have the resources to pursue professional development,” says Joe Brancucci, scholarship committee chair. “Developing credit unions face funding and human resource challenges that can be effectively addressed through assistance with professional development, and this is one of CUNA Lending Council’s ways of supporting those activities.”

For more information on the CUNA Lending Council scholarship program or to access application information, visit the Recognition/Awards section of the CUNA Lending Council’s web site www.cunalendingcouncil.org ♦

Career ExCELL: Next Level in Career Development



The CUNA Councils Career ExCELL program can help you take your place beside the best lending professionals in the credit union community. The program gives you the critical skills you’ll need to chart

your professional course.

Career ExCELL is the movement’s most comprehensive professional development resource, offering planning and recruitment that outlines position expectations and opportunities, staff coaching and counseling assistance, strategic planning assistance, and key measurement standards for assessing staff performance.

In addition to providing overall management development, the Career ExCELL program also gives lending professionals a wide variety

of lending skill competencies, including

- lending strategy;
- loan portfolio management;
- loan policies;
- lending regulations and compliance;
- loan product management and asset accumulation;
- loan production and administration;
- loan underwriting.

The program is a guide by which you can develop your own career, and master the elements of other disciplines you’ll need to move to greater responsibility and authority within the organization.

“Career ExCELL is a valuable tool for all staff at the credit union,” says Kyle Markland, President/CEO, Affinity Plus Federal Credit Union, St. Paul, Minnesota. “I highly recommend the professional development it provides.”

For more information on Career ExCELL or to place an order, call CUNA Customer Service at 800-356-8010, ext. 4157, or visit www.cuna-councils.org, click on Career ExCELL in the upper right corner.

Career ExCell slated for a pre-conference workshop

Define job-related core competencies that work for your credit union and learn ways to coach people for desired performance and behavior.

Gayle Rust Gustafson, VP-Financial Services, Safeway Northwest Credit Union, will reveal the secrets of the successful executive of the

future, using Career ExCell and Career Architect in a pre-conference workshop on Sunday, November 10, 2002.

For more information on this pre-conference workshop, visit the Conference section of the CUNA Lending Council's home page 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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