

Filene Research Council Open Session Notes

Open Session

Issues: Industry consolidation; evaporation of core deposits, making short-term decisions that don't sacrifice long-term model; rebuilding capital; new credit union structure;

NOTES:

- Uncertainty=consolidation
- Protecting capital/missing opportunities/shrinking capital
- Secondary capital
- Industry is split
- Adequate industry capital
- Well capitalized industry average
- Casualties=consolidation
- Small CUs well capitalize-may not remain relevant
- Legal capital levels
- Pressure on earnings
- Limited risk taking

MEMBERS CAPITAL

- Buy offs/staff philosophical?
- Cost/benefit of buy outs/acquire/mergers
- Conflict "right thing" run the business
- Proactive purchasers
- Tactical/looking for strategy
- Big vs. small

CEO & BOD

- Ego
- Capital inequality
- Purchase accounting/GAAP/Goodwill
- Protection staff/self
- Small CU chooses liquidation
- "Cost" prohibitive" large/small
- Viable-member growth-asset size
- Small CUs mergers; may not=success
- Solution: innovative partnership
- Federation mode/Desjardins
- Desjardin light (lack leadership)
- Educate & inform

SOLUTIONS

- Big picture consolidation
- Champion "trusted" plan

Filene Research Council Open Session Notes

- Regulator role
- Liquidation value communication vs. give back return to member
- Charter changes-Bucky's hybrid cooperative

Existing Filene Research on Topic:

Alternative Capital for U.S. Credit Unions? A Review and Extension of Evidence Regarding Public Policy Reform (<http://filene.org/publications/detail/alternative-capital-for-u-s-credit-unions-a-review-and-extension-of-evidence-regarding-public-policy-reform>)

Costs and Consolidations (<http://filene.org/publications/detail/costs-and-consolidations>)

Is the US Credit Union Industry Overcapitalized? (<http://filene.org/publications/detail/is-the-us-credit-union-industry-overcapitalized>)

Secondary Capital Products: An Assessment of Member Interest
(<http://filene.org/publications/detail/secondary-capital-products-an-assessment-of-member-interest>)

Managing Credit Union Capital: Subordinated Debt, Uninsured Deposits, and Other Secondary Sources (<http://filene.org/publications/detail/managing-credit-union-capital-subordinated-debt-uninsured-deposits-and-other-secondary-sources>)

The Board's Role in Credit Union Mergers (<http://filene.org/publications/detail/the-boards-role-in-credit-union-mergers>)

Filene Research Council Open Session Notes

Opens Session

Issue: Industry Differentiation

- Price
- Social impact
- Social responsibility
- Community outreach
- Canadian example of 6% of pre-tax
- Get the “stories” out
- Regulatory constraints
- Regulatory sophistication
- Consumer and member advocacy
- Helping when needed
- Determine a variety of community PR channels to get the story of CU out
- Is there success in being different today?
- Common bond to served “underserved” in the past-reason for payday vendors, etc
- CU brand has been de-valued “we’re here for you”
- Chase lifecycle model
- CU marketing looks bank traditional model
- Banks adopting old CU model
- Consumer need:
 - What CUs used to offer
 - Community aspect
 - “Unique”
 - Demodernization
 - Common bond/community
- CUs not taking risk with message to consumer about how we’re different (fear) of bank/regulator impact)
- CU business model doesn’t allow risk-based capital so growth is restricted in order to protect balance sheet for membership
- Other creating “credit union” like products such as job security clauses –CUs absent
- What’s the motivation behind the credit union business model?
 - Lack of trust
 - Between credit unions
 - Regulator, NCUA
 - Corporates
- Trades (exception of Filene and Co-op)
- Lack of homogeneity among credit unions
- Set of guiding principals for CU industry

Existing Filene Research on Topic:

Employee Perceptions of Credit Unions (<http://filene.org/publications/detail/employee-perceptions-of-credit-unions>)

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Who's Joining Credit Unions (<http://filene.org/publications/detail/whos-joining-credit-unions>)

Building a Culture of Credit Union Excellence (<http://filene.org/publications/detail/building-a-culture-of-credit-union-excellence>)

Why Choose a Credit Union? An Ethnographic Study of Member Behaviors
(<http://filene.org/publications/detail/why-chose-a-credit-union-an-ethnographic-study-of-member-behaviors>)

How Blue is Your Ocean? (<http://filene.org/publications/detail/how-blue-is-your-ocean>)

Strategy Errors Made by Even the Smartest CEOs: How to Avoid them in Credit Unions
(<http://filene.org/publications/detail/strategy-errors-made-by-even-the-smartest-ceos-how-to-avoid-them-in-credit-unions>)

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Open Session

Issue: What does the consumer care about?

- Consumers don't want products, they want control
- They want access
- 75%-100% Word of Mouth Marketing
- Social Networks: How do we operate in this new environment? What is viral? What is facebook?

- Consumers: test us through products, affinity towards CUs because of products

- Great examples of what consumers want advertising: REI and Red Frog account.

- Young Adult Market Opportunity
 - They live in packs
 - Go viral (authentic)
 - Co-op structure

Existing Filene Research on Topic:

Why Choose a Credit Union? An Ethnographic Study of Member Behaviors

(<http://filene.org/publications/detail/why-chose-a-credit-union-an-ethnographic-study-of-member-behaviors>)

Who's Joining Credit Unions (<http://filene.org/publications/detail/whos-joining-credit-unions>)

The Credit Union Brand: What Is It Good For? (<http://filene.org/publications/detail/compeau>)

Credit Unions and Social Media: Engaging Young Adults

(<http://filene.org/publications/detail/credit-unions-and-young-adults-engaging-young-adults>)

Key Findings Blueprints for Innovation (early 2009) (<http://filene.org/publications/detail/key-findings-blueprints-for-innovation-early-2009>)

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Open Session C

Issue: Regulation

Summary:

- Upgrade Regulator
 - Keep NCUA
 - Skills/rules
 - Stature
 - Advocacy
 - TARP
 - Innovation
 - Accountability

- Accountability
- Single Regulator
- Appointees/BOD
- Concentration
- Transparency
- Combining insurer/regulator
- NCUA Outdated
- Skill/high-handed competence
- Enlarged board @ NCUA
- Stature

Coming Soon from Filene Research

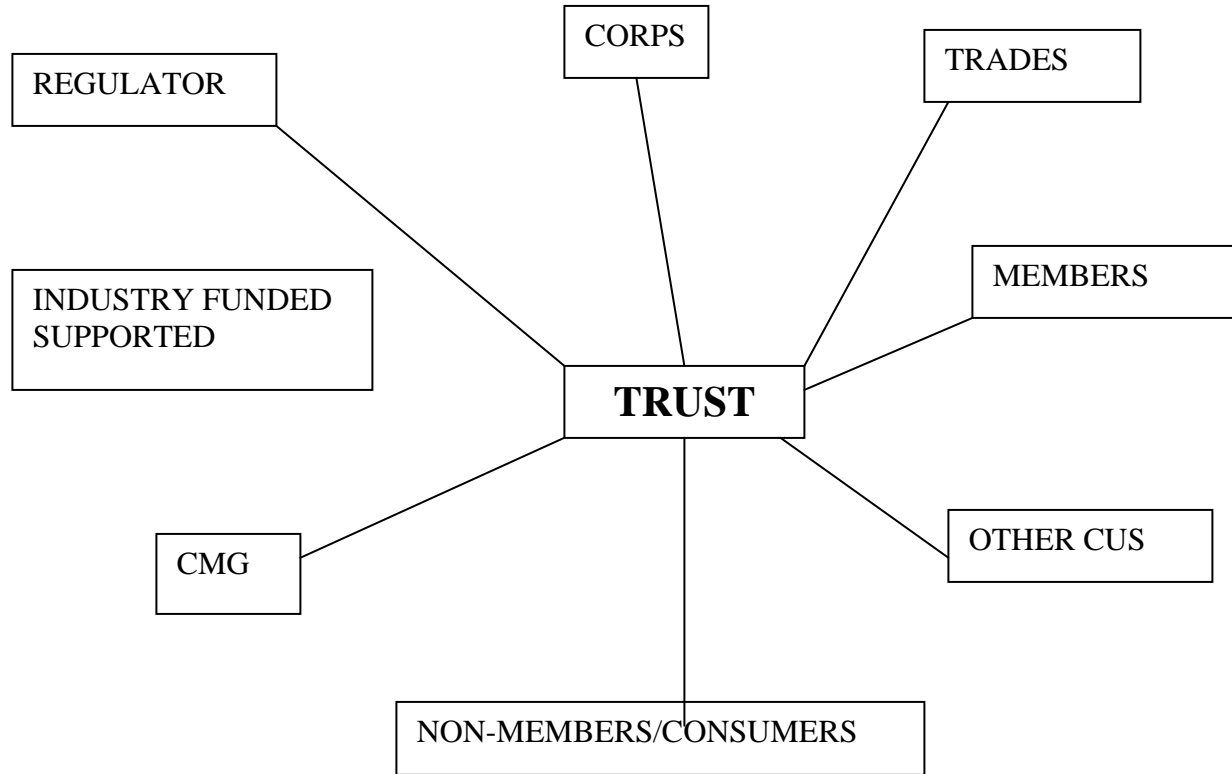
Evaluating the Single Regulator Question, scheduled to be mailed end of April...email joseys@filene.org for an electronic copy as soon as it is available.

Filene Research Council Open Session Notes

Open Session

Issue: Do we have a lack of trust growing in the CU movement?

Notes:



What can we do:

- Collaboration
- Member advocate via structure
- Approach community banks
- Compelling message

Existing and Forthcoming Filene Research on Topic:

Connecting the Dots on Credit Union Collaboration: A Colloquium at the Wharton School
(<http://filene.org/publications/detail/connecting-the-dots-on-credit-union-collaboration-a-colloquium-at-the-wharton-school>)

Costs and Consolidations (<http://filene.org/publications/detail/costs-and-consolidations>)

A Road Map for Credit Union Back-Office Collaboration, scheduled to be mailed in three weeks.

Filene Research Council Open Session Notes

Evaluating the Single Regulator Question, scheduled to be mailed end of April...email joseys@filene.org for an electronic copy as soon as it is available.

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Open Session

Issue: Collaboration/aggregation

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- Healthy ROA/Capital
- No shareholder/market accountability
- Be proactive vs. forced
- Everybody believes in effort
- Scale
- Leverage
- Expertise
- Reasons we don't collaborate:
 - Paranoia
 - Loss of control/ego
 - Protect self/staff
 - I am unique

- Example of franchise:
 - ACE Hardware
 - Franchise-Indepedant
 - Marketing
 - Scale counts/investments counts

- 3rd party swat team:
 - Can't do it part-time
 - Need paid pro
 - Support in industry
 - Find best practices
 - Appetite for cost
 - Lessons learned
 - Outside industry

- Buying Supplies/Insurance
- Sharing Operations

Existing Filene Research on Topic:

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The Board's Role in Credit Union Mergers (<http://filene.org/publications/detail/the-boards-role-in-credit-union-mergers>)

i³ idea: CU Harmony Concept Document:

(http://filene.org/filestore/section/56/CU_Harmony_concept_doc_032309.pdf)

Preliminary Study on Credit Union Franchising (<http://filene.org/publications/detail/a-preliminary-study-on-credit-union-franchising>)

Filene Research Council Open Session Notes

Open Session

Issue: To Tarp or not to Tarp

Issues:

- How much-go one time and make it worth it
- Taxation: adequate capital?
- Survival?
- Corporate CUs
- Huge losses at Big CUs
- CUES poll-99% of CUs polled said they would take TARP money
- Fracturing the movement
- Safety net-but look at other solutions before we dip into it
- Gov't involvement/scrutiny
- Instead-use secondary capital to help struggling CUs
 - At risk
 - Rate of return
 - Where will the funds come from?

- Risk based capital
- Access current system to see where we stand
- Emotional Topic
- We should put a wish list for Congress-what will we be willing to give up?

Existing Filene Research on Topic

Impact of Taxation on Credit Unions in Australia (<http://filene.org/publications/detail/impact-of-taxation-on-credit-unions-in-australia>)

The Future of Credit Unions: Public Policy Issues (<http://filene.org/publications/detail/the-future-of-credit-unions-public-policy-issues>)

Determinants of Credit Union and Commercial Bank Failures: Similarities and Differences, 1981-2005 (<http://filene.org/publications/detail/determinants-of-credit-union-and-commercial-bank-failures-similarities-and-differences-1981-2005>)

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Open Session

Issues: Better boards for our new environment

Problems

- Age
- Group think
- Retired-time warp
- Role clarity
- Personal filter
- Younger members-time constraints (some very well experienced)
- Turn-over
- No self policing
- No term limits
- Diversity lacking

Solutions

- Mandatory Education
- Federally mandated
- State (small CUs too)
- More strategic people
- Lawsuit
- Strong nominating committee
- Clear duty list
- Board assessments

Recruitment Process/Why volunteer

- Resume building
- Travel
- Dinner/snacks
- Higher purpose
- Value of representation face groups
- List of access characteristics

Existing Filene Research on Topic

The Board's Role in Credit Union Mergers (<http://filene.org/publications/detail/the-boards-role-in-credit-union-mergers>)

The Source for Credit Unions (<http://filene.org/publications/detail/the-source-for-credit-unions>)

Recruitment and Selection Practices at Credit Union Boards
(<http://filene.org/publications/detail/recruitment-and-selection-practices-at-credit-union-boards>)

Enhancing Board Satisfaction at Credit Unions (<http://filene.org/publications/detail/enhancing-board-satisfaction-at-credit-unions>)

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10 Young Adult Innovations: From the 30 U 30 Group

(<http://filene.org/publications/detail/30U30final>)

Young Adult Advisors (<http://filene.org/publications/detail/young-adult-advisors>)