"Common Themes Among High-Performing Credit Unions" by Jeff Rendel, Certified Speaking Professional

Over the past three years, engagements with more than 100 high-performing credit unions revealed several uncommon and common themes. Uncommon? Size, location, field of membership, and charter. No two credit unions were alike, a testament to the localized and unique superpowers of credit unions. In common? Read on.

Defining high-performing credit unions was simple: a high ROA (1% and above) and sound net worth ratio (10% and above) yielded a return on equity (ROE) of 10%. In short, these credit unions had the capacity to grow 10% in assets each year with cash flow and profits from current operations. Membership growth was impressive (about 7%), but member lifetime value (revenue and profits) drove long-lasting success and sustainability.

So, how do they generate such a first-rate ROE? All, or close to, the elements listed below.

Lots of loan production. Back in the day (2019), loans-to-shares told the story of asset utilization. Enter stimulus funds in 2020-21 and that ratio takes a break. Instead, a focus on greater-than-normal loan production offset the effects of share growth and rapid repayment speed. When loans-to-members approached saturation (around 70%), expanded fields of membership drove strategy. In all cases, these credit unions never decelerated marketing. Instead, they invested in more promotion.

Twice the industry norm for non-interest income. This was not about account maintenance fees; the basics of banking were pretty much free for all members. However; interchange, overdraft, and insurance sales dominated non-interest income. Strategies included instant debit cards, alternative products for underserved markets, and a wide array of insurance products (loans, homes, and phones). Most important, each product delivered value to a member in great excess of the fee exchanged.

Low operating expense ratios. Revenue was the driving factor in strategic initiatives, but minding costs was a common business practice. These credit unions aimed to utilize automation, scale, and outsourcing to capitalize on a classic case of comparative economics. In-house work was dedicated to highest and best use of resources; all else expanded the use of partners for better returns and results. Growth and technology produced expense ratios that fell, while service and revenue metrics rose.

Lots of digital services. From mobile access to marketing to engagement; members could take care of business – start to finish – via mobile. Member experience was high; administrative costs were low. While branches remained relevant; they were advisory in nature with members preferring self-service. Digital wasn't limited to members; operations benefitted through automation, data decisioning tools, and artificial intelligence. A credit union-wide, digital-first philosophy was prevalent.

Business beyond retail. Retail deposits and loans built a business; new markets to serve extended and expanded the brand. Commercial lending, insurance services, wealth management offices, trust divisions, and cannabis banking took the proven model of a credit union to new markets ready for

growth. Every credit union generated significant revenue and profit from at least one of these ventures; and susceptibility to disruption lessened with expansion into these peripheral markets.

As you expand, refine, and enhance your credit union's business model, consider the practices of credit unions experiencing and poised for growth. These methods aren't reserved for a small set of credit unions; they are followed by a wide array that are delivering and receiving value every day. These credit unions are focused on creating value for members and – as a byproduct – are rewarded with profit, invested back into members and the credit union they own and choose for the long haul.

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