

# Credit Union

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## 'Good community is good business'

### Targeted community investments boost business ecosystem.

DARLA DERNOVSEK

A growing group of credit union leaders aims to boost their community and business ecosystems with targeted community investments that will allow everyone to fly higher.

They believe tying your social purpose to your community activities is crucial to increase the impact of those efforts.

As a result, you'll be better able to build relationships, manage risk, differentiate your credit union, and more.

**Fostering small businesses**  
[NorthCountry Federal Credit Union](#) in South Burlington, Vt., gave \$125,000 over five years

toward the development of a 2,000-square-foot business incubator and co-working space in nearby Lyndonville, which has a population of about 1,200. [Do North Coworking](#) opened in November 2018 in a renovated former Bag Balm factory.

NorthCountry Federal's board and leadership see a direct correlation between community investments and the well-being of members and the communities where they live and work, says Bob Morgan, CEO of the \$620 million asset credit union, which has a community charter to serve 10 counties in northern Vermont.

"We are a compilation of our members, and we consider the community an explicit stakeholder of the credit union," Morgan says. "It's integrated in the way we think."

Creating a modern co-working space that small and micro-businesses can use through a membership model supports their growth and expansion, Morgan says, which strengthens the entire community.

Northern Vermont University leads the project, and the program has been developed with support from community organizations and federal grants.



The coworking space gives participating businesses access to high-speed internet, photocopiers, audiovisual equipment, and sound-proof phone booths. A high-tech conference room is available for both business and community use.

Organizations can also tap into the university's services and expertise. The project is ahead of projections for business participation and has attracted an established "anchor" business as a permanent tenant.

### Identifying the need

Morgan notes that community investments must start with an identified need. For instance, community leaders told NorthCountry Federal and its partners that small businesses in the "Northeast Kingdom" of rural Vermont faced a pervasive lack of high-speed broadband and access to technology.

"We immediately saw the opportunity this project had,"

union divides its budget for these donations into three groups to allocate a specific percentage to recipients selected by the board, management, and branch staff.

While recipients vary, the gifts are never random. Instead, they are directed at efforts to build a stronger ecosystem based on insights into what the community needs.

"Start having conversations with important community leaders to understand how your credit union can move the needle," Morgan advises. "Learn how to use your credit union's human capital or philanthropic contributions to be most impactful."

### Targeted efforts, broad impact

University Federal Credit Union (UFCU) in Austin, Texas, focuses its community investments on three targeted areas tied to its membership base of the University of Texas and a wide array of

"It's really about college and career and home," McKissick says. "The overarching [idea] is the cooperative principle and concern for community. Our board's priority is that as we grow and become more influential in the markets and communities we serve, we must always stay true to our credit union values—and that we're never confused with, or behave like, a big bank."

UFCU expresses these principles as a combination of charitable giving, ongoing relationship management, and programs with an emphasis on members' financial health. Relationship management includes President/CEO Tony Budet's involvement in the [Austin Chamber's Opportunity Austin 4.0](#) initiative.

Budet is a former chair of the Austin Chamber, which recently courted Apple to house a \$1 billion corporate campus that will bring up to 15,000 jobs to the community.

McKissick says involvement in these efforts reflects Texans' belief that "good community is good business."

"We know that by supporting all the communities we serve, that ultimately all boats rise," she says. "These investments also enhance community relationships that in turn enhance our ability to advocate with CUNA and leagues for credit union issues."

### Emphasize relationships

UFCU bases its community giving on relationships with business partners who have ties to its select employee groups (SEGs) and the credit union's objectives.

The same principle applies to the credit union's internal programs, such as the annual \$100,000 gift of scholarships and support to "UFCU Scholars" enrolled at the University of Texas. Because the university aims to attract first-generation students, UFCU revamped the UFCU Scholars program to focus there as well.

UFCU now extends the UFCU



Morgan says. "Promoting economic growth and vitality is in the credit union's best interests."

NorthCountry Federal earmarks 10% of net earnings for community and philanthropic efforts. Morgan says tapping into community partnerships with multiple players is important to boost the "economic ecosystem" that supports a healthy community.

Other NorthCountry Federal activities include donations to nonprofit groups. The credit

union divides its budget for these donations into three groups to allocate a specific percentage to recipients selected by the board, management, and branch staff.

UFCU targets:

- › **Post-secondary education**, which translates into scholarships, internships, mentoring, and other support for students.
- › **Middle-skill employment**, including support for efforts to bring more industry to Austin.
- › **Affordable housing**, including mortgages that allow members to buy homes.

Scholars program into other higher education institutions it serves and aligns it with those organizations' priorities.

"It's the same dollars but higher leverage and more impactful because it's directly serving what our SEG partners need and want," McKissick says.

Scholarship recipients are also nurtured through paid internships, financial health education, a savings match program, and mentoring and networking with UFCU's leadership team.

"This high-touch program requires a lot more time and energy on our part than just writing a check, but we believe the outcomes will be far greater and more meaningful," McKissick says. "We also believe we'll gain some fans who will be ambassadors for the credit union."

Board leadership is crucial for a broad, deep community invest-



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**'BOARD LEADERSHIP IS CRUCIAL FOR A BROAD, DEEP COMMUNITY INVESTMENT STRATEGY.'**

Heather McKissick

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ment strategy, McKissick adds. At the board's direction, UFCU began refining its strategy for living its social mission three years ago, and then educated employees about its approach.

McKissick says retaining consultant [Coro Strandberg of Strandberg Consulting](#) was a key

part of the process. Strandberg is a social responsibility and sustainability consultant who served on the board of directors at [Vancity](#) in Vancouver, B.C., from the late 1980s through 2000.

During that period, board and management worked together to help Vancity refocus on its [social](#)

## HEALTH AND FINANCES GO HAND IN HAND

Although the link might not be readily apparent, health and financial well-being are closely linked, according to a white paper from the National Credit Union Foundation.

Financial insecurity is a major source of stress, and stress affects physical and mental health. Plus, poor health affects the ability to work or to perform well at work, which can lead to financial insecurity.

"Together, health and financial well-being are a strong predictor of future success," reports "Health and Financial Well-Being: Two Good Things That Go Better Together."

Given the connection between health and financial well-being, "health-care providers and public health leaders need to view credit unions in a new light: as care team partners who bring valuable insights and interventions designed to improve financial well-being that can be used to complement efforts to improve health outcomes for patients," the report states.

Similarly, credit unions can seize the opportunity to "treat" consumers who are struggling to pay for medical care.

Several successful partnerships already exist:

➤ [Allegany Federal Credit Union](#) in Winston-Salem, N.C., formed a credit union service organization (CUSO) with Wake Forest Baptist Health called WellQ. The CUSO provides access to health care, financial and health coaching and education, and incentives for making healthy choices.

➤ [Bethpage \(N.Y.\) Federal Credit Union](#) joined local YMCAs and LGBT youth communities to provide information on physical and financial health. It partnered with Northwell Health to provide interest-free loans to health-care employees affected by Superstorm Sandy. It also merged with Northwell's original credit union to serve the not-for-profit healthcare network's 67,000 employees across New York.

➤ [BECU](#) in Seattle formed a three-way collaboration that seeks

to embed financial coaching and lending circles into an existing health coaching program. The "Financial Health for Diverse Communities Project" supports the integration of financial coaching and inclusion services with health education to improve the health and well-being of immigrants and refugees living in South King County.

"Health and financial well-being," the report notes, "go hand in hand."

"Knowing that the greatest driver of bankruptcy is consumer medical debt, the need for collaboration and the integration of financial literacy, capability, and resilience with health-care decisions has never been greater," says Gigi Hyland, the Foundation's executive director. "Our continued research has shown health-care providers and credit unions share much in common. By working together, they can create improved outcomes for members and patients alike."



purpose as a mission-driven organization.

Social purpose is an emerging trend in business, where companies define their reason for existing in social terms and place it at the core of their operations.

Strandberg says credit unions typically move through four phases as they shape their community investments to match their social mission:

**1. Basic corporate social responsibility (CSR)**, where practices and expectations are informal.

**2. Advanced CSR**, marked by a consistent approach that is understood throughout the organization.

**3. Integrated CSR**, where CSR objectives become part of competency models, remuneration, leadership development, and succession planning.

**4. Becoming a social purpose**, mission-driven credit union with a “theory of social value creation” that describes how the credit union generates social and business value. That framework guides all decision-making.

Strandberg advises credit unions to examine their own practices by completing the [Social Purpose Credit Union Self-Assessment \[PDF\]](#), which was developed in 2016 with Libro Credit Union in Ontario, Canada. Strandberg adapted the tool for

“**‘LOOK AT YOUR BUSINESS RISKS AND OPPORTUNITIES, AND ADDRESS THEM THROUGH YOUR SOCIAL INVESTMENTS.’**

Coro Strandberg



UFCU so it would apply to the U.S. market.

### Shifting to risk management

When social purpose credit unions set priorities, Strandberg says they focus on the social or environmental risks that will be part of their business environment for the next five to 10 years.

“In the past, companies would do CSR by asking internal and external stakeholders what their CSR priorities are, comparing those to business priorities and choosing the top items to focus on,” Strandberg says. “Now the best advice is to look first at your business risks and opportunities, and address them through your social investments.”

The [Filene Research Institute](#)

report, “[Risk Management’s New Tool: Corporate Social Responsibility](#),” suggests addressing these questions:

- ›How will your members’ viability be affected in the future?
- ›How will their fortunes change?
- ›What trends will shape how they live, work, and play?
- ›What risks do they face?
- ›How can the credit union address these issues?

“It’s a whole new way of thinking about risk management,” Strandberg says.

Next, credit unions can write a [social purpose business case \[PDF\]](#), which turns community investment from simply making grants to a “business model undertaking.”

“Credit unions have to formalize their values, articulate them with purpose and mission, and operationalize them like in any business plan with targets, metrics, training, and more,” Strandberg says.

The results will help differentiate your credit union and better serve members. That’s borne out by the experiences of organizations like UFCU.

“Our first order of business is to make sure we are providing for the well-being of our members,” McKissick says.

“We have just extended that mission to say we are providing for the well-being of our members directly and by also providing for the communities where they live.”

