

CUMLA

Filene
Research
Institute

CURx

CONCEPT DOCUMENT



TEAM MEMBERS

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TARGET MARKET

Thirty-five percent (35%) of U.S. credit unions are under \$30 million in assets, which makes them more vulnerable to factors like at-risk financial performance, negative membership growth, regulatory concerns, and a lack of succession planning and education – all of which can lead to them disappearing through merger or dissolution. These smaller cooperatives are the backbone of the credit union movement and represent the heartbeat of their local communities. Preserving the identity of these credit unions is critical not only to the movement, but the members they serve.

The key to assisting these modest-sized, yet powerful credit unions is engaging and supporting the leaders of these organizations: small asset size (SAS) credit union CEOs. These (often overworked) credit union professionals wear many hats as a matter of necessity. They are expected to ensure sound daily operations, lead strategic initiatives, keep pace with technology advancements, and adopt regulatory compliance changes – all while delivering robust financial performance and membership growth with limited resources. It is a daunting task for even the most adept professional, which is where CURx comes in. The purpose of CURx is to help these leaders guide their credit unions to long-term success by providing targeted, custom support where most impactful.

PROBLEM DEFINITION

We began our journey expecting to find that the disappearance of smaller credit unions (under \$300 million) was largely a result of CEO retirements. After gathering and analyzing data (obtained through a survey of SAS credit union CEOs and a review of NCUA merger application information), we concluded that not all small credit unions are the same; while succession planning does represent a significant challenge for the most modest sized credit unions (under \$30 million) in the group we studied, it is not the only or even the primary reason we are losing smaller credit unions. Negative membership growth and earnings, alongside regulatory challenges, all pose a much larger threat to these credit unions. As a result, we are losing a considerable number each year due to voluntary or involuntary merger.

First, we surveyed 288 CEOs of SAS credit unions with the help of Credit Union Women's Leadership Alliance (CUWLA), various credit union leagues, and relevant list serves. We focused our research on those under \$300 million in assets. As part of our results analysis, we segmented the responses by asset size to compare the data findings against other segments and overall results. We learned that, while overall 80% reported good to comprehensive training in their credit unions, 46% of those under \$30MM reported little or no investment into training. In addition, the survey revealed an aging employee base in credit unions under \$30MM, with 69% of employees being over the age of 40; and, of the 37% of credit unions in this same asset range with CEOs who will retire in less than five years, 43% have NO succession plan.

In addition, we studied National Credit Union Administration (NCUA) merger data from January 1st – March 26th, 2024. During that time, there were 41 merger applications to review.

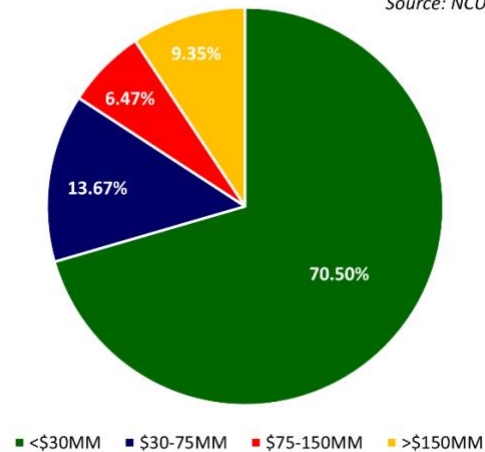
This is what we found:

- All merging but one were <\$300MM
- 19.5% had retiring CEOs
- 19.5% had a net worth ratio of <8%
- 46% had negative ROA
- 85.4% had negative membership growth

Only three of the merging credit unions did not experience all the performance issues cited above; of those three, two had CEOs retiring. Of the 139 FICU mergers completed in the 12 months from April 2023 March 2024, 70% of the merging credit unions (98 in total) were under \$30MM in assets.

Merging CU Asset Size - 12 Months (04/23-03/24)

Source: NCUA



The NCUA’s **4Q2023 Financial Trends in Federally Insured Credit Unions** included a study which revealed elevated regulatory challenges for credit unions under \$50MM in comparison to those faced by their larger peers. Those under \$50MM were almost 2X more likely to have a CAMELS rating of three or higher compared to those in the \$50-100MM range, and almost 3X more likely compared to those with \$100-250MM.

Finally, the Credit Union National Association’s (CUNA’s) **3Q2023 U.S. Credit Union Profile** showed credit unions under \$50MM to be our most vulnerable. They are the only asset class in the study with negative membership growth and 74% of them showed flat or declining assets.

Overall, based on this data, our analysis revealed many credit unions under \$30MM in assets are struggling. Their obstacles include: a shortage of young professionals; struggles with succession planning; growth, profitability, and regulatory challenges; and a significant need for professional development.

If we consider the aforementioned data we analyzed as representative of the broader industry, this would mean that of the 1,752 federally insured credit unions under \$30MM at the time of our study:

- 651 have CEOs retiring within 5 years and 279 of those have NO succession plan (and are not actively working on it)
- 404 have NO emergency succession plan
- 807 make little/no investment in employee development

With these findings in mind, and the loss of almost 100 credit unions in the <\$30MM category (5.6% of their total number) annually, our team crafted the following final problem statement to focus our innovative solution efforts:

How might we support the success and help preserve the identity of credit unions under \$30 million in assets?

INNOVATIVE SOLUTION

CURx Prescriptive Consulting for Credit Unions

CURx offers expert care and support tailored for credit union CEOs, whether for financial wellbeing or to address operational challenges. Similar to the medical field, our prescriptive solutions include customized action plans based on unique needs, in our case facilitated by retired successful credit union CEOs. Acting as a listening ear and leveraging years of experience, our team specializes in assisting struggling smaller credit unions. We offer guidance tailored to each individual credit union with the aim of enhancing their operations and fostering sustainable growth. CURx provides this exceptional value at modest cost determined by asset size and demonstrated need. Together, we transform challenges into opportunity and ultimately build a stronger future for all credit unions.

Top benefits for the SAS credit union CEO*:

- **Personalized Guidance:** Tailored support provides CEOs with advice and resources that are relevant to their particular circumstances. This means that the strategies, tools, and recommendations they receive are specifically designed to address their unique challenges and opportunities, making their leadership more effective and focused.
- **Skill Development:** Tailored support often includes targeted training and mentorship, helping CEOs develop key skills needed for their role. This might encompass areas like financial acumen, strategic planning, risk management, or staff and board relations – all of which are critical for leading a small credit union successfully.
- **Strategic Growth:** For small credit union CEOs looking to expand or innovate, tailored support can provide targeted strategies and insights on sustainable growth. This might include guidance on product development, market expansion, or member engagement that is feasible within their existing framework.

Top benefits for the SAS credit union*:

- **Customized Solutions:** Small credit unions often face different challenges than their larger counterparts. Tailored support can address specific needs such as leadership development, regulatory compliance, technology upgrades, or strategic planning in a way that is directly relevant to their scale and resources.
- **Improved Operational Efficiency:** By focusing on the particular needs of small credit unions, tailored support can lead to more streamlined operations. This might include best practices for optimizing workflows, enhancing member services, or implementing cost-saving technologies – all of which can boost overall efficiency.
- **Resilience and Adaptability:** Tailored support helps small credit union CEOs navigate challenges more effectively. A resilient response to economic downturns, changes in

regulatory environments, or shifts in member expectations can help ensure that their credit unions adapt and thrive in a changing landscape.

** For a full list of CURx benefits for CEOs and credit unions, see Appendix, Exhibit 4.*

PROTOTYPE

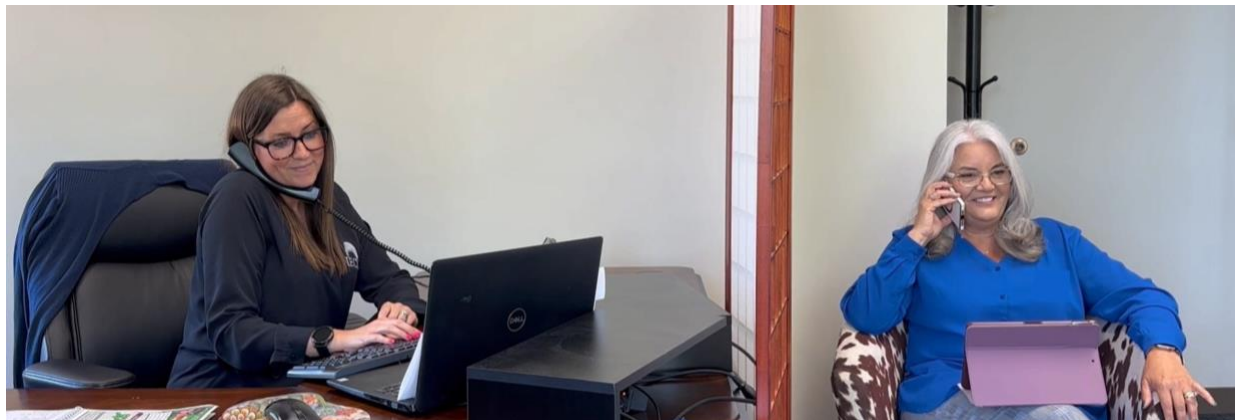
With CURx guidance, credit union leaders gain practical skills and insights to help improve financial health, enhance operations, and foster sustainable success for their credit unions. The typical engagement might involve approximately 40 hours of hands-on work with CURx over eight weeks, followed by periodic checkups.

CURx Engagement Lifecycle:

- Initial contact and assessment (using triage intake sheet)
- Diagnose magnitude and scope of the challenge
- CURx matches CU CEO with the right CURx volunteer specialist
- CURx volunteer works together with CU CEO (and team as needed) to determine root causes of challenges and develop customized action plan to address them
- CU implements prescribed action plan
- CURx volunteer and CU CEO hold regular checkups to assess progress over time

We illustrated two use cases in storyboard format, then acted them out on-screen. These prototype videos can be viewed using the links below:

- [New CEO Storyboard LINK](#)
- [Struggling CU Storyboard LINK](#)



TESTING AND RESULTS

CURx Prototype Testing Overview

In the development phase of the CURx Prescriptive Consulting for Credit Unions, we conducted a comprehensive evaluation to determine the effectiveness of our prototype. Our goal was to validate CURx's ability to support CEOs of credit unions with assets under \$300 million, with a particular focus on those with assets under \$30 million. This testing process was aimed at

gathering qualitative and quantitative data and included a combination of surveys, intake forms, and focus groups. The findings from these tests provided valuable insights into the specific needs of our target market and the potential impact of our services.

1. **Intake Forms from Participating CEOs (April 2024)**

For our first prototype test, we completed intake forms two SAS CEOs, Lisa and Eric, who both lead credit unions facing significant challenges. Upon review, key observations included:

Lack of Formal Training: Despite having over 20 years of experience in credit unions and being in their current roles since 2022, both CEOs lacked formal training in financial management and leadership.

Negative Financial Indicators: Both credit unions experienced membership declines and negative earnings, with one falling below the 7% capital requirement.

Interest in Financial Guidance: Both CEOs expressed strong interest in better understanding financials, increasing profitability, and receiving training in areas such as Asset Liability Management (ALM), loan growth, product pricing, and overall financial acumen.

2. **Focus Groups (June 2024)**

For our second prototype test, Bold Vision conducted two virtual focus groups to gauge interest in the CURx prototype. Both groups consisted of CEOs managing small credit unions, with one group made up of CUWLA members. During these sessions, we presented our research insights, problem statement, and two prototype storyboard videos to explain the vision for CURx. In session, attendees provided verbal feedback as well as poll responses. From this engagement we learned:

Likelihood of Using CURx Services: 65% of respondents indicated they were likely or extremely likely to use CURx services.

Perceived Network Benefit: 100% of respondents indicated at least one person in their network would benefit from CURx, with 55% indicating at least three or more.

Potential Uses for CURx: Frequently mentioned were training, mentoring, compliance guidance, and financial guidance.

Barriers to Using CURx (multiple answers possible per respondent): Participants' top three barriers to use of CURx included potential costs, time/capacity constraints, and being unsure of what to ask.

Perception of the CURx Name: 85% of respondents indicated the CURx name made them feel hopeful or confident.

Feedback on Missing Elements: Suggestions included providing accounting assistance, strategic planning guidance, and other credit union-specific services.

3. **Survey Results (August 2024)**

To further evaluate the perceived value and effectiveness of the CURx prototype, we conducted a follow-up survey targeting those SAS CEOs who participated in a focus group and/or responded to the initial survey. This second survey focused on key aspects of the CURx service offering. We learned:

Barriers to Payment: Common barriers included budget constraints, operational costs, net income deficits, and the perceived value of services.

Expected Value: The amounts credit unions are willing to pay range from under \$1,000 to over \$5,000, with the majority being willing to pay over \$3,000.

Likelihood of Assistance Needs: Survey results show strong interest in CURx, and nearly 47% of respondents likely to apply for needs-based grant assistance. While some are uncertain about eligibility, there is a clear opportunity for CURx to meet a significant need.

Volunteer Participation: Almost 95% of respondents indicated an interest in volunteer participation, with many respondents indicating they would participate two or more times per year.

Relevance of CURx Services: The survey responses indicate that CURx services are highly relevant to small credit unions, with many participants acknowledging the benefits of CURx. Despite financial constraints for some, the strong interest and positive feedback underline the value of CURx in addressing the challenges faced by these credit unions.

Interest in Continued Use: The survey results reveal strong interest from respondents in continuing to use CURx services. This positive reception reflects an expectation that CURx will remain beneficial, suggesting that the solution would meet or exceed expectations and provide ongoing value.

How this Data Supports the CURx Prototype: The survey results provide robust support for the CURx prototype, confirming its relevance and potential for long-term engagement from the target audience. The survey results highlight that respondents perceive CURx as highly relevant to small credit unions and indicate that CURx is well-positioned to support the success of credit unions under \$30 million in assets. Additionally, respondents believe that CURx solutions have the potential to materially address the operational and financial challenges faced by these credit unions. The strong interest in continued use further validates the prototype's potential to serve as a critical resource for struggling credit unions, aligning perfectly with CURx's mission to transform challenges into opportunities and build a stronger future for all credit unions.

BUSINESS MODEL AND PROFORMA

Our business model is unique in that we will only use retired CEOs of successful credit unions to serve as consultants. This removes the threat of “assistance with merger in mind” and allows for a low-cost business model, as all CURx consultants / retired CEOs are volunteers. It is our goal to have CURx serve as a small credit union outreach function of an existing credit union organization.

Launch Costs: Organizing CURx will require creating advertising material, recruiting and vetting volunteers, creating and managing a website, securing bond coverage, and purchasing office equipment (i.e., computer, telephone, etc.). In addition, attorney services will be necessary for the development of agreements for use with the credit unions we will serve.

Ongoing Costs: To effectively manage CURx an Administrative Assistant or Director of the program will be needed. A high-level job description for the Director is included in the Appendix of this document.

Consulting Income: We discovered during our testing that credit unions would be willing to pay for this service. We recognize that many reaching out for help might not be able to add another expense to their already struggling operations; however, we expect those new to their credit union or those having a specific ask to be able to pay for the assistance. We anticipate securing 10 retired CEOs who can engage with 20 credit unions per year. Consulting revenue is estimated according to asset size and by using a needs-based scale, where credit unions will be invoiced between \$0 and \$5,000 per engagement.

Break-Even Model: Our goal is to assist struggling credit unions; profit is not a primary driver. For that reason, it is our desire to operate with a break-even model. Based on the below proforma, launch costs would be funded through monetary or in-kind donations and/or by a sponsor company that can help absorb the costs by housing CURx.

	2025	2026	2027	2028	2029
Revenue					
Consulting	\$0	\$ 9,500	\$ 12,500	\$ 16,000	\$ 17,000
Start Up Donor(s)	\$ 14,000				
Sponsor*/Sustaining Donor(s)	\$ 12,000	\$ 10,000	\$ 7,500	\$ 5,000	\$ 5,000
Total	\$26,000	\$19,500	\$20,000	\$21,000	\$22,000
Operating Expenses					
Advertising	\$4,000	\$ 2,000	\$ 2,200	\$ 2,350	\$ 2,450
Attorney Fees	\$5,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Bond	\$1,500	\$ 1,500	\$ 1,550	\$ 1,650	\$ 1,750
Software/Website	\$2,400	\$ 1,250	\$ 1,250	\$ 1,300	\$ 1,400
Telephone	\$1,100	\$ 1,250	\$ 1,250	\$ 1,300	\$ 1,400
Management Fee	\$12,000	\$ 12,500	\$ 12,750	\$ 13,400	\$ 14,000
Total	\$26,000	\$ 19,500	\$ 20,000	\$ 21,000	\$ 22,000
Net Income	\$0	\$0	\$0	\$0	\$0

* Sponsor could provide in-kind donations in lieu of monetary support.

Consulting Revenue Assumptions:

- One year to get organized, hire director, recruit volunteers, get word out, etc.
- Typical engagement is 40 hours over a 4–8-week period (8 engagement cycles/year)
- Consulting fees will vary based on asset size and needs-based assessment
- 10% of credit unions would not be charged a fee due to severity of financial position
- 10 retired CEO volunteers, each assisting 2 credit unions per year
- Capacity to assist 20 troubled credit unions per year

Expense Assumptions:

- Management fee for Director compensation based on \$40 per hour and 300 hours of work per year (25 hours per month)

OPERATIONAL AND OTHER CONSIDERATIONS

Additional Thoughts

Volunteer Consultants: Recruiting and vetting retired credit union CEO volunteers will take time, energy, and effort. Establishing standards around volunteer qualifications and expectations will be essential to a successful launch of CURx and its future.

Consultative Nature: Unfortunately, a credit union may fail despite a CEO working with CURx. Written agreements with credit unions being assisted may serve to protect both the volunteer and CURx from attempts to extend fiduciary responsibilities. Liability insurance coverage may be an advisable supplement as well.

Marketing: Getting the word out to credit unions about CURx is imperative to its success. The organization that houses CURx, its website, volunteers, and part-time Director, along with other interested organizations (e.g. trade associations, CUWLA, etc.), will need to be actively engaged in promoting the service.

Future Direction

Assisting CEOs is the initial focus of CURx. In the future, this could potentially extend to other key positions within small credit unions. Expanding to include retired executive volunteers from lending, information technology, and other areas could serve to provide a broader offering of consulting services to struggling small credit unions.

Changes in Target Audience

The NCUA asset size threshold used to define what constitutes a small credit union is a moving target. In 2002 it was \$1MM. By 2009, it was \$10MM; in 2013 it was \$50MM; and, in 2015, it increased again to \$100MM. The impact of the next increase to credit unions and to CURx remains to be seen.

CALL TO ACTION AND NEXT STEPS

Invite a forward-thinking organization dedicated to the ongoing success of small credit unions to champion CURx. This would involve devoting resources to establish and sustain CURx, both initially and long-term. This could include monetary and in-kind support, such as: providing start-up capital, housing operations, obtaining legal counsel, providing HR support, marketing to various stakeholders, hosting website, etc.

Next Steps include work to:

- Develop standards to ensure retired CEO volunteers are proficient
- Recruit and vet CURx volunteers
- Cultivate a broader donor base, if applicable
- Hire part-time Director
- Create operating policies and agreements

CURx will exist to support the success and help preserve the identity of SAS credit unions, particularly those under \$30 million in assets. These smaller cooperatives are the backbone of the credit union movement and represent the heartbeat of their local communities. Preserving the identity of these credit unions is critical not only to the movement, but the members they serve. The right business partner will enable CURx to fulfill its mission of working alongside SAS credit union CEOs to help them transform challenges into opportunities and build a stronger future for their credit unions.

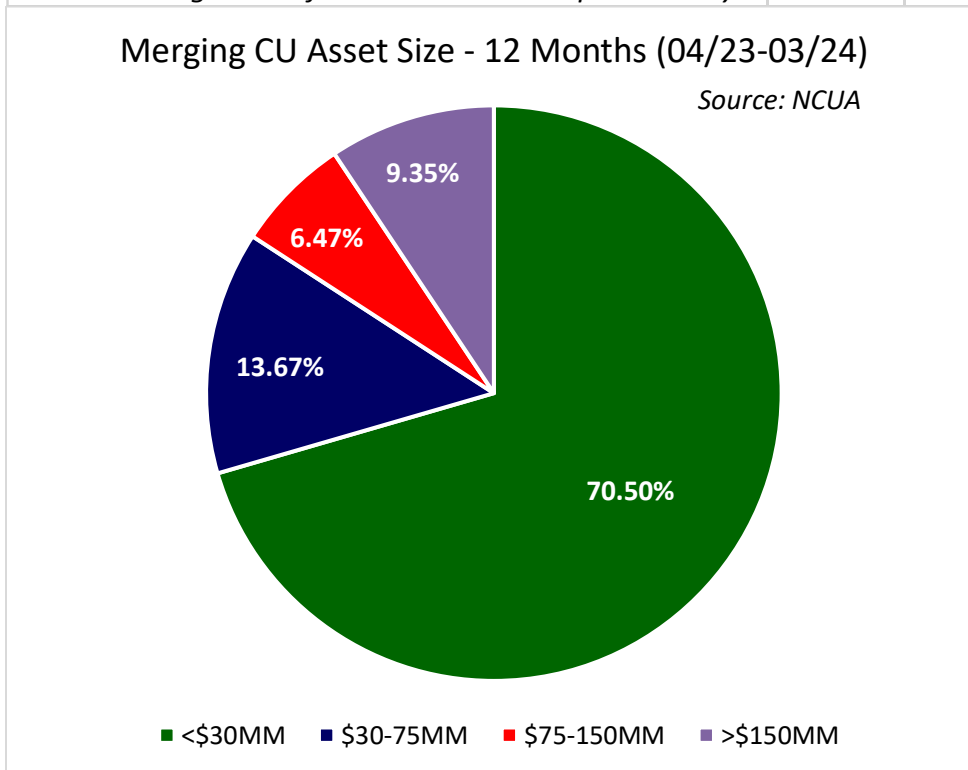
APPENDIX

Target Market/Problem Definition:

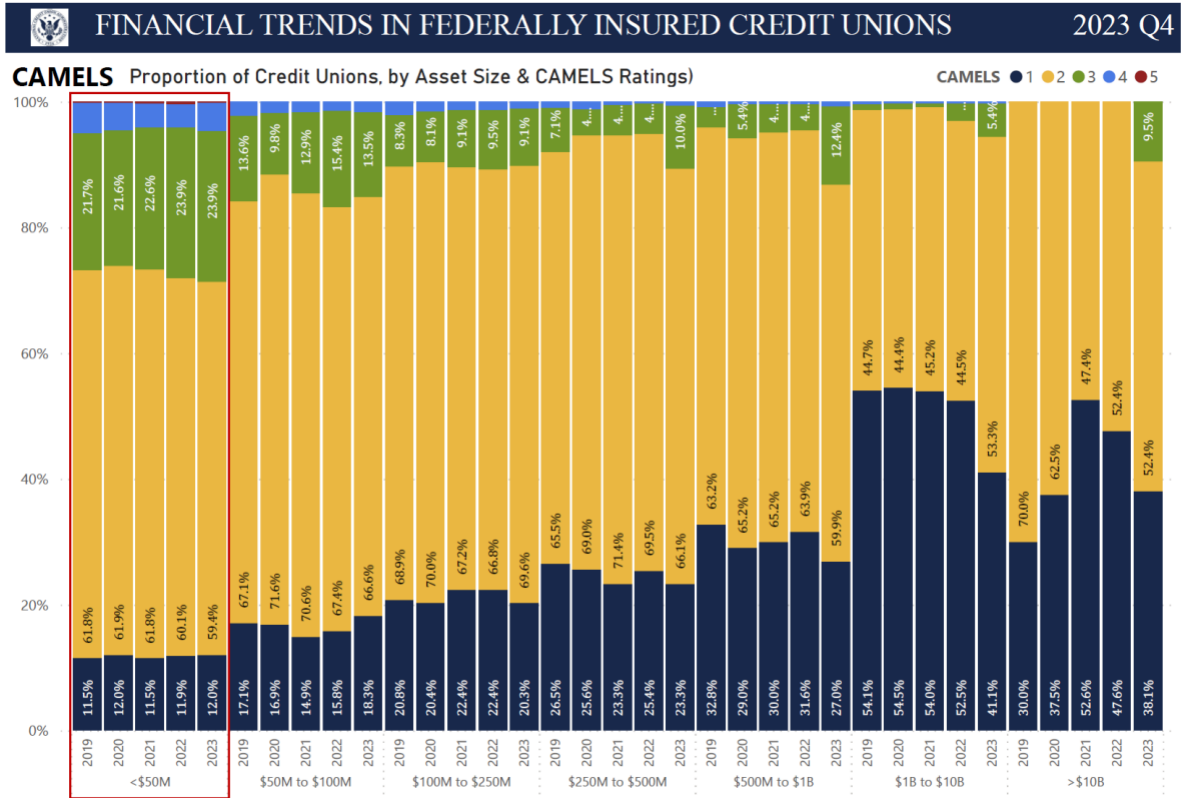
- Bold Vision SAS CEO Survey results from 288 respondents under \$300MM in assets.
 - Overall results attached as **Exhibit 1** [Appendix Supplement (AS) p. 1-54]
 - Results for credit unions under \$30MM in assets attached as **Exhibit 2** [AS p. 55-85]
- NCUA Merger Worksheet covering 1/1/2024 – 3/26/2024 attached as **Exhibit 3** [AS p. 86-87]
- **NCUA Merger and Insurance Report** data from the quarters ending June 2023 through March 2024, available at <https://ncua.gov/analysis/chartering-mergers/merger-activity-insurance-report>.

Mergers for the 12 months 04-2023 thru 03-2024 (NCUA)						
	2Q23	3Q23	4Q23	1Q24	TOTALS	%
<\$30MM	26	29	29	14	98	70.50%
\$30-75MM	7	7	2	3	19	13.67%
\$75-150MM	1	2	2	4	9	6.47%
>\$150MM	2	1	5	5	13	9.35%
	36	39	38	26	139	100.00%

Source: Merger tab of NCUA Insurance Report Activity



- Proportion of Credit Unions by Asset Size and CAMELS Ratings statistics from page 13 of the NCUA's **2023 Q4 Financial Trends in Federally Insured Credit Unions** Report



- Excerpt from CUNA 3Q2023 U.S. Credit Union Profile

CUNA U.S. Credit Union Profile		Third Quarter 2023						
Overview: National Results by Asset Size								
	U.S.	All Credit Unions Asset Groups - 2023						
Demographic Information	Sep 23	< \$20mil	\$20-\$50	\$50-\$100	\$100-\$250	\$250-\$500	\$500-\$1B	> \$1 Bil
Number of CUs	4,740	1,426	841	658	704	390	292	429
Assets per CU (\$ mil)	475.1	7.7	33.0	72.5	159.5	356.0	729.9	3,965.4
Median assets (\$ mil)	56.1	6.6	32.1	70.6	151.9	347.2	709.8	2,150.6
Total assets (\$ bil)	2,252	11	28	48	112	139	213	1,701
Total loans (\$ bil)	1,608	6	15	27	71	94	151	1,244
Total surplus funds (\$ bil)	555	5	12	19	36	37	51	395
Total savings (\$ bil)	1,895	92	24	42	98	121	182	1,419
Total memberships (thousands)	140,163	1,456	2,516	3,979	8,310	9,680	13,862	100,359
Growth Rates (%)								
Total assets	3.6	-4.5	-2.9	-1.7	0.4	2.0	2.9	5.0
Total loans	9.0	10.7	9.3	9.2	7.8	8.5	7.5	9.8
Total surplus funds	-8.7	-17.5	-14.5	-14.2	-11.9	-11.4	-8.6	-6.8
Total savings	0.8	-6.2	-4.3	-3.3	-1.3	-0.4	0.5	2.0
Total memberships	3.3	-0.9	-0.5	0.3	1.3	2.2	2.1	4.8
% CUs with increasing assets	39.3	25.5	28.2	30.1	44.6	60.0	67.8	74.4
Earnings - Basis Pts.								
Yield on total assets	434	396	375	379	398	405	414	444
Dividend/interest cost of assets	131	52	53	58	76	92	107	145
Net interest margin	303	344	323	321	322	313	307	299
Fee & other income	110	75	97	115	120	128	125	107
Operating expense	294	346	331	338	345	342	337	278
Loss Provisions	45	19	18	19	21	26	30	51
Net Income (ROA=, with Stab Exp	74	54	71	79	76	72	65	76
Net Income (ROA=, without Stab Exp	74	54	71	79	76	72	65	76
% CUs with positive ROA	87.1	76.4	87.9	90.9	93.2	93.1	92.8	96.3

Innovative Solution/Prototype:

- Benefits of Using CURx attached as **Exhibit 4** [AS p. 88-89]
- Blank Intake Sheet attached as **Exhibit 5** [AS p. 90]
- New CEO Storyboard attached as **Exhibit 6** [AS p. 91-92]
- Struggling Credit Union Storyboard attached as **Exhibit 7** [AS p. 93-94]

Testing & Results:

- Completed intake forms (Prototype Test 1) attached as **Exhibit 8** [AS p. 95-97]
- Focus Group Presentation Slides attached as **Exhibit 9** [AS p. 98-114]
- Virtual Focus Groups (Prototype Test 2) were recorded; in-meeting polling results attached as **Exhibit 10** [AS p. 115-125]
- Follow-Up Survey Results (Prototype Test 3) attached as **Exhibit 11** [AS p. 126-133]

Business Model and Proforma:

- Utilizes pricing and volunteer service assessment feedback from follow-up survey results (Exhibit 11)
- Basic CURx Job Descriptions attached as **Exhibit 12** [AS p. 134]

Operational and Other Considerations:

- Bold Vision Poking Holes Document attached as **Exhibit 13** [AS p. 135-136]

ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We work to strengthen organizations through cutting-edge research, incubation opportunities to test and scale solutions, advisory services to help organizations implement innovation, and host communities and events to connect a community of leaders to improve financial well-being.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: “Progress is the constant replacing of the best there is with something still better.” Together, Filene and our supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) nonprofit organization. Nearly 1,000 members make our body of work possible. Learn more at filene.org.

ABOUT THE CUWLA

Since the inception of this network, CUWLA has established for its members, monthly “Meet and Greet” opportunities and quarterly “Power Hour” events. Our website hosts a community forum that invites an exchange of ideas, best practices and policies, to name a few. Over the past two years, CUWLA has established itself as an effective support system with access to a wealth of experienced credit union leaders working toward a common goal; the need which is evident in its growing membership and through the continued support of various trade associations and business partners.

We are excited to be able to offer such an effective support system to women CEOs of smaller credit unions and are encouraged by the support we continue to receive from our members. We are equally enthusiastic about CUWLA’s future as we continue to increase the areas of support offered to this critically important segment from within the credit union movement and to be able to offer membership to others who can benefit from the support, knowledge, and experience of their peers.

Learn more at <https://cuwla.com/>