

African American Credit Union Coalition 2011 Conference

Credit Union Philosophy

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Credit Union Philosophy

BACK TO BASICS



Why Back To Basics?

- *Five (5) Corporate Credit Unions Have Failed.*
- *Forty-Six (46) Credit Unions Have Failed since 2009.*
- *Estimated \$25 Billion Bailout Cost, according to a Former NCUA Corporate Examiner.*
- *Credit Unions have been assessed 41 Basis pts. since 2009*
- *Additional 38 Basis pts. assessed by NCUA on Credit Unions over the next two (2) years for 2011/2012.*

The Basics

Answer:

- *Who Are We?*
- *Why Do We Exist?*
- *What is Our Mission?*
- *How to Accomplish that Mission?*
- *Where are We Going?*

Who Are We?

Credit Unions:

Definition: A cooperative financial institution that is owned by its members and regulated by the federal and/or a state government.

Who Are We?

Credit Unions Are:

- *Not for profit*
- *Tax Exempt*
- *Member Owned*

Who Are We?

Membership: Common Bond

- *Community (Geography Based)*
- *Employment (Employer Based)*
- *Association (Organization Based)*

Who Are We?

Credit Unions vs. Banks

Credit Unions



CU: Members give to CU, CU gives back to members, creates a continuous chain of lending and saving

Banks



Banks: Customers pour money into top of funnel, bank funnels money to investors, not returned to customers.

Who Are We?

Types of Credit Unions

- *Natural Persons*
- *Corporate Credit Unions*
- *Wholesale Credit Unions*

Who Are We?

History of Credit Unions

- In the 1800s, the 1st Credit Unions were established in Germany.*
- In 1900, Credit Unions came to Canada.*
- In 1909, New Hampshire established the first Credit Union in the U.S.*

Why Do Credit Unions Exist?

- *Combat Predatory Lending*
- *Combat Red-lining by Banks*
- *Provide Services to the “Unbanked” and “Underserved”*

Why Do Credit Unions Exist?

Combat Predatory Lending

- *Loan Sharking*
- *Pay Day Lending*
- *Inferior Loan Products*
- *Unfair Lending Practices (e.g., Fine Print)*

Why Do Credit Unions Exist?

Combat Redlining By Banks

Redlining- the practice of denying or limiting financial services to certain neighborhoods whose residents are generally people of color or of low income.

You can deposit your money, but you can't borrow ours.

Why Do Credit Unions Exist?

Service to the “Unbanked” and “Underserved”

- *Eliminate the need to utilize Check Cashing*
- *Credit Unions go where banks refuse to go.*
- *Form partnerships with government agencies to provide services to its employees as a benefit (e.g., early posting)*

What is Our Mission?

Motto:

“Not for Profits, Not for Charity, But for Service”

(Providing Quality Service)

“It’s A Wonderful Life”

Bailey v. Potter

What Is Our Mission?

BAILEY v. POTTER

- *Potter was only concerned about profits and lacked compassion*
- *Bailey was too charitable and loss sight of the bottom line.*

What is Our Mission?

*Don't Envy the Oppressor and
Choose None of His Ways*

- Proverbs -



What is Our Mission?

People Helping People:

- *People Before Profits*
- *Educating Members*
- *Example of philosophy in motion: MCU*

What is Our Mission?

People Before Profits:

- *We serve our Members/Owners*
- *Provide Members with Quality Service*
- *Provide Members Competitive Products with Competitive Rates*
- *Give Members Loan Products They Can Afford*

What Is Our Mission?

Educating Our Members:

- *Promote Thrift via Savings*
- *Provide Financial Literacy*
- *Youth Outreach*

How to Accomplish Our Mission?

- *Good Board Governance*
- *Sound ALM and Risk Management*
- *Adequate Audit & Control*

How to Accomplish Our Mission?

Good Board Governance:

- *Board members must continually educate themselves*
- *Boards must be financially literate*
- *Boards must keep the institution on mission via policymaking*

How to Accomplish Our Mission?

Sound ALM and Risk Management

- *Strong asset/liability policy, adhere to CAMEL ratings and work within policy guidelines*
- *Management must manage risk effectively*
- *Management should keep current of trends and have vision*

How to Accomplish Our Mission?

Adequate Audit & Control

- *Supervisory Committee must be independent of management*
- *Regulatory compliance reviews*
- *Periodic audits by external auditors*

Where Are We Going?

Future of Credit Unions

- *Controlled, low-risk growth v. Hazardous, high-risk growth*
- *Youth Incorporation*
- *Social Media and Technology*

Where Are We Going?

- Take Advantage of Current Market Conditions
- Growth in Reputation = Growth in Size
(Who Do You Trust)
- Credit Union Champions in Media (Suze Ormon)

Where Are We Going?

Future of Credit Unions

- *Self- Advocacy*
- *Convey the Credit Union Message*
- *Utilize Media*

Credit Union Philosophy

*WHEN THINGS GO WRONG,
GO BACK TO THE BASICS*

Who?

Why?

What?

How?

Where?

Credit Union Philosophy

WHO ARE WE?

Credit Unions:

Not for Profit, Tax Exempt, Member - Owned

Credit Union Philosophy

Why Do We Exist?

- *Combat Predatory Lending*
- *Combat Bank Redlining*
- *Provide Services to the “Unbanked” & “Underserved”*

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What is Our Mission?

- *We are People Helping People*
- *Not for Profits, Not for Charity, But For Service*

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How to Accomplish Our Mission?

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Where Are We Going?

- *Controlled, low-risk growth v. Hazardous, high-risk growth*
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Credit Union Philosophy

THE BASICS WORK!



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