

Credit Union

Digest

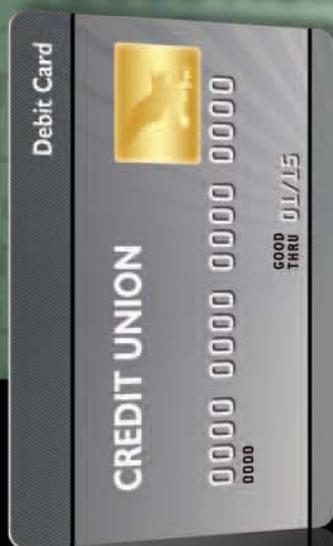
Advocacy in Your Hands

Vol. 36 No. 6 October/November 2010

NON-INTEREST INCOME

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Doing **MORE** with less

Editor's Note: This is the third installment in a series of articles exploring the various ways credit unions are rising to the challenge of continuing to provide excellent services to their members in spite of fewer resources.

Collaborating With Back- Office CUSOs

by David Dudley, Assistant Editor

The president and CEO of San Bernardino, CA-based 1st Valley CU, Gregg Stockdale, recalls a meeting “some time ago” on the subject of collaboration with a group of 10 to 12 credit unions from the Inland Empire region of California. “We realized that unless we all got on the same data processing system, it wouldn’t work,” he says. “The only way to collaborate is to be on a core system that allows collaboration.”

Stockdale explains how small credit unions may find—after raising thousands of dollars, hiring a lawyer, and only seeing savings after a period of five to seven years—it can be difficult to collaborate with each other in a cost-effective way. And while there are alternative ways to collaborate, it can be difficult to find and research all the available options. “Collaboration sounds good, but, like with many things, the devil is in the details,” he says.

Saving on Data Processing

More recently, Stockdale’s credit union has been able to realize the benefits of greater efficiency through back-office collaboration. In May, 1st Valley became

the first California credit union to convert to the CU*NorthWest core processing solution. “It was the smoothest data conversion I’ve ever been through, bar none,” says Stockdale, who has been the president and CEO of 1st Valley for 11 years and was previously the CEO of Printing Industries CU for 15 years.

Stockdale chose the CU*NorthWest solution because of its functionality, the fact that CU*NorthWest is a credit union-owned CUSO, and the highly collaborative nature of the program. “The capabilities of the system are beyond belief,” he says. Some of the capabilities are online collaboration allowing an employee from any other collaborating credit union to perform a needed function if one of Stockdale’s employees is out, national shared branch networking through FSCC, and processing share drafts for other credit unions.

Comparing his previous core processor with the new system, “We were being pulled by a donkey,” Stockdale said. “Now we’re on a freight train.” He compares it to upgrading from a 386 computer processor to a Pentium 4. Stockdale says the cost savings have been “huge”: on the rollout of FSCC, his credit union saved \$20,000 on sign-up and \$16,000 annually on operating costs because of the core system’s pricing philosophy and the collaborative bargaining power. He’s anxious to see other credit unions convert to the CU*NorthWest core processor so they can also collaborate as well.

New CUSO in Development

Besides data processing, there are back-office functions that credit unions

might collaborate on. To fill those needs, the Leagues and the Collaboration Committee are preparing to launch a new CUSO in January 2011 to deliver collaborative support services.

“The biggest challenge for small to mid-sized credit unions is operational costs,” says Gary Perez, who is president and CEO of USC Credit Union and chair of the Leagues’ Collaboration Committee. “Through collaboration, we’ll be able to drive down operating costs so that even the smallest credit union can be competitive.”

The name of the CUSO, CURoots Cooperative, was selected to evoke a return to the movement’s collaborative origins. The CUSO will initially offer compliance services, in two phases: first, the CUSO will retain compliance professionals assigned to credit unions; second, it will provide automated compliance from a centralized location. The CUSO will then introduce additional back-office services over an extended period, which may include loan processing, elections, and internal audit, asset liability, IT, and personnel services.

CURoots Cooperative will have a uniform capital contribution of \$20,000. Services will also be available to non-investors for an annual fee and a higher price. At press time, a subcommittee was in the process of interviewing candidates for a CEO, with plans to have a CEO in place by Oct. 1, 2010. An official announcement of CURoots Cooperative will be made at the 2010 Annual Meeting and Convention in November, along with an additional call for investors. ☀