

The Emergence of CUSO Power

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At first CUSOs were just an idea. The acronym was a term of art, referring to any business effort outside the legal boundaries of the credit union charter. USERS, the credit union data processing company now owned by Fiserv, is often cited as the first CUSO, having been founded in the 1960s. The first formal CUSO regulation was not passed by NCUA until the early 1980s.

Early cooperative initiatives such as stabilization funds, the first share insurance programs and myriad other shared efforts also are expressions of the CUSO idea.

Today, though the acronym is still a term of art, CUSOs have emerged as operational, financial and politically powerful organizations.

CUSOs as Problem-Solvers

Think there is a capital problem in credit unions? Several CUSOs have shown it's possible in one year to raise as much as \$10 million in capital to support new business efforts.

Looking for scale to compete with the ever-expanding national banks? Several CUSOs have created ATM and shared-branch networks that provide members with credit union transaction choices in nearly all states.

Seeking scale to better align your credit union's buying power with that of your suppliers? CUSOs are providing efficient, centralized RFP processes that aggregate many credit union common needs into one purchase decision. This process has helped credit unions achieve better pricing and a more supportive vendor relationship.

Hoping to own the intellectual creativity that your credit union has developed in its technology applications? Today, almost two dozen CUSOs, some wholly owned and some multi-owned, are becoming technology development firms creating and supporting state-of-the-art interfaces and operational solutions.

CUSOs are the primary vehicle by which credit unions are entering new markets, from manufactured housing and tax preparation services to near- and sub-prime lending products.

In short, CUSOs are at the forefront of cooperative innovation. They are leveraging credit union offerings through operational networks that result in strategic options beyond the capabilities of any single organization. Increasingly, successful CUSOs are national in reach and impact.

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Under the Radar

Because CUSOs enable activity outside the credit union charter, there is little centralized information about their scope and activity. No source exists for all CUSO data. Callahan's tries to compile a complete listing in this publication, but this effort depends almost entirely on surveys returned by credit unions. The 5300 Call Report requests some limited investment data about CUSO involvements, but the data are incomplete and provide no performance information at all.

In many situations, some of the most consequential CUSOs are viewed as back office solutions, helping, but not really changing, the face of a credit union's market position.

CUSO management, and until recently board membership, was often seen as a secondary career option to being a CU CEO, on a Corporate board, or part of a trade association's elected leadership.

The Venture Part of the Credit Union System

CUSOs demonstrate the power of collaboration. Four activities underscore successful CUSO performance:

- Sharing know-how and experience
- Providing capital
- Spreading risk through scale from multiple participants
- Consolidating common back office needs into one operation.

Most strategic thought today focuses on the importance of innovation that leads to new or enhanced value for market success. Many aspects of the credit union system -- the regulatory structure, reward system and volunteer boards -- do not stimulate risk-taking. CUSOs are the center of much of this activity, in part because there is no rigid corporate model. Some, like Brightleaf Financial, are hybrid efforts of entrepreneurs with multiple credit union partners. Others are wholly owned, and some CUSOs are organized by vendors trying to bring new value propositions to the credit union market.

The variety of CUSO activities, the myriad structures, and the wide range of results combine to create a complex "credit union incubator." From this incubator grow CUSO successes, which lead to greater credit union owner and member advantage.

From the beginning CUSOs have been the spark for a can-do attitude in credit unions. They have expanded member offerings and allowed credit unions to own their creative processes. They continue through cooperation to accomplish things beyond the limits, vision, or constraints of the very largest credit unions.

Credit union cooperation has never been greater, more important or more successful. The future of credit unions may indeed require the creation of more networking solutions, not just individual credit union plans.