

Spring 09

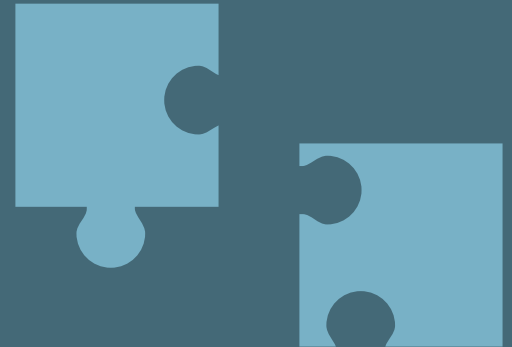
Vol. 1 • No. 2

# Networks & Niches: A Guide for CUSOs and Their Partners



CALLAHAN  
ASSOCIATES

- 9 Make History or Be History!
- 19 Gun-to-the-Head Urgency
- 22 Industry Outlook: CUSOs in 2009
- 29 Why Join a CUSO?
- 31 Building Technology into Our Industry's Future
- 34 Regional MBL CUSO Roundtable
- 38 Parallel Tracks Lead to One Successful CUSO
- 41 Benchmarking Retail Investment Programs





## Gun-to-the-Head Urgency Partnered with an Awakening to “Anything Is Possible”

### 10 Things for CUSO Planners to Consider

Credit union organizations are starting to feel the gun-to-the-head pressures of surviving the next few years. This pressure isn't reserved just for credit unions; it will affect all aspects of the industry, from trade organizations to CUSOs and even to the for-profit vendors that serve credit unions.

**The pressure is there for both strong and weak players. It is a symptom of the times.** You know the bill is coming and the options for avoiding lower returns in 2009 and maybe 2010 seem very remote.

Of course, credit unions are on the front lines when it comes to ponying up the funds, but every vested credit union professional can sense the pending changes to their business plan as the industry faces shrinking member capital balances. There will be less member capital in credit unions in the short term, and that reversal is real for us all: gun-to-the-head; time to rebuild capital through earnings.

At the same time, most of us have found ourselves muttering, “I never thought that would happen! Wow, anything is possible now!” But unlike times when you come to this conclusion through envisioning an expansive possibility in a board room brainstorming session, these changes are far more concrete, far more reactionary, and far more in the “it's over, get over it” category. US Central and Wescorp are gone. The NCUA will decide their fate, and most likely the fate of every other corporate as well. Anything is possible. The status quo is no longer backstopping any business plan. Once you awake to that, planning takes on a whole new perspective – credit union models for capital accumulation in the future are now wide open to change as well.

This brings us to an interesting crossroad as CUSO planners: our marketplace has a new urgency to act, and a new recognition that anything is possible.

### 5 Things for CUSO Planners Looking to Leverage Today's Environment:

1. *Be ready to expand your focus.* Anticipate an exit of current competitors and a pull-back by potential new players. Now is the time to look for opportunity everywhere. When marketplace bubbles burst, there is always a rebirth in the re-pricing of assets, opportunities, and changing mind-sets that follow.
2. *Be seen, shake hands, and have a well-known resume for collaboration.* Organizations looking to pull back have a problem, “What should we do with our clients and unmet needs?” Are you known in the marketplace as a potential solution? Will others reach out to you with opportunity?
3. *Double your customer and stakeholder communications.* Now is the time to be in the flow and on the minds of everyone who contributes to your success. Sharpen your value statements and be ready to be part of optimistic conversations about the future. Be more than empathetic to the issues; be a solution builder and let the marketplace know you are committed to emerging from these challenging times a stronger player. Find like-minded alliances, and expand the goodwill in your brand.
4. *Whenever possible, take on the problems of your customers.* How much can you invest right now to build relation-

**“Revisit the strength of the customer-owner model and leverage the peer to peer roots of the credit union industry.”**

ships that will last a decade? Listen to your customers’ big-picture issues right now and work hard to be part of their solutions.

5. *Lower your entry barriers for new and old projects.* Revisit every initiative that you have with your customers and make sure project start-up barriers are very low or non-existent. If you do not want to see your customer momentum bottom out, find ways to get projects off the ground without customer cash investment. Sell execution and forward direction, not ideas and up-front customer risk.

### 5 Things for CUSO Planners Looking to Survive Today’s Environment:

1. *Review your capital planning and future needs.* Declining capital in credit unions will make competition for credit union venture funds a lot tougher in the next three years. Where do you fit in your primary investors’ priorities? Ramp up your marketing and sales abilities in relation to securing funding for the future.
2. *Broaden your investor pool, and build a network of participating credit unions.* Revisit the strength of the customer-owner model and leverage the peer-to-peer roots of the credit union industry. Diversify your ownership model and spread the risk and returns over more credit unions.
3. *Guarantee your board members’ success and reputations.* Investor oversight and competency are under increasing scrutiny and pressure. Make sure that your governance model, board reporting, and business issues are maximizing every possibility to strengthen how the marketplace and regulators see your board’s participation. Be more than transparent; be interactive and pro-investor in all matters.
4. *Take on the risk-assessment challenge for your customers.* Understand the increased pressure on credit unions to do their due diligence and risk assessments on all vendor-supported activities. The expense is more than just a one-time event; every CUSO needs to lower these expenses if they hope to thrive in the future. Do the work, distribute the reports, and lower the client cost of doing business with your organization.

5. *Prepare for an active NCUA role in CUSOs.* The more you hear about systemic risk and the increasing roles of CUSOs in today’s credit union industry, the more you should anticipate that the NCUA will have to change the scope of how they work with CUSOs. More than just controlling where credit unions can invest or loan money, the NCUA will move to better understand the risk in credit union-shared businesses in the future. What will it mean for you and your team?

### Conclusion

The concerns of CUSOs who serve members directly are the subject of news articles and discussions all over the place. Their business plans have been immediately affected by consumer trends and what members are thinking about related to their own personal finances.

But the recent actions of the NCUA related to the Corporates add a new wrinkle for all CUSO planners. It would be tough enough in the best of times for credit unions to survive these types of economic downturns for their members. But today, credit unions face a marketplace where the credit union’s own business plans are under intense pressure. And the CUSO may be a priority in decline.

### So Where is the Silver Lining?

It starts with the freedom that anything is possible. It’s supported by the pressure that now is the time to act. CUSOs offer one of the most innovative and open formats for credit unions to reach out to members. CUSOs are built to be at the center of credit collaboration and are truly in their infancy as to what is possible going forward.

Now is the time for CUSO leaders to survey the credit union landscape, match opportunities with creative solutions, and be ready to be at the center of future activity. ©

