

2017 Excellence in Lending Award Winners

Business Lending Excellence Award – Assets \$250M or greater

Winner: VyStar Credit Union



- Based in Jacksonville, Florida, \$6.9 billion, 567,000 members, www.vystarcu.org
- Introduced risk-based lending policies and products to serve business members from start-up through full maturity
- Trained all staff to promote business services
- Grew business lending portfolio by 11.7% in 2016

An “all-in” commitment to business services has garnered 10 years of steady growth at VyStar Credit Union in both business membership and commercial lending. In 2016, the credit union booked more than \$45 million in new business loans. Business services are a key focus alongside consumer products in strategic planning and in branch and call center staff training to ensure that all employees help create awareness that the credit union serves businesses.

VyStar has developed risk-based lending policies and procedures to serve business members across the range of maturity, with underwriting standards specific to start-up, years 1–3, and 3 years-plus stages. For small and start-up businesses, it introduced the Micro Business Platinum Visa. For larger enterprises, the credit union adjusted its secured credit model and pricing matrix for businesses looking to buy or refinance equipment and vehicles, which improved the approval ratio for these loans by more than 50%.

Throughout 2016 and 2017, “No Closing Cost” commercial real estate loans were another popular offering. Service improvements were realized through a new business lending platform that affords quicker loan decisions and better process management from origination through boarding.

Consumer Lending Excellence Award – Assets under \$250M

Winner: CityMark Federal Credit Union



- Based in Wilkes Barre, Pennsylvania, \$40 million, 2,076 members, www.citymark.org
- Put financial performance back on solid ground by successfully executing loan growth strategy
- Produced \$33 million in new loans over two and a half years
- More than tripled loan-to-share ratio

In 2014, CityMark was on the brink of failure, following a fraudulent loan investigation, \$1 million in losses, and its former CEO's death by suicide. The credit union set out to rebuild its reputation and trust with members and to refocus on enhancing the value of its loan offerings. Introducing risk-based rates with a range of credit tiers facilitated more competitive pricing and put the credit union on the road to increasing loan volume and profitability.

Enhancing member service was another priority. CityMark hired additional employees and trained all its staff as universal employees with the authority to accept loan applications and underwrite and disburse loans. It launched sales incentives for new loans, refinancing, and related products and a feedback system to encourage input from directors and members. And the credit union cultivated an informal, fun atmosphere – “a culture of best friends, but with accountability” – to win over members.

Special offers, such as new car loan rates as low as 1.6% and auto loans including a \$25 gas card, free carwash and no payments for 60 days, helped to increase loan volume. In combination with its new pricing and member service approach, these promotions helped bring in \$3.7 million in new auto loans, \$5.3 million in used auto loans, and almost \$17 million in home mortgages as of July 2017. Membership is on the rise, the loan-to-share ratio has increased from 26.35% to 96.65%, and the return on assets has improved from -2.63% to +1.67%.

Consumer Lending Excellence Award – Assets \$250M or greater

Winner: Y-12 Federal Credit Union



- Based in Oak Ridge, Tennessee, \$1.1 billion, 116,000 members, www.y12fcu.org
- Focused on improving the member experience and efficiency of lending processes
- Combined indirect and direct lending into a single platform, centralized loan processing, and recast lending philosophy Increased consumer lending by 30% in 2015 and 24% in 2016

Y-12 Federal Credit Union has taken on some big goals over the past three years: (1) improving the member lending experience by becoming easier to do business with, (2) saying yes to more loans, and (3) enhancing operational efficiency. To achieve those aims, the credit union brought a new director of lending, reorganized staffing, rewrote its 76-page lending procedure manual and consumer lending policy, and developed staff training to support a mindset shift to “manage risk, not avoid it.”

Instead of two separate systems for direct and indirect lending, Y-12 implemented a single consumer loan platform to ratchet up efficiency and consistency in loan decisions. Centralizing loan processing and embracing e-signatures have also helped to streamline lending. The final step in this process, implementing video technology to complete centralization of consumer lending, is scheduled to be introduced in branches next year.

New product offerings include the ULTRA personal loan with terms up to 6 years, a loan option not previously available in Y-12’s market. Personal loan production has increased from \$1 million per month to \$2 million to \$2.5 million since ULTRA launched. Volume on its new HELOCK home equity loan, which offers simpler terms and a member-friendly draw and payback period, has also increased from an average 10 per month to more than 55. Y-12 Federal Credit Union now maintains a loan-to-share ratio over 105% and sells loan participations to free up funds to meet the demand for loans from its members.

Mortgage Lending Excellence Award – Assets \$250M or greater

Winner: Pima Federal Credit Union



- Based in Tucson, Arizona, \$514 million, 57,000 members, www.pimafederal.org
- Deployed a variety of strategies to raise its profile as a mortgage lender with members and in the real estate community
- Improved loan processes to reduce time from application to funding from 45 days in 2013 to 32 days in 2016
- Tripled number of mortgages funded annually over four years

With twin goals to increase mortgage loan production and create a new mortgage origination income stream, Pima Federal Credit Union pulled out all the stops: expanding its mortgage origination team, reenergizing the department's partnership with marketing, selling loans to the Federal Home Loan Bank (generating \$410,000 in income), creating new portfolio loan programs (including lot loans, jumbo loans, combo loans, and loans considering assets for income), participating in the Workforce Initiative Subsidy for Homeownership (WISH) offering down payment assistance to eligible first-time homebuyers, hosting home buyer and realtor seminars, improving processing efficiency, and working with the retail team to promote mortgages during member interactions.

The credit union hired a new director of home loan originations, who rewrote job descriptions with an emphasis on outside sales, implemented incentive pay for loan officers based on funded volume, and trained home loan originators to take complete applications at the point of sale, including supporting documentation.

Moving home loan originators from the central office out to financial centers, making them part of the frontline team and more accessible to members, resulted in 383 home loan referrals from the retail team. Asking members for referrals resulted in 69 applications, producing 25 funded loans. Outreach to realtors also increased Pima's profile, and improvements such as a streamlined file flow and paperless processing reduced loan processing time and increased member satisfaction to 95%. The number of mortgages funded increased from 138 totaling \$14.8 million in 2013 to 411 totaling \$42 million last year.

Low/Modest Means Excellence Award – Assets under \$250M

Winner: Fitzsimons Credit Union



- Based in Aurora, Colorado, \$180 million, 17,000 members, www.fitzsimonscu.com
- Awarded “Juntos Avanzamos” designation for serving Hispanic and Latino members
- Leads peer financial cooperatives in state with alternative to payday lending product
- Grew loan volume by 17% and boosted its loan-to-share ratio

Aligning products to serve the unbanked and underbanked sector of the community can be good for members and good for business, as the results reported by Fitzsimons Credit Union demonstrate. In 2016, it was awarded the “Juntos Avanzamos” (Together We Advance) designation by the National Federation of Community Development Credit Unions, one of only two financial cooperatives in Colorado to be recognized for outreach to the Hispanic community.

Fitzsimons is “laser-focused on lending,” aiming for a balanced approach with low-dollar loans to members of modest means offset by growth in real estate and vehicle loans. Of 1,769 consumer loans the credit union originated between September 2016 and August 2017, nearly 15% were for \$5,000 or less. Overall, its annualized loan growth was up 17% as of August 2017, with a boost in its loan-to-share ratio from 61% to 72% over that time.

Fitzsimons tailors lending products to meet member needs, including loans to people without legal status, who can present an Individual Taxpayer Identification Number (ITIN) on their applications. Currently \$2.5 million is loaned to 180 members with ITINs; the 0.87% charge-off rate indicates slightly higher risk offset by a weighted average 12% rate, which makes these loans “profitable for the credit union and a good deal for our members.” DREAMer loans for DACA-eligible members—up to \$700 loaned at no interest for a \$30 processing fee—were revised in 2015 to expand eligibility for all citizenship and naturalization-related purposes.

Partners Instant Cash (PIC) loans are positioned as an alternative to payday loans, offered at 28% interest with a \$20 application fee. Fitzsimons has granted \$125,600 in these short-term, small dollar payday alternative loans, representing 83% of the total payday alternative loans made by the 17 Colorado credit unions in its asset class.

Creative lending options also extend to credit union staff. On the basis of a Filene Institute study that financial hardships can cost employees in terms of productivity and absenteeism, Fitzsimons offers a \$1,000 line of credit at 4% for employees who have been on the job for at least 90 days with no credit qualifications; the credit limit can be doubled after a year of employment.

Low/Modest Means Excellence Award – Assets \$250M or greater

Winner: CASE Credit Union



- Based in Lansing, Michigan, \$285 million, 45,000 members, www.casecu.org
- Developed specialized loan programs to help members develop savings habit, purchase lower-cost vehicles, and stave off property tax foreclosure
- Partners with 10 community agencies to develop and promote lending options for lower-income residents
- Maintains an active loan participation program to free up funding for lending

True to its mission as a Community Development Financial Institution, a majority of CASE's members are people of low to modest means. The credit union has developed several specialized loan programs: The Credit Union's Borrow and Save Loan provides 50% of the loan amount up front and sets the rest aside in a savings account that is released when the loan is paid off; the Credit Union's Responsible Ride Auto Loan Program removes vehicle year and mileage guidelines so members can obtain financing for lower-cost vehicles; and the Credit Union's Property Tax Foreclosure Home Equity Pilot Program offers a combination of financial counseling and financing for members who own homes outright (sometimes through inheritance or other circumstances) but are in danger of foreclosure for failure to pay property taxes. CASE works with community agencies, including Habitat for Humanity, Asset Independence Coalition, and the Tri County Office on Aging, to develop these programs and connect with community residents who might benefit from them.

Financial performance is closely monitored, but the board and executive team have agreed to accept higher degrees of delinquencies and charge-offs across its loan portfolio to serve members of low to modest means, with a target delinquency ratio of 1.50%. To free up funds for lending and maintain its net worth ratio target of 9.00%, the credit union has developed an active loan participation program which sells excess loan originations to other Credit Unions.

As a judge for the Excellence in Lending Awards noted, "CASE Credit Union's strategy to lift up the underbanked in a respectful manner is clear in its mission 'To assist members to achieve financial success,' and its tagline 'Our service. Your success.' helps express the aspirational nature of their strategy."