

Changing to a Community Charter

Considerations:

- What is the long-term direction for the credit union?
- What type of credit union do you want to be now and in the future?
- Have you developed ideas, targets and plans for 3, 5, and 10 years out?
- Does your business plan reflect financial projections that include growth related to a charter expansion?
- Why do we need to expand?
- How fast do we need to expand and why?
 - Do we want to expand for survival?
 - Do we want to expand because of competition?
 - Do we want to expand to better serve our members?
- Is an expansion good for our members?
- Will diversification be a benefit?

- Can we handle the increased expense in operations and marketing by changing the charter?
 - More work with multiple payrolls and employers.
 - Less ability to specialize programs to suit member's needs.
 - Will we give up some sponsor benefits?
 - How will the current members be affected by a change?

- What is our net worth position?
 - If it is close to 7% and we grow, will we encounter PCA restrictions?
 - We will need a plan on how we plan to grow net worth as we grow.

- Will we need to change the name of the credit union?
 - Are we ready to change our name to reflect the community charter?

- How will we bring more attention to our credit union?
 - Are our member service and sales skill perfected?
 - Will our current hours need to be changed to accommodate access for the new members?
 - Are the products and services we offer competitive and what the new membership will be looking for? Do we know the demographics of the area we want to serve?

- Are our current facilities and staff large enough to service the community?
- Can we afford more services and/or ATMs?
- Can we service the community with the employees we have?
 - Are we prepared in the event of increased fraud activity?
 - Are our policies and procedures up to date?
- Can we select the best market focus and clearly communicate the credit union advantage to the non-members?
 - What is the community's impression or perception of the credit union or any credit union?
 - Does the community know the credit union difference?
 - What perceptions do we need to overcome in the community?
 - How can we compete with our competition?
 - Is the quality of our member service and products up to the challenge?
 - Will changing to a community help us and is there a need for another community charter credit union?
 - Is there support from all official family members and staff for the change?
 - Will the current members resent the change to a community charter?
 - Can we attract members then retain them?
 - Do we have a strong marketing culture?
 - Will need to develop a marketing budget and plan.

PROS AND CONS

Pro:

- Growth potential increases.
- Ability to create a sense of belonging for the community.
- Ability of the person walking in the credit union to join.
- Possible ability to attract higher balance share accounts.
- Possible ability to attract more loans.

Con:

- Chance for more fraud.
- Potential for more members that only will use the credit union for check cashing.
- New community-chartered credit unions often attract credit-challenged consumers.
- May attract members that shop around more and have no loyalty to one institution.
- With charter change, cannot continue to solicit members from specific groups in the charter.
- Will have to depend on loan policy for decisions as usually will not have relationships with new members.
- Possibility of more risky loans.
- Will need more marketing dollars and marketing tools.
- Time/cost to complete complex community charter conversion regulatory requirements.

Sources: CUNA, NCUA, Michigan Credit Union League