2013 OPPORTUNITY FINANCE NETWORK
ANNUAL CONFERENCE
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ALIGNING CAPITAL WITH JUSTICE

Financial Trends of Thriving Community Development Credit Unions

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Research on Thriving Credit Unions

- First research conducted in 1999
- Again in 2007
- Periodically replicated internally and validated with other researchers and consultants
- Minor differences between large, medium and small institutions

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What is Thriving?

- Least worst measurement is organic asset growth
- Average asset growth over five year time frame
- Top 10% (minus top 2.5%) are “thrivers”
- Controlled for and removed merger growth

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Key Attributes / Activities

- They are highly effective lenders.
- Their members use their credit union extensively.
- They pay members higher rates for savings than similar-sized credit unions do.
- They emphasize high-payoff product and service offerings.

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Key Attributes/Activities

- They manage their expenses aggressively.
- Their high deposit and loan balances per member cut their operating costs.
- They do not rely solely on low loan rates to generate loans.
- They usually generate more fee income than their peers.
- They invest their capital in growth.

CU Strategic Planning's Thriving CDCUs Case Study

Industrial CU, WA	$185 Million
Shreveport FCU, LA	$94 Million
Hawaii First FCU, HI	$33 Million
Pelican State CU, LA	$218 Million

Case Study Financial Trends

1. Although the four CUs did not always have higher net worth ratios than their peers, all substantially increased their ratio during the past two years.
2. All four had ROA consistently much higher than peers.
3. Three factors drove their profitability for three years:
   a. All four had higher yield on loans.
   b. All four had higher other income than peers.
   c. All had higher loan to deposit ratios than peers.

Case Study Financial Trends

4. The higher profitability & growth in net worth ratio (NWR) were achieved despite significantly lower average deposits per member.
5. Growth was significantly higher in Net worth and membership compared to peers.
6. Growth in deposits was usually higher than peers, because the higher ROA enabled higher growth without reducing the NWR.
7. Growth in loans was usually higher than peers despite the fact that the loan to deposit ratio was higher to begin with.

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Shreveport FCU's Financial Analysis

	12/31/2011	12/31/2012	Peers: 12/31/2012
Total Assets	$86,740,407	$90,531,716	-
Net Worth Ratio	14.54%	15.60%	10.97%
ROA	1.51%	3.04%	0.44%
Yield on Loans	10.77%	10.49%	6.09%
Cost of Funds	1.14%	1.14%	0.52%
Provision Expenses	2.10%	0.72%	0.30%
Expenses	6.62%	7.49%	3.79%
Other Income	2.22%	2.22%	1.29%

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Shreveport FCU's Financial Analysis (continued)

	12/31/2011	12/31/2012	Peers: 12/31/2012
Average Deposits	$3,711	$3,642	$8,303
Loan to Deposits	92.05%	92.90%	60.46%
Growth:			
Net Worth	9.60%	12.01%	5.43%
Share	-1.49%	3.20%	5.56%
Loan	8.48%	4.15%	3.03%
Assets	0.80%	4.36%	5.50%
Membership	2.33%	5.17%	1.18%

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Shreveport FCU Loan Analysis Profitability

Credit Grades	Loan Balance	Loan Interest	Charge Off	Net Income
A+ 730 +	$5,084,492	$186,497	$0	$186,497
A 680-729	$3,861,293	$178,330	$0	$178,330
B 640-679	$8,159,913	$474,062	$40,935	$433,127
C 600-639	$12,974,294	$820,369	$46,435	$773,934
D 550-599	$14,253,113	$1,136,339	$178,604	$957,736
E 549<	$16,974,860	$1,479,728	$126,396	$1,353,332
No Score	$3,446,864	$253,343	$99,466	$153,877
Visa	$1,772,262	$88,025	$1,949	$86,076
Total	**$66,527,092**	**$4,616,692**	**$493,785**	**$4,122,907**

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