

CREDIT UNION JOURNAL

Credit Unions Have Seen an Influx of Members. Now, Can They Retain Them?

Credit Union Journal | Monday, February 22, 2010

By Ray Birch

HADLEY, Mass.-In [Jon Reske's](#) 14 years at UMassFive College FCU, he can't recall ever granting more media interviews than in 2009.

"There was just so much positive press about credit unions," said the marketing VP for the \$295-million CU. And with banks "handing out" business, the credit union last year enrolled 3,000 consumers for the first time, good for 6.2% net member growth. The business came so fast at times, [Reske](#) said, that it seemed as if consumers were "refugees." Because every time a bank closed or was taken over people came streaming in."

Industry wide, credit unions last year enjoyed over a 35% increase in annual membership growth over 2008, according to data from [CUNA](#). For the short-term at least, that should be good news. But in this [Credit Union Journal](#) special report we examine credit unions' prospects for turning those "refugees" into full-fledged credit union citizens and retaining them as the economy improves and consumers are enticed by higher-rate offers elsewhere.

[Credit union](#) executives interviewed acknowledged the challenge, with many rolling out new strategies, such as broader product offerings, and old-standbys, such as good, old-fashioned personal service, to retain the new members. Many are cross selling high-rate checking accounts and low-rate loans, and deploying more effective "on-boarding" - a buzzword for a process that varies greatly between credit unions in approach and impact.

From the perspective of [Dave Colby](#), [CUNA Mutual Group's](#) chief economist in Madison, Wis., among the best methods for retaining members is to deepen relationships by cross-selling loans and then letting satisfied members talk about their CU.

"For those price-shoppers that came in, see if you can rewrite their loans," urged [Colby](#). "You are saving depositors money and improving their cash flow. Do that for someone in this economy and they are likely to listen to everything you have to say. You'll make members your best advertising and they'll promote the advantages of the credit union."

[DFCU Financial](#) already has what it considers one of the best methods to attract loan business from members and non-members, as well many other services - the bonus dividend. The Dearborn, Mich.-based [DFCU](#) paid out a bonus of \$19 million this past January, and has returned \$70 million over the past four years. Many CUs pay bonus dividends and interest rebates, but what separates DFCU Financial is it doesn't hide the payments under a bushel basket. It offers online at its own website and [paystobelong.com](#) a "Dividend Calculator" that allows members and prospects to determine how much they will/would receive in a year-end payout by bringing over other relationships.

"We hammer home that patronage dividend," said CEO [Mark Shobe](#). "I can't tell you how happy it makes people, especially in a market with 16% unemployment and falling real estate values. It's working for us."

What's also working is excellent service. "With all that the banks are doing, it's really our business to lose once we get members in the door," [Shobe](#) said. What the credit union does need to do, though, is "enlighten" all those new members that CUs are full-service. "It's unfortunate that many members still don't view us that way."

With a lot at stake should new members eventually leave, [Sheldon Reynolds](#), VP, trust and investments for [Members Trust Co.](#) in Tampa, Fla., says it's time for the industry to play bigger. "Credit unions need to be able to offer a complete package of financial services to support members from cradle to grave. That's how they will keep them," he said. In addition to traditional product offerings, [Reynolds](#) said, that means providing insurance and trust services, and a low-cost investment management solution.

Credit unions, too, need to sell something they've had all along-their business model. [Nicolette Lemmon](#), president of [LemmonTree Marketing Group](#) in Tempe, Ariz., said social media chatter indicates a growing consumer interest in the not-for-profit structure. "I think that is starting to bubble up, the ownership aspect of credit unions," she said. "I monitor Twitter. You see more talk about credit unions not feeding the shareholder machine, and people understanding what a cooperative is."

[CUNA Mutual's](#) Colby, agreed, but said there's another motivation at work. "I think you really need to capture the sentiment of people who want to help out the local community and economy. It's not so much the cooperative, one-member-one-vote message as it is local people helping local people."

[Wayne Vann](#), president of [NavyArmy FCU](#) in Corpus Christi, Texas, provided an even simpler solution to keeping new members: "Just do a good job. Banks are killing themselves. I am not concerned at all about people going back to banks. Why would anyone go back to a fee-based organization? The only reason they will leave is if we do a bad job."





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