

SRCUS

Southeastern Regional Credit Union Schools

SOUTHEASTERN CUNA MANAGEMENT SCHOOL

Athens, Georgia

SECOND YEAR PROJECT WORKBOOK

For 2017-18 School Year

Credit Union Name

Assets *(as of 12/31/2016)*

Number of Members *(as of 12/31/2016)*

Student's name

Credit Union address

City State Zip

Telephone

Email address

Credit union job title

INTRODUCTION

The Southeast CUNA Management School has two primary purposes -- to help you develop as a credit union leader and to improve the operation of your credit union. The educational activities during your time on campus are planned to accomplish these purposes through formal classroom instruction, networking among students, and discussion with instructors and peers. It is necessary to relate the newly acquired knowledge and skill to the problems facing the individual, which is why all students must successfully complete a comprehensive project between their first and second year in the program.

The Project Defined

The project is a strategic planning activity for your credit union divided into two parts. The first part is a detailed description of the current status of your credit union and an analysis of its major competitors. The second part of the project uses the information obtained in the first part to develop specific short-term and long-term goals and action plans that describe how to reach these goals.

The Implementation of the Project

1. During your first year at SRCUS, you will attend a class that explains the project and receive written guidelines. It is important that you follow these written guidelines as closely as possible.
2. Between your first and second year, you will make a detailed study of your credit union. This study will provide a complete picture of your credit union's scope of operation. The second part of the project requires the specification of short and long-range plans for your credit union. These plans will address operations, policy, growth, etc. and be stated in terms of goals and action steps for your credit union.
3. **Students from the same credit union** may collaborate on the project as a team but must submit separate projects. Financial, statistical and graphic information can be identical. The written information in Section II - Historical Data - can also be duplicated. All of the remaining sections **must be written in each student's own words**; duplications are not allowed. Projects submitted that do not follow these guidelines will be rejected and will need to be rewritten and re-submitted by May 1. No projects will be accepted after May 1.
4. An electronic version of your completed project should be sent to the Education Director of your League by **March 1**. If for any reason you feel that you will be unable to meet this deadline, you must contact your state league Education Director as soon as possible. Deadline extensions are only approved in cases of extreme emergencies.
5. Projects will then be forwarded on to Dan Denning for final grading. Any project received after May 1 will not be considered for outstanding project. It is important that this deadline be met so that your material may be reviewed in time to offer suggestions for revising the project, if necessary.

We recognize that some students are League employees not associated with any one credit union. We will work with you to customize the project so that it best meets your educational needs.

SRCUS Advisory Committee

Throughout your entire SRCUS experience, your League's Education Directors are at your service to assist in developing your materials.

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For students from any state not listed above, you may contact SRCUS Chairperson, Tom McWilliams (Mississippi) with any questions.

SE CUNA Management School Project Timeline

The following is just a suggested timeline to help keep you on track. The most important piece of advice that any student who has completed this project will give you is do not procrastinate! The sooner you get started, the better off you will be.

- August** Meet with the Board of Directors and/or Management at your credit union to report on your experiences at the school and describe the project. It is crucial that they understand the scope of the project and the demands it will require on your time and energy. Enlist their support and understanding, along with the possibility of any necessary work and schedule adjustments. You may request their help on certain aspects of the project. Point out the value of the project not only for yourself, but also for the credit union. Thank them for their collaboration and support.
- September** Begin gathering and reviewing needed data. The most current data included in your project should be year-end 2016. *(This data is already available, so you do not have to wait until September to begin gathering and reviewing data.)*
- October** Begin writing the project.
- January** Complete first draft and proofread. Enlist help of board, management, and/or fellow employees at your credit union to proofread and review your project. It is also suggested that you have a non-credit union person read your project.
- March 1** **Submit an electronic version of your project to your state education director by March 1. Make sure you keep a personal file copy. For students outside of the SRCUS states, you may submit your project to the SRCUS Chairperson, Tom McWilliams at tmcwilliams@mscua.com.**
- April** Feedback will be provided by your state education director regarding the need for any revisions.
- May 1** Mail a hard copy of your final copy to your League Education Director who will forward to Dan Denning. Students from outside the SE Region should mail their project directly to Dan Denning. Remember to make a copy of your complete project before you mail it for final grading; projects have been lost in transit.

Formatting Guidelines

- This workbook is a suggested guide and should be followed as closely as possible. Even though the workbook utilizes a question and detailed response format, the idea is to tell the story of your credit union and not to merely fill in the blanks. If the questions and answers were to be removed from your project, the text remaining should be a solid narrative of your credit union's historical perspective.
- Use a 12-point font, single spaced, 1-inch margins, and page numbers.
- Place the project in a **three-ring binder**, or use **spiral or comb binding**. Do not use plastic sheet protectors. Insert **tab dividers** between each section and include a table of contents.
- Only those inserts requested should be incorporated unless the additional material is critical to the subject discussed. Do not include photocopies of credit union policies or other documents that aren't requested. Quality is much more important than quantity!
- This is an academic writing assignment. It is very important that your project has no grammar, spelling, punctuation, or vocabulary mistakes. Have someone proofread your project before you submit it for grading.

SECOND YEAR PROJECT WORKBOOK

TABLE OF CONTENTS

I. BIOGRAPHICAL SKETCH.....	2
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PART ONE

II. HISTORICAL DATA	2
a. Historical growth	3
b. Comparative balance sheet	4
c. Ratios	5
d. Operational analysis.....	7
III. NATURE OF MEMBERSHIP	8
a. Field of membership	8
b. Profile of membership.....	9
IV. COMPETITOR ANALYSIS	12
a. Competitor 1	12
b. Competitor 2	12
c. Competitor 3.....	12
d. My credit union.....	12
V. PRESENT MEMBERSHIP SERVICES	13
VI. CREDIT UNION PERFORMANCE	14
VII. CREDIT UNION RELATIONSHIPS.....	15

PART TWO

VIII. SWOT Analysis	
A. Your credit union's strengths/weaknesses worksheet.....	18
b. External analysis	19
c. External environmental analysis	20
IX. GOALS	23
a. Short-term goals (two)	23
b. Long-term goals (two)	23
X. SUMMARY AND CONCLUSIONS	22

APPENDICES

APPENDIX A.....	23
APPENDIX B	25
APPENDIX C	27

I. BIOGRAPHICAL SKETCH

Provide a biographical sketch that will tell the reader a little about you. Include a summary of your educational background, your work history, how you got involved in the credit union movement, the various positions you have held, a summary of your present job, and your career goals. You may also want to include a brief summary of your personal history, including community involvement, family, hobbies, etc. Include a photo of your credit union, your work area, and of yourself.

II. HISTORICAL DATA

Review the history of your credit union. This information should give you insights into what the purposes of your specific credit union are so that you can develop a strategic plan about its future.

- A. Date of organization, purpose, and by whom was the credit union organized?
- B. Type of Charter (State or Federal) – Include an explanation as to why you are federal/state chartered. Has this changed over the history of your credit union? If so, why?
- C. Does your credit union have a mission, value, or vision statement? Discuss whether you feel that this statement actually portrays how your credit union operates.
- D. Has your credit union changed or considered changing its name or brand or logo? If so, explain what prompted the change. Include your CU logo.
- E. Briefly describe your present field of membership; indicate any significant changes since organization. (*A more thorough analysis of your field of membership will follow in the next section.*)
- F. In order to determine how the organization has evolved to its present state, summarize major changes in the bylaws of the credit union during the past five years.
- G. The competitive financial marketplace causes changes in how credit unions have operated. Indicate all significant policy changes within the past five years in your credit union on the following:
 1. Loans
 2. Shares
 3. Operational policies
 3. Products and services

Historical Growth

Illustrate the historical growth of your credit union, including the following information for the past five years (2012-2016). Represent the information with a graph, data table, and total showing growth over five years (both actual growth and percentage increase or decrease). Along with each graph and chart, provide a brief narrative explaining the trend you see. Point out any significant changes and provide an explanation.

1. Total assets
2. Number of current members
3. Total shares & deposits (show breakout by type, i.e. regular shares, share drafts, certificates, etc.)
4. Total loans (show breakout by type, i.e. real estate loans, unsecured loans, etc.)
5. Total investments (show breakout by type, i.e. corporate central, government securities, etc.)
6. Amount of borrowed money
7. Gross income, expense, cost of funds, and net income
8. Average loan yield: The total income for the year when related to the average outstanding loan balance will provide a percentage yield. This can be computed by totaling the outstanding loan balance for a 12-month period, then dividing by 12 to come up with the average. Interest income for the 12-month period is also totaled. The average of loans outstanding is divided into the interest income to arrive at a percentage yield on average outstanding loans. Yield can also be computed on other sources of income such as government securities, loans to other credit unions, etc.

EXAMPLE

<u>INCOME</u>	<u>MONTH END LOAN BALANCE</u>	<u>LOAN INTEREST</u>
January	560,029	5,040
February	561,020	5,050
March	562,030	5,050
April	563,040	5,050
May	570,050	5,130
June	575,020	5,160
July	576,030	5,170
August	580,050	5,220
September	585,060	5,230
October	586,090	5,240
November	587,080	5,250
December	<u>590,090</u>	<u>5,310</u>
Total	6,895,589	61,900

12 Month Loan Average = \$574,623

Total Interest Income = \$61,900

Yield on Loans = $\frac{61,900}{574,623} = .1077 \times 100 = 10.77\%$

Comparative balance sheet (Complete the five-year comparative balance sheet)

	2012		2013		2014		2015		2016
Assets									
Loans	\$ _____	%	\$ _____	%	\$ _____	%	\$ _____	%	\$ _____
Cash	_____		_____		_____		_____		_____
Investments	_____		_____		_____		_____		_____
Others	_____		_____		_____		_____		_____
TOTAL ASSETS	\$ _____	100%	\$ _____						
Liabilities & Equity									
Borrowings	\$ _____	%	\$ _____	%	\$ _____	%	\$ _____	%	\$ _____
Savings	_____		_____		_____		_____		_____
Reserves	_____		_____		_____		_____		_____
Undivided earnings	_____		_____		_____		_____		_____
Other liabilities & equity	_____		_____		_____		_____		_____
TOTAL LIABILITIES & EQUITY	\$ _____	100%	\$ _____						

Ratios

The ratios presented in this section will give you a general picture of the financial health of your credit union. By **calculating** these ratios and comparing their trends over a 5-year period, you can learn a lot about your credit union. Refer to your financial statements and statistical reports to obtain the numbers. Do not simply copy/paste these figures from the NCUA call report – you should actually do the calculations to determine the ratios. Include your formula(s) and actual calculation figures used in your project (if you do this in Excel, simply use the “show formulas” function to print the formulas used). Also include the Peer Average for comparison purposes.

Ratio	Formula	Formula with actual figures used	My CU	Peer Avg
1. Yield on Assets	$[\text{Loan Income} + \text{Investment Income}] \div \text{Avg Total Assets}$			
2. Cost of Funds	$[\text{Dividend Expense} + \text{Borrow Expense}] \div \text{Average Total Assets}$			
3. Net Interest Margin	$[\text{Interest Income} - \text{Interest Expense}] \div \text{Avg Total Assets}$			
4. Net Operating Expense	$[\text{Operating Expenses} - \text{Non-interest Income}] \div \text{Average Total Assets}$			
5. Return on Average Assets	$\text{Net Income} \div \text{Average Assets}$			
6. Net Worth to Total Assets	$[\text{All Reserves} + \text{Undivided Earnings}] \div \text{Total Assets}$			
7. Net Charge Offs	$[\text{Charge Offs} - \text{Recoveries}] \div \text{Average Loans}$			
8. Loan Delinquency	$[\$ \text{ Amount of Delinquent Loans (60+ days)}] \div \text{Total Loans}$			
9. Delinquent Loans to Net Worth	$[\$ \text{ Amount of Delinquent Loans (60+ days)}] \div \text{Net Worth}$			
10. Net Long-Term Assets to Total Assets	$[\text{Long-Term Real Estate Loans} + \text{Member Business Loans} + \text{Long-term Investments} + \text{NCUSIF Deposit} + \text{Land/Building} + \text{Other Fixed Assets}] \div \text{Total Assets}$			
11. Loans to Shares	$\text{Total Loans} \div \text{Total Shares}$			
12. Cash & Short-Term Investments to Assets	$\{\text{Cash} + \text{Investments (<1 year)}\} \div \text{Total Assets}$			
13. Core Deposits to Total Shares & Borrowings	$[\text{Regular Share} + \text{Share Drafts}] \div [\text{Total Shares} + \text{Borrowings}]$			
14. Assets per Employee	$\text{Assets} \div [\text{Full-time} + (.5 \times \text{Part-time})]$			
15. Adjusted Gross Income per Employee	$[\text{Net Interest Income} + \text{Non-Interest Operating Income}] \div \text{Employees}$			
16. Operating Expenses to Adjusted Gross Income	$\text{Non-Interest Operating Expenses} \div \text{Adjusted Gross Income}$			
17. Personnel Expense to Assets	$\text{Personnel Expense} \div \text{Average Total Assets}$			
18. Borrowings to Shares & Net Worth	$\text{Total Borrowings} \div [\text{Total Shares} + \text{Net Worth}]$			
19. Members to Employees	$\text{Members} \div [\text{Full-time} + (.5 \times \text{Part-time})]$			
20. Solvency Evaluation	$[\text{Total Assets} + \text{ALL} - \text{Liabilities} - \text{Estimated Losses}] \div \text{Shares}$			

Ratio	2012	2013	2014	2015	2016
1. Yield on Assets					
2. Cost of Funds					
3. Net Interest Margin					
4. Net Operating Expense					
5. Return on Average Assets					
6. Net Worth to Total Assets					
7. Net Charge Offs					
8. Loan Delinquency					
9. Delinquent Loans to Net Worth					
10. Net Long-Term Assets to Total Assets					
11. Loans to Shares					
12. Cash & Short-Term Investments to Assets					
13. Core Deposits to Total Shares & Borrowings					
14. Assets per Employee					
15. Adjusted Gross Income per Employee					
16. Operating Expenses to Adjusted Gross Income					
17. Personnel Expense to Assets					
18. Borrowings to Shares & Net Worth					
19. Members to Employees					
20. Solvency Evaluation					

Show all 20 ratios in graph form (a separate graph for each ratio) and provide a narrative for each graph analyzing the trends observed within the charts and graphs; explain significant variations.

Operational Analysis

To see at a glance how your credit union is doing, look at its financial sheet and other reports normally given to the board. Develop averages to compare one result with the next for the last five years. For example, average loans from one year to the next, average growth incomes, growth expenses, net incomes, etc.

EXAMPLE

AVERAGE	2012	2013	2014	2015	2016
Assets per Member	\$727	\$1022	\$1095	\$1193	\$1334
Shares per Member	680	939	1002	1091	1227
Loan per Borrower	1170	1567	1598	1742	1909
Expense per Member	26.94	31.65	35.18	36.45	37.71
Income per Member	58.43	88.09	95.24	96.42	102.13
Dividend per Member	25.39	42.67	44.57	49.85	58.65
Number of full-Time employees per million of \$ of assets	.60	.60	.57	.57	.55

Provide a narrative for each average analyzing the information above. (What is the impact on your bottom line? How does this compare to your peers? etc.)

In the appendix of your project, insert copies of the year-end financial statements for the past five years. Include balance sheet and income statement. Describe accounting methods.

III. NATURE OF MEMBERSHIP

A. Field of Membership

In order to put the credit union into the proper business and social perspective, it is worthwhile to examine your present field of membership.

***Please provide heading for each discussion item below. (i.e. Field of Membership)**

1. Field of membership: Describe your current field of membership. How does your current field of membership compare to when your credit union was initially organized? Write a brief history and discuss patterns of growth/changes.
2. Economic impact: Which segment of the economy (government, private investment, etc.) most affects your field of membership and/or sponsoring organization? Explain. How does the present overall short-term trend of the economy affect your field of membership and/or sponsoring organization? Think of the recent economic climate and how it affects your credit union.
3. Projected growth: Project as well as possible, the anticipated growth of the field of membership and/or sponsor. What potential for growth or adverse change lies ahead and how might it affect the credit union?
4. Credit union support: In what specific way(s) do groups within your field of membership and/or sponsor group(s) support and/or subsidize the credit union? (Facilities, Payroll Deductions, Salary and/or Benefits, Security, Office Space, Utilities, Insurance, etc.) Assign estimated dollar values of subsidies provided by the sponsor.
5. Sponsor relationships: How does the sponsor's attitude influence the credit union's policies or operations? Consider operating hours, staff salaries, etc.
6. Does the sponsor offer other credit or saving services to your member (U.S. Government Bonds, stock options)? What effect have they had on your operations?

If any of the items above do not apply to your credit union, please include a statement about this in the document indicating why it is not applicable.

B. Profile of Membership

To adequately understand the credit union's operation and as a basis for planning, you need to understand the abstract profile of your membership.

1. Last year-end total number of members
2. Number of potential members. (State how this estimate was determined --- not just that you pulled the number from NCUA.)
3. Percent of members to potential members
4. Age breakdown of current membership.

Age bracket as of 12/31/2016	Number	% of total
Under 18		
18 – 24 (College-age)		
25 – 34 (Early wage earners)		
35 – 49 (Middle wage earners)		
50 – 64 (Pre-retirement)		
65 – 74 (Retiring)		
Over 75 (Seniors)		
Total		100%

5. Share account breakdown by average balances. Insert your own categories, if desired.

Balances as of 12/31/2016	Number	% to total	Dollars	% to total
- \$100				
\$101 to \$500				
\$501 to \$1,000				
\$1,001 to \$5,000				
\$5,001 to \$10,000				
\$10,001 to \$50,000				
\$50,000 +				
Total		100%		100%

6. Percentage of average share account balances for age segmentations.

Age bracket as of 12/31/2016	-\$100	\$101 to \$500	\$501 to \$1,000	\$1,001 to \$5,000	\$5,001 to \$10,000	\$10,001 to \$50,000	\$50,000+
Under 18							
18 – 24 (College-age)							
25 – 34 (Early wage earners)							
35 – 49 (Middle wage earners)							
50 – 64 (Pre-retirement)							
65 – 74 (Retiring)							
Over 75 (Seniors)							
Total							

Evaluate the information from the three charts above.

- What implications do these numbers have for your credit union’s programs? Some considerations might be promotional needs or suggested policy changes, e.g.: Are enough youthful members joining?
- If the population of your credit union is older, what do you project will be the effect on life savings and loan protection insurance costs?
- What is the effect of maintaining a large number of small share accounts?
- What is the danger of a high percentage of assets being held by a small percent of members?
- Include a thorough analysis of all three charts.

7. Analysis of your credit union's loan portfolio as of year-end 12/31/16.

Purpose	Number of loans	\$ out-standing	Average size	% of total	Season of high demand
New Auto					
Used Auto					
Personal Loans					
Home Equity					
1 st Mortgage					
2 nd Mortgage					
Education					
Share Secured					
Credit Cards					
Others (list below)					
Totals				100%	XXXXXXX

Evaluate the information revealed by the loan breakdown table. Some considerations might be reason for different interest rates, promotional efforts needed or results of promotional efforts in special categories.

IV. COMPETITOR ANALYSIS

Credit unions do not operate in a vacuum. Our members must choose between using the credit union and other competing financial organizations, and there are many competitors out there!

Choose **three** specific competitors to your credit union, such as banks, credit unions, insurance companies, Wal-Mart, etc. Give a brief description of each competitor. Then evaluate these competitors in terms of their strengths and weaknesses in relation to potential members/customers and products/services offered; include specific strengths and weaknesses for each competitor.

- a. Competitor 1**
- b. Competitor 2**
- c. Competitor 3**
- d. My credit union**

Give **SPECIFIC** examples of how your credit union competed with each of the three previously mentioned competitors during the past year.

List any disadvantages your credit union has that you would like to eliminate.

Give specific examples of how these competitors have affected your members during the past year.

V. PRESENT MEMBERSHIP SERVICES

Each student should understand the credit union's services. What are the office hours and are they convenient? Is the office location convenient to members? Discuss policies on savings, services, and dividends. What services attract savings? What are your policies and services on loans? Is there personal financial counseling?

For each entry in this section include an evaluation of your credit union services in comparison to competing financial organizations as follows:

- + indicates your CU is superior to competitors
- = indicates your CU is comparable to competitors
- indicates your CU is inferior to competitors

Comparison Column

- A. Office Hours
- B. Office Locations
- C. ATM Services (# of ATMs, networks)
- D. Other ways to access accounts (Shared Service Centers, Online Banking, Mobile Banking, etc.)
- E. Is the office location convenient to members? Why or why not?
- F. By what methods do members use credit union services (mail, telephone, walk-in, etc.)? What percent of transactions are used by each method?
- G. Savings & Deposits Policies and Services
- H. Lending Policies and Services
- I. Financial Counseling
- J. Delinquency Control and Collection Procedures
- K. List and briefly describe insurance coverages maintained for the members (bonding, liability, fire, others).
- L. List and briefly describe insurance coverages maintained for staff and for operations (embezzlement, robbery, records, others)

How much money and what percent of the annual expenses has been spent on member education and promotion in each of the past five years?

Year	Amount	Percentage of Total
2012		
2013		
2014		
2015		
2016		

Describe your member education and promotional efforts. What education and/or income level is common in your membership and how do the education/promotion efforts match? What new programs or services do you anticipate offering to the members?

VI. CREDIT UNION PERFORMANCE

- A. Analyze the effectiveness of your staff and its attitudes toward both the credit union and its members. Diagram an organizational chart for your credit union. Show the relationships of the board, as well as the credit and supervisory committees, and the organization structure of the staff.
- B. What training has your staff received? Analyze the type of training the staff has received and discuss what further training is needed. List participation in league, chapter or national programs, and the type of training programs attended (distance learning, in-house, self-study, conferences, etc.).
- C. What training is provided for credit union officials? Growth and training programs for the board of directors and committee members help them understand their responsibilities and plan for improved services and growth. List topics and programs attended.
- D. Your credit union's budget is an effective management tool. Include a copy for the current year and discuss below how it is developed. If your credit union does not have a budget, prepare one.

VII. CREDIT UNION RELATIONSHIPS

This can be a significant area of neglect among credit unions whose board of directors feels it can operate the credit union without consulting with members, the chapter, the league, and others.

- A. With the members:** Inter-relations with members and potential members are essential to the growth of your credit union. Do members vote and attend meetings? Do officers change every three years? Is there representation of membership groups on the board of directors and committees?

At the most basic level, all credit unions offer two primary products --- share accounts and loans. Calculate your “**relationship index**” by adding up the total number of share accounts (not dollar amount but actual number of accounts) plus the total count of loans (again, not the dollar amount but the number of loans) and divide this by the total number of members. This number is what is referred to as your “relationship index” and should range from 1.25 up to 3 or more. While there are certainly many other products and services that members use at the credit union, this basic “relationship index” can give you a very basic way to measure member engagement with the credit union. Provide a brief narrative on this calculation and what you think it shows.

- B. With the Chapter:** Are the board members, committees, and employees active in working with the chapter? Have you attended a chapter meeting? (If not, maybe you can ask to attend one while working on your project!) Discuss your credit union’s involvement on the chapter level and participation in chapter events.
- C. With the League:** Do you participate in activities of the league (management seminars, annual meeting, educational programs)? What services does your credit union use that are provided by your League? Do you know who to call at your League when you have questions?
- D. With Legislators and Public Opinion Makers:** What types of relationships you’re your credit union have with legislators? Does your credit union participate in the state or national Governmental Affairs Conference? Good relations with legislators and public opinion makers represent a potential for contacts with other people in your community. If relations are good, it can mean favorable legislation and positive opinions toward credit unions.
- E. With Other Financial Institutions:** Good relations with local banks and federal savings and loan institutions may mean that business can be forwarded to you. There are times, too, when your credit union must borrow from them.
- F. With the Community:** Is your credit union known in the community? What types of community activities does the credit union participate in? Do you encourage staff members to volunteer in the community? Are the board and committee members active in civic affairs? Activity in the community helps to generate a positive public relation image that a credit union should have.

G. With Supervisory Authorities: What agency is responsible for supervision/regulation of your credit union? Is there a positive relationship with state or federal credit union examiners? Relations may affect your examinations, and examiners are helpful in such areas as enlarging the field of membership.

H. Board and Manager's relationship to each other: What is the composition of your board – retired vs. employees, diversity, years of service, etc.? Are relations between board and managers good? Describe relations between the manager and his board and president. Do they work together as a team? Does the manager work with the board on policies, objectives and goals? The manager, the board, and the committees, working harmoniously together, can stimulate the successful growth of the credit union.

VIII. SWOT ANALYSIS

A SWOT analysis is an internal analysis of your credit union's strengths and weaknesses and an external analysis of the opportunities and threats facing your credit union in the marketplace. The internal analysis should lead to a clear assessment of your credit union's resources (such as financial and material resources, technical expertise, skilled employees, experienced managers, unique products/services, reputation in the community, organizational and individual relationships, etc.) and capabilities in performing the different functional activities (such as member service, information systems, human resources management, etc.). Any activities your credit union does well or any unique resources it has are called strengths. Weaknesses are those activities your credit union does not do well or resources (financial, material, and/or human) it needs but does not possess.

Provide a detailed discussion on your credit union's strengths and weaknesses. It is beneficial to interview other staff and managers' ideas and perspectives when conducting this internal analysis. You may present this information in chart form or as a narrative. Provide a discussion of how your credit union can build on the strengths and minimize or eliminate the weaknesses to be more effective. You can build upon your analysis of competitors and comparison of member services against your competitors in Part I to help you determine strengths and weaknesses.

Some Examples:

Strengths --

Quality reputation
Broad product line
Modern facilities

Weaknesses (or Challenges) --

High teller turnover
Weak relationship with sponsoring organization
Lack of functional cost system for establishing service charges

a. Your Credit Union's Strengths/Weaknesses Worksheet *(be as specific as possible)*

Area	Strengths	Weaknesses
Products and services		
Organizational and individual relationships		
Financial and material resources		

FOCUS* Areas	Actions Needed <i>(to build on strengths, or reduce/eliminate weaknesses)</i>
1.	
2.	
3.	
4.	
5.	

** (FOCUS areas must be addressed For Our Credit Union's Success)*

b. External Analysis

The external analysis is an examination of the environmental factors that may impact your credit union. These environmental factors may present significant opportunities if they are appropriately anticipated and structured into programs to capitalize on them; or, they may present a threat, making it necessary to alter products or modify methods of doing business. By identifying political, technological, and socio-economic changes, isolating the significant factors, and determining their probable impact, you can develop either offensive or defensive programs to exploit the potential offered or to soften the total impact.

Discuss each social, political, technological, or economic factor of significance for your credit union. Some of these factors may be changes/trends in society, issues for the entire credit union industry, or some factors may be unique to your state or community. For each factor, specifically address assumptions or implications associated with the change/trend and then discuss the impact each one could have on your credit union. Read CUNA Environmental Scan (E-Scan) as one source. You may use the attached sheet as an example of how to present this material or you may use a narrative format.

Example: Threats/Opportunities

Threats: Areas of concern outside the credit union that may directly or indirectly affect your business; indicate areas that the credit union should avoid.

Examples:

1. Taxation
2. Mergers/liquidations
3. Competition

Opportunities: External areas where your credit union has, or can create, an advantage in the market place. They may indicate new directions for the credit unions, but you may need to look at resources and how best to use them.

Examples:

1. Field of membership
2. "Life-line" financial services
3. Remote deposit capture

c. External environmental analysis

FACTOR	ASSUMPTION(S)	IMPACT ON CREDIT UNION	CREDIT UNION RESPONSE
(Identify at least one present and future <u>trend</u> in each of the areas below)	(Make <u>assumptions</u> as to the future course of the trends)	(Relate the TRENDS probable Impact on the demand/supply of the program/services and the effect on costs and profits)	(Determine what are the probable responses your credit union can make to either (1) soften the <u>impact</u> of adverse FACTORS or (2) exploit the potentials offered by favorable TRENDS [factors])
<u>POLITICAL:</u> present: future:			
<u>SOCIAL:</u> present: future:			
<u>ECONOMIC:</u> present: future:			
<u>TECHNOLOGICAL:</u> present: future:			

SAMPLE Situation Analysis

Internal Factors	Strengths	Challenges
Human Resources	<ul style="list-style-type: none"> • Stability of staff • Friendly, caring staff that are members • Friendly work environment • Management has open door policy • Awesome board of directors • Employee benefits (401K, Insurance) • Staff meetings & training days • Board involvement 	<ul style="list-style-type: none"> • Serving baby boomer generation • Remaining close to existing SEGs • Recruiting young members • Spreading staff time across all required functions
Marketing	<ul style="list-style-type: none"> • Hometown service • Focused marketing efforts • Periodic promotions 	<ul style="list-style-type: none"> • Competition from other credit unions, banks, payday lenders, & car dealerships • Limited marketing resources
Lending	<ul style="list-style-type: none"> • Lot of money available to loan out • Good variety of products • Well educated loan officers • Competitive rates • Internet loan applications • Risk based lending • Loan promotions • Timely collections 	<ul style="list-style-type: none"> • Need more loans • Educating members on available loan products • Marketing • Excess liquidity needs to be loaned out
Financial & Accounting	<ul style="list-style-type: none"> • Timely financial information • Capital level • ALCO meets monthly • Department teamwork 	<ul style="list-style-type: none"> • Training to help everybody understand financials
Operational	<ul style="list-style-type: none"> • Full service • Main office is highly visible • Modern equipment • Well-defined policies and procedures • 2 locations • 2 ATMs • CU 24 network • Credit Union Service Centers • Audio banking • Internet banking 	<ul style="list-style-type: none"> • Policies and procedures are not rapidly available to all employees • Limited services available after-hours (unlike payday lenders who stay open late)
Technology	<ul style="list-style-type: none"> • Internet banking • Check imaging • Speed of service • Built in disaster recovery • Service Center connection 	<ul style="list-style-type: none"> • High cost of current data processor • Member learning curve • Dependent on technology provider • Moving to 21st century technology • Technology costs
Legal and regulatory	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

SAMPLE Situation Analysis

External Factors	Opportunities	Threats
Human Resources	<ul style="list-style-type: none"> • Comprehensive training program • Succession planning • Increase staffing • Outsourced training (requires cost/benefit analysis) • Incentives • Pool of potential members 	<ul style="list-style-type: none"> • Lack of diversity • Education and training • Loss of key personnel • Cuts to benefits • Depressed employment picture
Marketing	<ul style="list-style-type: none"> • PNG cross sell • Training • Marketing plan • Neon signs • Recruit Academy • Recruit call center employees as SEGs • E marketing • www.annualcreditreport.com 	<ul style="list-style-type: none"> • Cost of advertising • Factors that prevent us from reaching members with our message • Competition from other CUs • Psychological mood • Negative press
Lending	<ul style="list-style-type: none"> • Marketing at trade shows • Small business loans • Home equity revamp • Increase approval authority of loan officers • Member education on the true value of a CU loan vs. dealer loan • Internet loans with instant approval for a paper 	<ul style="list-style-type: none"> • Car dealers <ul style="list-style-type: none"> • 0% financing • No payment for extended time periods • Payday lenders • Other financial institutions
Financial & Accounting	<ul style="list-style-type: none"> • ALM training for management and Board • Cross train staff for accounting duties 	<ul style="list-style-type: none"> • Economy uncertainty • Fluctuating value of assets • Pandemic threat • Mattress Savers
Operational	<ul style="list-style-type: none"> • Cross training • Research grant opportunities for various projects • Operating hours analysis 	<ul style="list-style-type: none"> • Banks • Other financial institutions • Emerging technology
Technology	<ul style="list-style-type: none"> • Intranet • Product training on the Intranet • E-mailed newsletter • More service delivery channels • Social networking communication with members • Diversity of resources 	<ul style="list-style-type: none"> • Competitors • Other financial institutions • Rapid technological advances • Cost of technology • Internet security
Legal and regulatory	<ul style="list-style-type: none"> • Promote increased permanent insurance • Board actively using InfoSight 	<ul style="list-style-type: none"> • Continued stresses from increasing regulations • Assessments • Corporate drain

IX. GOALS

a. Short-term goals

b. Long-term goals

This part of your written project will contain a detailed discussion of **at least two and no more than five of your short-term goals and long-term goals**. Short-term goals are those that you would like to accomplish within a one-year timeframe and long-term goals are those that you anticipate reaching in a two to five-year time period. Please divide this section into two parts for “Short-Term” and “Long-Term”. For each goal, you must describe key decisions, limitations, modifications to policies, a cost/benefit analysis, and present an action plan with estimated completion dates for successful accomplishment of that goal. The action plans for long-term goals may not be as detailed in nature as the action plans for short-term goals.

* At least one short term goal and one long term goal should pertain to your specific job duty at your credit union and the goal should be specific to your credit union. You should identify how the goal(s) relates to your specific job.

In the short-term goals section, please include your projected year-end financial statements and projected year-end income and expense statements. In the long-term goals section, please prepare charts or graphs that forecast assets, number of members, shares, loans and income, and expenses for a five year time horizon (2017-2021). Each forecast should be an extrapolation of the data from the five-year historical analysis presented earlier in the project adjusted for changing conditions. Identify any changes (e.g. sponsor layoffs, expanded field of membership, etc.) that influence your forecasts.

Assets

Number of Members

Shares

Loans to Members (Dollar Amounts)

Income and Expenses

SAMPLE PROJECTIONS CHART THROUGH 2021

	Assets	Members	Shares	Loans	Income/Expense
2017	3,265,000	2,800	3,088,000	2,956,000	369,000/361,000
2018	3,600,000	3,050	3,380,000	3,360,000	380,000/372,700
2019	4,000,000	3,300	3,755,000	3,540,000	430,000/410,500
2020	4,500,000	3,500	4,255,000	3,980,000	482,500/460,600
2021	5,100,000	3,750	4,785,000	4,510,000	546,400/521,600

Instructions for Developing Goals and Long-Term Objectives

1. **Goals and objectives** are clear, concise, and measurable statements of important results for your organization. Goals should be SMART goals (see appendix).

Organizations identify their long-term objectives before they establish operational goals for achieving some portion of the long-term accomplishment.

2. **Key decisions** must be made by the management team which might impact the development of specific goals. Such things as feasibility and attainability of the goal would be considered. Would attainment of the goal benefit the membership? How?
3. **Limitations** are imposed from outside sources upon which the organization has little reference such as regulation. Indicate the limitations, if any, for each of the goals you propose.
4. **Policy modifications** may be required as you propose new goals. This is particularly true in the area of loan and investment policies. Clearly identify the modifications which may be required.
5. **Cost/benefit analysis.** This is the "budget" for each plan or program developed to achieve specific goals. It provides a basis for establishing priorities. By listing the benefits of a specific program, you can relate results to the total cost of the program (in personnel, money and so forth). Note: A sample statement of cost/benefit analysis to "increase shares by X amount by year-end" might look like this:

Benefits expected -- The increase in shares will provide more money for making loans at a lower cost of funds.

Resources required -- Well trained personnel for cross-selling, attractive promotion pieces and prizes.

Estimate of cost -- Approximately \$5,500.

6. **Action plans** are the key steps in implementing the program. **Goals are identified and then the key steps, person responsible, and deadline dates are spelled out.** The format provides an example for preparing action plans. The Action Plan is a programming out of the specific action steps leading to goal completion or achievement. It can be modified at any time to insure a better end result. The essential elements of the Action Plan are:
 - a) The development of specific action steps leading to goal achievement
 - b) The assignment of specific responsibility and accountability for each action step to a specific individual, and
 - c) Determination of deadlines or target dates for completion of each action step.

When all of the action steps have been completed, the goal, as defined, will have been achieved.

The overall responsibility and accountability for the achievement of the goals and action plans rest with the chief executive officer. However, the assignment of specific responsibilities for segments or steps of the Action Plan allows everyone concerned to know who has been delegated or assigned specific responsibilities. The person responsible is not necessarily the one doing all of the work, but is the one responsible for achieving the outcome defined in the action step. This person must deal with any unexpected problems or obstacles, either personally or through recourse to higher authority to make sure that flow of action is unimpeded towards goal achievement. The deadlines help insure a steady flow of sequential action necessary for the goal to be accomplished by the assigned date.

The Control column is probably most important, since follow-up is so often overlooked. As each action is completed, record the date to indicate that this item has been completely carried out. The blank spaces then serve as a constant reminder for the board, chief executive officer, or person responsible for those things still pending. This allows for continuous update and follow-up. It is only necessary to make a copy of the master sheet to have an instant progress report on the particular goal in question.

A plan is often out of date the moment it is completed. Thus, it is necessary to continually revise the details of an Action Plan. The date can be advanced or moved back; the person responsible can be changed with someone more appropriate or who has more time; a particular action step can be eliminated or can be divided down into further detail.

The planning, implementation and evaluation cycle never stops, and this is the key to insuring that an organization is on top of the challenge of a continuously changing environment.

Sample Action Plan Format

Goal	Action Steps	Person Responsible	Deadline	Control (check as finished)
1. Develop and make XYZ program available to credit unions	a) Research similar programs in other states, other organizations	Nancy Green	6/30	
	b) Develop draft program with recommendations for implementation	Nancy Green	8/15	
	c) Review and action by management	Paul Mann	8/30	
	d) Action by Board of Directors	John Smith	9/15	
	e) Offer ready-to-use XYZ program to credit unions	Judy Pearson	10/15	
2. Carry out an annual planning and evaluation cycle to include a yearly planning session and quarterly review	a) Prepare a quarterly report on progress towards established goals (exception-type)	Manager	Two weeks before quarterly meeting	
	b) Review quarterly progress report, make any necessary modifications in goals and action plans, and take any action to insure appropriate continued progress	President	Each quarterly meeting	
	c) Hold an annual board/staff planning exercise	Manager	Annually	

X. SUMMARY AND CONCLUSIONS

In this final section of your project, provide a summary of what you have learned from doing this project, including any new insights you have gained, new personal/professional goals, enhanced understanding of your credit union and the industry, etc. Share your insights and knowledge gained from conducting the internal and external analyses. In addition, you should conclude how you think the goals you discussed will contribute to your credit union success and how they impact your current and future role.

APPENDIX A

GUIDELINES FOR WRITING S.M.A.R.T. GOALS

SMART goals are:

Specific - A specific goal has a much greater chance of being reached than a general goal.

Measurable - Establish concrete criteria for measuring progress toward the attainment of each goal you set. When you measure your progress, you stay on track, reach your target dates, and experience the exhilaration of achievement that spurs you on to continued effort required to reach your goal.

Attainable - When you identify goals that are most important to you, you begin to figure out ways you can make them come true. You develop the attitudes, abilities, skills, and financial capacity to reach them. You can attain most any goal you set when you plan your steps wisely and establish a time frame that allows you to carry out those steps.

Realistic - To be realistic, a goal must represent an objective toward which you are both *willing* and *able* to work. A goal can be both high and realistic; you are the only one who can decide just how high your goal should be. But be sure that every goal represents substantial progress and is in line with your credit union's mission.

Timely - A goal should be grounded within a time frame. With no time frame tied to it there's no sense of urgency. If you want to lose 10 lbs, when do you want to lose it by? "Someday" won't work. But if you anchor it within a timeframe, "by May 1st", then you've set your unconscious mind into motion to begin working on the goal. **T** can also stand for **Tangible** - A goal is tangible when you can experience it with one of the senses, that is, taste, touch, smell, sight or hearing. When your goal is tangible you have a better chance of making it specific and measurable and thus attainable.

Characteristics of a Measurable Goal

1. Written in terms of desired results or outcomes
2. Has a specific time frame-work or deadline
3. Norm or standard for judging success; how can we tell when we've achieved the goal or objective; how do we measure
4. Realistic or obtainable
5. Understandable

Increase membership from 2800 to 4300 by December 31, 2017

1. desired result 3. norm or standard for judging success 2. specific time frame

5. understandable

4. realistic (judged by mentally comparing the understanding of the goal with the day-to-day realities of the organization)

General guidelines for goal setting

- a. Start with an **action** verb. Commitment to **action** is basic to the formulation of a goal.
- b. Specify a single key result to be accomplished. Goal statements including more than one end result or product tend to be ineffective because one or the other item tends to be ignored and falls through the cracks, leaving the goal only partially accomplished. Better to state two separate goals.
- c. Specify a target date. To be measured, a goal must provide a clear picture of **when** it has or has not been achieved. A specific completion or deadline date, or an understood timeframe, helps define the “when” – important for those implementing the goal, as well as for those needing to know when its achievement [or lack of same] should be evaluated.
- d. As quantitative as possible. “To increase money order sales” is vague. How much of an increase is desired? \$5? \$500? \$5,000? Now knowing makes it difficult to plan and to evaluate. “To increase money order sales by at least \$50,000 during 199x” is much more helpful.
- e. A goal must be compatible. Relating to the credit union’s purpose or mission, it can contribute directly to support what the CU is all about. It must be able to co-exist with other goals, supportive of and not working at cross-purposes with the other goals.
- f. Goals must be understandable. Most goals must be read and used by many different individuals. Make sure the goal statement uses phrases and references everyone can understand to avoid wasted effort and to develop maximum motivation towards achieving results.
- g. A goal should be realistic and attainable, but still represent a significant challenge. A good goal requires a stretch, but can be accomplished. Making a goal either too difficult or too easy defeats the purpose of the exercise. A goal beyond reach creates frustration and defeatist attitudes. A goal that can be accomplished with little or no effort fails to motivate and is a waste of time.
- h. A goal should have broad agreement. People support those things they agree with and think are important. People will sometimes sabotage or at least not actively support that with which they disagree. The motivation of a manager or group to achieve results will be greater if the goal has strong support.

Goals should specify only the “what” and “when”. Avoid defining the “why” and “how.” The goal should only be a statement of results to be achieved. Anything additional clutters things up, and distracts focus from the desired end result. The “why” should have been answered when you decided the value of pursuing the goal against the backdrop of the purpose or mission of your credit union. The “how” is dealt with when you begin programming the steps of your action plan.

APPENDIX B

EXAMPLE OF SHORT TERM GOAL

Increase our daily interest account from 8 million dollars to 13 million dollars by December 31, 2016, while maintaining our regular share base and decreasing our other certificate programs (\$38 million) by no more than 10%. This would require approximately 1.2 million dollars worth of "New" money to be deposited.

KEY DECISIONS:

Marketing is the key to achieving this goal. To prevent disintermediation of funds from certificate programs, we have decided to simultaneously market a quarter percent bonus (.0025) on all C.D.'s for the next six months.

LIMITATIONS:

- 1) Rates: If rates go down during the promotional period, it could greatly limit our success.
- 2) Competition from bank "Sweep" accounts could compete directly with our program.

POLICY MODIFICATION: None

ACTION STEPS:

- Step #1) Develop quarterly statement stuffers to be mailed 3/31, 6/30, and 9/30, explaining The Daily Interest Account.
- #2) Special mailing advertising ¼% bonus to be developed and mailed.
- #3) Special Daily Interest account ads in the local newspapers.
- #4) Solicit Mr. Lou Brock, former St. Louis Cardinal to act as the credit union representative for print and TV marketing.
- #5) Schedule TV spots for early to mid-fall.
- #6) Meetings with new accounts representatives to discuss cross selling of the Daily Interest Account.

PERSONS RESPONSIBLE FOR

- Step 1 - Marketing and Communications Manager
Step 2 - Marketing and Communications Manager
Step 3 - Marketing and Communications Manager
Step 4 - Marketing and Communications Manager
Step 5 - Marketing and Communications Manager
Step 6 - Marketing and Communications Manager

ACTION STEPS

	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1			X	X									
2			X		X		X		X		X		
3									X	X	X		
4						X	X						
5							X	X	X				
6	X	X	X										

BENEFITS EXPECTED:

- 1) Gives highest return to member with the greatest amount of liquidity.
- 2) Great income produced for credit union.

RESOURCES REQUIRED:

- 1) A well trained new accounts staff
- 2) A competitive overnight investment vehicle
- 3) Strong management control of investments

ESTIMATE OF COSTS: (Projected through year end)

Marketing		\$ 50,000
Cost of Funds	\$5,000,000 @ approx. 11	-
<u>320,000</u>		
		370,800
Income from Inv.	\$5,000,000 @ approx. 13.5	<u>393,750</u>
Net Income Sub Total		22,950
Internal Costs Estimate		<u>5,600</u>
Net Income		\$ 17,350

The additional 5 million dollars generated by goal #2 would provide an additional \$17,350 in net income in the next 7 months. The total (\$13 million) "Daily Interest Fund" balances could generate \$135,000 net income by year end.

APPENDIX C

EXAMPLE OF LONG-TERM GOAL

OBJECTIVE

Open a new branch location of Super Awesome FCU in East County to serve the growing population in that area by December 31, 2020.

KEY DECISIONS

- Location of new branch building
- Type of new branch and services to be offered
- Staffing at branch
- What impact increased adoption of virtual services will have on branch traffic

LIMITATIONS

- Deadlines
- Lack of available property in the desired area

POLICY MODIFICATIONS

- It is possible that operational policies will need to be updated depending on the services that will be offered at the new branch location and what resources are needed to support this location.

COST/BENEFIT ANALYSIS

- Benefits expected:
 - Serve members more effectively
 - Increase new members, loans, and net income
- Resources required:
 - Land and physical building
 - Equipment
 - Human resources (4 to 5 staff members)
- Estimate of costs:
 - \$1M cost for building but there are potential lease options for \$25,000 annually
 - \$200,000 in equipment/operational costs
 - \$100,000 for additional staff at new branch (branch manager, member service specialist and 2 tellers (or possibly teller machines)

ACTION PLAN

Goal	Action Steps	Person Responsible	Deadline	Control
Complete strategic facilities plan	1. Select consulting firm to use	Executive Team	12/2018	
	2. Determine desired location and develop budget	Executive Team	6/2019	
	3. Obtain board approval	Board chairman	12/2019	
Secure real estate	1. Purchase/lease space for new location	Executive Team	2/2020	
Purchase new equipment	1. Determine facility needs	Jane Smith	8/2020	
Staffing for new location	1. Determine staffing required for new location	Greg Jones	9/2020	
	2. Advertise for positions, conduct interviews, hire staff	Greg Jones	9/2020	
	3. Train new staff	Howard Johnson	9/2020	
Open new location	1. Open new location	All staff	10/2020	
Market new location	1. Determine marketing budget and goals	Sally Green	9/2020	
	2. Advertise new location	Sally Green	9/2020	

