

NORTHERN CREDIT UNION

HUMBLE, HUNGRY, AND PEOPLE SMART: THE 2-DECADE REINVENTION OF NORTHERN CREDIT UNION

Investments in culture and technology have underpinned the rise of this North Country cooperative.

BY ERIK PAYNE

After 65 years of operation, Northern Credit Union (\$282.7M, Watertown, NY) still strives to remain humble, hungry, and people smart. After all, it's those three guiding principles that have helped the mid-size credit union become one of the most successful and enviable cooperatives in the state of New York.

The credit union got its start in 1955 as New York Air Brake Federal Credit Union. At that time, it served a blue-collar membership in Watertown, NY, named for the Black River and its falls that powered the city's manufacturing and industry. In 1996, after mergers with several smaller credit unions and expansion into Jefferson, Lewis, and St. Lawrence counties, the credit union rebranded as Northern Federal Credit Union to more clearly articulate its field of membership. On October 1, 2018, the credit union dropped "Federal" from its name and again expanded its field of membership, by five additional counties, through conversion to a state charter. Today, Northern serves five of seven counties in New York's North Country at the state's northern frontier.

CU QUICK FACTS

Northern
Credit Union

DATA AS OF 12.31.19
WATERTOWN, NY

\$282.7M

ASSETS

31,709

MEMBERS

9

BRANCHES

15.2%

12-MO SHARE GROWTH

8.4%

12-MO LOAN GROWTH

0.60%

ROA

"It's rural," says Nathan Hunter, the credit union's CFO. "And unlike the city, the community is close. We take pride in offering solutions for these people."

And often, Northern has found that offering solutions to members translates to a resource more valuable than a product or service: trust.

"The trust and business we've earned from our members has a lot to do with our approach," says CEO Dan St. Hilaire. "We try to be real with them, not sell them something they have no interest in and will derive no benefit from."

At 8.4%, 15.2%, 11.7%, and 4.9%, respectively, the credit union's annual

loan, share, asset, and membership growth all bested the average for state, asset, and national peers in the fourth quarter of 2019. The performance highlights the strategies of a successful shop well-positioned to succeed in the next decade. But rewind the clock 17 years, and success was not such a sure thing.

A BETTER PURPOSE

It's Friday. Payday. Summer 2002. Northern's long-term CEO is retiring and Dan St. Hilaire walks into the lobby of the credit union's corporate branch to interview for the position.

"I had to navigate my way through six lines of people who literally had their backs against the wall," the CEO remembers.

According to St. Hilaire, tellers were running triple duty, answering and closing consumer loans while processing transactions.

"If they didn't answer the phone, the former VP would come out and yell at them in front of the members," he says.

That was his first impression, and the more he learned about the organization, the more he understood the job he needed to do.

At that time, the credit union was under a Letter of Understanding and Agreement (LUA) from the NCUA, and St. Hilaire says there were more regulators in the corporate office than employees on some days. The leadership structure was broken, the core system archaic. Each branch had its own phone number, only two employees had access to an AOL internet connection that crashed every Friday, and non-leadership staff had unionized as a last resort following years of voicing concerns to management and leadership, to no avail.

To learn more about Northern Credit Union's relationship to technology, flip to page 29.

“We had people here with real heart, conviction, and determination who desperately wanted to work for a better purpose.”

— DAN ST. HILAIRE, CEO, NORTHERN CREDIT UNION

“If anyone knew what was going on inside the organization, they would have run away,” St. Hilaire says.

So, why did St. Hilaire, a seasoned leader who previously served as CEO at three credit unions, two in Maine and one in Iowa, want the job?

“Despite a myriad of internal issues that threatened its continued existence, the credit union had 23,000 loyal members” he says. “And, we had people here with real heart, conviction, and determination who desperately wanted to work for a better purpose, including a dedicated board who shared my vision and has contributed greatly to it from my first day.”

A FOUNDATION OF TRUST

There was a lot to build on, and for St. Hilaire, that started with trust.

“My role was to restore trust in leadership for the 29 people who worked here, our 23,000 members, and anxious federal regulators,” the CEO says.

To do that, he simultaneously worked on culture and the long list of LUA items, then re-engineered a set of products and services that members would want to use. Within weeks, the credit union began establishing a new set of core value statements that represented what the financial institution wanted to be as well as the kind of employees it wanted to hire. It took several weeks to draft the initial list and a few more weeks to solicit the feedback of employees, present the list to the board, and finalize — with unanimous support — eight core value statements, which included:

- “Driven by a common passion to “WOW” our members in doing whatever it takes to exceed their expectations.”
- “Focused on conducting all business, internally and externally, with the highest degree of honesty, integrity, consistency, and ethics.”

Northern took a similar approach in building its mission and vision statements, which did not exist prior to his arrival. St. Hilaire says the process was “engaging” and “transparent” and credits it with helping to establish among staff members a sense of ownership that is the foundation for the shop’s success.

“If we’re going to call them owners, we’ve got to treat them like owners,” he says. “That means giving them a real opportunity to influence direction on important items.”

BEST PRACTICE:

CORE VALUES CAN EVOLVE

When Dan St. Hilaire became CEO of Northern Credit Union in June 2002, he engaged the organization in creating its first ever set of core value statements. In early 2019, Northern re-evaluated those eight statements and reduced them to six. “We rephrased, condensed, and consolidated to reflect how we’ve modernized and evolved as a credit union,” says Jessica Ridsdale, senior vice president of human resources, training, and compliance.

On the member side, in 2003, Northern started building trust through home equity and residential mortgage loans. Product performance quickly grew Northern’s loan-to-share ratio, generated other relationships, and significantly improved ROA. In late 2006, Northern’s checking account penetration was in line with state- and asset-based averages. In 2007, Northern introduced a rewards-based checking account that paid up to 6% interest for qualifying members. The credit union immediately began to grow wallet share, and by year-end 2007, 62% of members had a Northern checking account. Today, that’s up to 82%.

“We decided the only way to build the organization through the lens of our core values, mission, and vision the right way was to build long-lasting relationships,” St. Hilaire says.

Timing was everything. While many banks and credit unions pulled back at the onset of the Great Recession in late 2007, Northern’s leadership chose to stay the course and remain true to their purpose, including eliminating half of its 32 fees, knowing area unemployment would spike and wanting to make members’ lives easier. To this day, it hasn’t reinstated those fees.

“Families in our area were experiencing real hardship,” the CEO says. “Eliminating fees for those living paycheck to paycheck made a meaningful difference.”

A BEST COMPANY

In his effort to improve culture and identify internal champions to manage it, St. Hilaire tapped Jessica Ridsdale, >>

“Anyone can say ‘No.’ It’s our job to find a way to say ‘Yes.’”

— BRIAN CAIRD, DIRECTOR OF UNDERWRITING, NORTHERN CREDIT UNION



IN 2019, ELAINA MENDOZA, MEMBER RELATIONS (PICTURED), AND AMANDA CUPP, MEMBER RELATIONSHIP SUPERVISOR, RECEIVED THE BEST COMPANIES TO WORK FOR IN NEW YORK STATE DESIGNATION ON THE CREDIT UNION'S BEHALF.

the credit union's senior vice president of human resources, training, and compliance, to establish a culture committee in late 2015. There was an application and vetting process for applicants interested in joining the committee, which contained a cross-section of departmental participants ready to serve as more than a mere cheerleader.

“We wanted those who were strongly opinionated and wouldn't hold back if they have a concern about our culture,” St. Hilaire says.

The committee conducts surveys to take the pulse of the organization. However, its biggest responsibility, in combination with human resources, is to administer the application process for the Best Companies to Work For awards program, sponsored by the Best Companies Group, an independent research firm.

Culture can be difficult to quantify and harder to grade. As an organization that invested time and effort into rebuilding its culture, however, Northern wanted a way to measure how far it had come. So, in 2017, the credit union entered the statewide competition.

The first year, Northern ranked 26th among small- to medium-sized companies and third among similarly sized financial institutions in New York state. That's notable because rankings are based on a workplace survey an organization's employees complete anonymously.

“We don't get any updates other than the number of people who participate until results are announced,” Ridsdale says. “The program paints a true picture of what it's like to work here.”

Although 26th and third were appreciated, more important to St. Hilaire was the ability to dig into the results, which Best Companies Group releases in a report. Specifically, the CEO wanted to see staff's trust in leadership.

“We saw employees generally believed in the direction of the credit union,” he says. “But there was room to improve.”

That improvement has taken several forms. In 2017, Northern instituted team-hiring practices to ensure new staff members were as culture-focused as the credit union.

“We realized we should look less at a resume and more at who they are as people,” St. Hilaire says. “If they aren't a cultural fit, it doesn't matter how talented they are.”

Now, rather than applicants interviewing first with human resources and then coming back to meet with others in the organization, team leads and St. Hilaire join HR from the start. Since 2017, St. Hilaire estimates he has sat in on more than 500 interviews, which the CEO likens more to conversations in which Northern is looking for signs the applicant's values and attributes align with the credit union's guiding principles and purpose.

BEST PRACTICE:

PURPOSE POWER PERFORMANCE

Northern's purpose is to enhance their member's financial wellbeing and deliver an exceptional experience in every interaction.

In addition to improving hiring practices, Northern has taken steps to improve training and support, too. Northern gives new hires a copy of *The Ideal Team Player* by Patrick Lencioni and asks them to read it as well as complete an assessment that helps them understand their strengths and weaknesses. New hires then discuss their results with their teams so everyone understands how to work together and support one another.

“We talk about providing everyone with a GPS for success,” Ridsdale says. “That comes from trusting in the feedback offered by leaders and peers and always doing the right thing.”

And giving feedback is key. Without it, Northern's employees risk shortchanging one another, the CEO says.

“Feedback is core to our culture,” St. Hilaire says. “We need everyone to understand they're doing us a disservice if they don't offer feedback when they see learning opportunities.”

So, have these improvements paid off? Indeed, they have.

In 2018 and 2019, Northern ranked first and second, respectively, in the Best Credit Union to Work For national ranking among asset-based peers, with assets between \$200M-\$500M. The credit union expects to perform well again when the 2020 results come out later this year.

“The win and high placement give us a sense of pride in everything we do,” Ridsdale says. “We’re connected on a deeper level.”

A PROGRESSIVE VISION

When St. Hilaire joined the credit union, he brought with him the desire to spark a cultural change. Externally, he also wanted to radically alter the credit union’s physical footprint.

“I thought we had real opportunity to differentiate ourselves from the competition through technology and service,” the CEO says. “Especially if we acted fast.”

In practice, this meant investing in technology. Since fourth quarter 2003, the credit union has run an operating expense ratio north of 5.6% each quarter as it seeks to better its self-service capabilities through technology. Since St. Hilaire took the helm, the credit union has opened four branches that all house smart offices in which members can privately video chat with agents to open accounts or take

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out loans. Additionally, Northern was an early adopter of personal teller machines and today operates 17. By the end of 2020, the credit union expects that number will increase by 10, to 27.

Technology helps the credit union meet members where they are, but the strategy doesn’t work without products and services that members need.

“We look for ways to provide solutions to our members,” says Dan Estal, vice president of lending.

Those solutions consider the credit union’s deep roots in blue-collar communities, which might be more accustomed to seeing roadblocks than welcome signs.

“Anyone can say ‘No,’” says Brian Caird, director of underwriting. “It’s our job to find a way to say ‘yes.’”

A commitment to service combined with the understanding the best way to serve members is to meet

them where they are means Northern offers products such as a high-interest checking account that pays 2.26% up to \$35,000 as of press. And as an alternative to a VA loan, the credit union also offers an equity advantage mortgage, which is a hybrid HELOC-mortgage product that requires 0% down and no PMI.

BEST PRACTICE:

CHRISTMAS IS FOR CLOSERS

During the holiday season, Northern purchases Christmas trees as mortgage-closing gifts for members. “We give them something they need for where they are in life,” says Heather Moran, assistant vice president of lending.

And then there’s Northern’s NEXTProgram. Targeted specifically at younger adults who are just starting out, the program includes a savings account that pays 5% interest up to \$500, checking with ATM fee refunds or cashback, a first-time homebuyer product, student loans, and an auto loan up to \$12,500 plus a micro loan up to \$1,500 that don’t require a credit history.

“If we identify one person who needs a particular product or service, there’s probably more,” says Heather Moran, assistant vice president of lending. “That’s when we work to introduce something new.”

If the credit union’s expanding membership is any indication, Northern will be working on new products and services for the foreseeable future.

In October 2018, Northern converted from a federal charter to state one, increasing its county count from three to eight and dropping its members-per-potential-members ratio from 16.9% to 3.9%.

Flip to page 32 to learn more about Northern’s expansion plans.

Onondaga is one of the new counties Northern has added to its field of membership. That’s important because it includes New York’s fifth-largest city, Syracuse. In the coming years, the credit union will work to serve this new population through new products and services, including member business loans and credit cards, as well as new relationship centers and delivery channels.

It’s the culmination of a nearly two-decade journey made possible by years of investments in culture and technology. But as a new decade begins with social and economic uncertainty, Northern will rely on all that’s been built before to help members get through what comes next.

“Our mission hasn’t changed,” St. Hilaire says. “Every day, every month, every year, we get stronger.”

WHO? WHAT? WHERE? WHEN? WHY?

WHO?

Actor Viggo Mortensen, who portrayed the character Aragorn in The Lord of the Rings film trilogy, attended grade school in Watertown, NY, and graduated from Watertown High School in 1976.



WHERE?

Watertown is some 20 miles southeast of the Thousand Islands, an archipelago of more than 1,800 islands on the St. Lawrence River. Once a retreat for the elite, the islands are home to elaborate mansions and tourist attractions such as Boldt Castle and Singer Castle.



WHAT?

Developed as an industrial and manufacturing center, Watertown, NY, was said to have more millionaires per capita than any other city in the United States in the early 20th century.



WHEN?

Little Trees air fresheners were invented in Watertown, NY, in 1952. Cars have never smelled the same.

WHY?

In 1970, Frank Sinatra released the concept album Watertown. The album is told from the perspective of a man who has suffered personal loss.



SOURCES: ASSOCIATED PRESS, FORBES, GETTY IMAGES

PLAYING THE LONG GAME

Northern Credit Union's technological capability is well beyond its asset size. Learn why the rural, New York cooperative has been at the forefront of the self-service revolution.

BY ERIK PAYNE

Between 2006 and 2007, Northern Credit Union (\$282.7M, Watertown, NY) replaced its traditional teller line with a pod-based concept that allows members and employees to stand side-by-side while conducting transactions. Members quickly took to this dialog banking approach and offered positive feedback on the evolution of the credit union's relationship centers.

That's why the credit union was confident members would readily use a personal teller machine when the cooperative placed one in the lobby of its corporate office three years later.

"That's not what happened," says Christine Booth, Northern's vice president of member relationships.

CEO Dan St. Hilaire uses stronger language, calling it a "bust." Still, Northern was not about to let one misstep change its progressive, long-term view on technology adoption and self-service capability.

"We've had the same vision since 2002," the CEO says. "We're driven to find ways to make life more convenient for our members through self-service."

WAKING UP TO TECHNOLOGY

Northern is headquartered in Watertown, NY, and serves an eight-county membership mainly within New York's North Country.

"It's a rural membership," says Nathan Hunter, Northern's CFO. "Members are used to personal interaction."

When St. Hilaire joined Northern in 2002, the area's regional banks and credit unions, by and large, offered the same legacy service and products that they had for generations. And therein lied an opportunity for Northern.

"They were all sleeping on technology," St. Hilaire says. The CEO saw that as a clear opportunity to differentiate.

The credit union started implementing advanced technology that offered better, broader self-service capability through its digital channels, making the credit union easier and more accessible to all members but most especially to millennials. At the time, the oldest millennial was 21, and there was little motivation among industry players to undertake an expensive operational upgrade for a generation that was still financially immature and years away from profitability.

"Others were happy to keep banking the way it had been done forever," St. Hilaire says. "They were being shortsighted."

Today, the millennial generation represents some 82 million individuals in America, making it the largest financially mature generation. However, it's not the largest generation overall. That would be its successor, Gen Z, which includes more than 86 million members in America. And both generations share a predilection for technology.

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“ We are the only financial institution in our area that has what we have. ”

— CHRISTINE BOOTH, VP OF MEMBER RELATIONSHIPS, NORTHERN CREDIT UNION

Northern has quietly been building its technological capability for years, which has required a hefty investment from the cooperative. Since 2002, Northern's operating expense ratio has grown 2.15 percentage points. By comparison, that ratio has increased 22 basis points for credit unions in the \$250 million to \$500 million asset band. That investment in technology, though, now allows Northern to go head-to-head against any sized institution in terms of talent, experience, and execution, St. Hilaire says. And, it has set the credit union apart in the North Country.

“We are the only financial institution in our area that has what we have,” says Booth, the member relationships executive.

BEST PRACTICE:

PLAY THE LONG GAME

Technology is a short-term investment with long-term benefits, though it may take years to recognize those advantages. Still, Northern advocates for others to stay the course. “We're not afraid to invest now to benefit later,” says Christine Booth, vice president of member relationships. “And, we're not afraid of change.”

PEOPLE AND PROCESSES

Northern's technology strategy started successfully with the introduction of in-branch pods. Then, it stumbled with the deployment of PTMs. But the credit union has learned from its experiences.

For example, months before it rolls out new technology, the credit union now distributes videos and surveys to assess possible reaction and feedback. That information has helped Northern respond faster to member usage before and after deployment. It also has generally improved member engagement. Additionally, Northern has doubled down on cultural training and developed hiring practices that ensure front-line service representatives are comfortable with the technology and willing to help members use it.

That's important because technology has proliferated across Northern's nine-location footprint. Each relationship center contains at least one smart office, which the credit union introduced four years ago. Smart offices privately connect a member with a centralized representative who



IN CROGHAN, NY, REPRESENTATIVES FROM NORTHERN CREDIT UNION PAINT THE TOWN ORANGE WHILE WALKING IN THE TOWN'S SPRING BREAK PARADE.

can do everything from open an account to originate a loan over a Cisco video connection. Universal representatives in the branch focus on the initial member conversation, and once it's clear the member needs assistance beyond making a deposit or withdrawal, they pass the member to a video associate for further assistance.

Branches also include tech bars — a centralized desk with iPads — cash recyclers, coin machines, and, yes, even PTMs. Today, the credit union operates 17 PTMs, seven located in lobbies and 10 placed at drive-thrus. The drive-thru PTMs have allowed Northern to introduce weekend hours without increasing staff. And, members have generally become more accepting of self-service and video banking, thanks to widespread smartphone adoption. In December 2019, Northern members conducted 19,000 transactions on PTMs.

“Members are using the technology,” St. Hilaire says. “They're not intimidated.”



NORTHERN TEAM MEMBERS CELEBRATE SUMMER ON THE ST. LAWRENCE RIVER AT ONE OF THE CREDIT UNION'S ANNUAL BOAT CRUISE TEAM MEMBER APPRECIATION EVENTS.

“Technology is where the world is moving, whether we’re talking groceries or our finances. If we are going to remain relevant, we need to be at the forefront.”

— NATHAN HUNTER, CFO, NORTHERN CREDIT UNION

BEST PRACTICE:

SELFLESS IN SERVICE

For Northern’s pod-based relationship centers to be effective, front-line staffers must be willing to pass off members, via smart office, to a team of centralized lenders. That kind of trust requires employees to buy into the credit union’s service culture. “We have a selfless team in place who work to give our members the best possible experience,” CEO St. Hilaire says.

COUCH-BASED MORTGAGES

For Northern, building a best-in-class technological experience to attract a millennial membership has paid dividends. The credit union has grown its share of millennial members from 10% a decade ago to 35% today. But in the coming months and years, it will leverage its technology for another purpose: creating economies of scale.

The credit union converted from a federal charter to a state one in October 2018 and added five counties to its field of membership. Three of the five counties are in the North Country, which the credit union can serve by building branches closer to rural communities. The remaining two, Onondaga and Oswego, are in Central New York and present a different market with different costs to operate.

“Brick-and-mortar in Onondaga can be expensive,” St. Hilaire says.

BEST PRACTICE:

ANSWER THE PHONE

In recent years, Northern has fielded more than a few calls from state and national credit unions asking to visit or seeking advice on its technology and integrations. The North Country cooperative is happy to oblige. “We make ourselves available,” CEO St. Hilaire says.

Northern’s technical capability, however, enables the credit union to explore concepts that will allow it to serve more expensive communities, with or without a physical presence.

Key to that will be how well the credit union meets service delivery expectations, especially through PTMs. Abandonment spikes in those channels when members are not served within 10 seconds, but Northern’s expectations are more demanding than that. Representatives work to

make video connection within three seconds — meaning service and not “Hi, I’ll be right with you.”

The credit union also has technology plans that are grander than simply extending its network of PTMs, which it plans to expand by 10 across 2020. Northern wants to leverage video to serve members who don’t want to leave their couch, not just the ones who enter a relationship center or drive-thru.

“You can order groceries on your phone today,” CFO Hunter says. “Why can’t we say the same for a mortgage?”

The credit union has partnered with a third-party company to turn that dream into a reality, although Northern is still working on an implementation plan.



CFO NATHAN HUNTER AND CEO DAN ST. HILAIRE SERVE PAN-CAKES AT A PAY IT FORWARD EVENT AT THE INTERNATIONAL MAPLE MUSEUM CENTRE IN CROGHAN, NY.

Someday soon, however, a Northern member might be able to complete a mortgage application from the comfort of their home. When that happens, it will be thanks to a two-decade vision for how technology can improve the member experience, but it won’t be the last word in technology at Northern.

“Technology is where the world is moving, whether we’re talking groceries or finances,” Hunter says. “If we are going to remain relevant, we need to be at the forefront.”

5 METRICS THAT EXPLAIN NORTHERN CREDIT UNION'S FUTURE GROWTH

Geographical and service expansions will help the cooperative continue to flourish in its seventh decade.

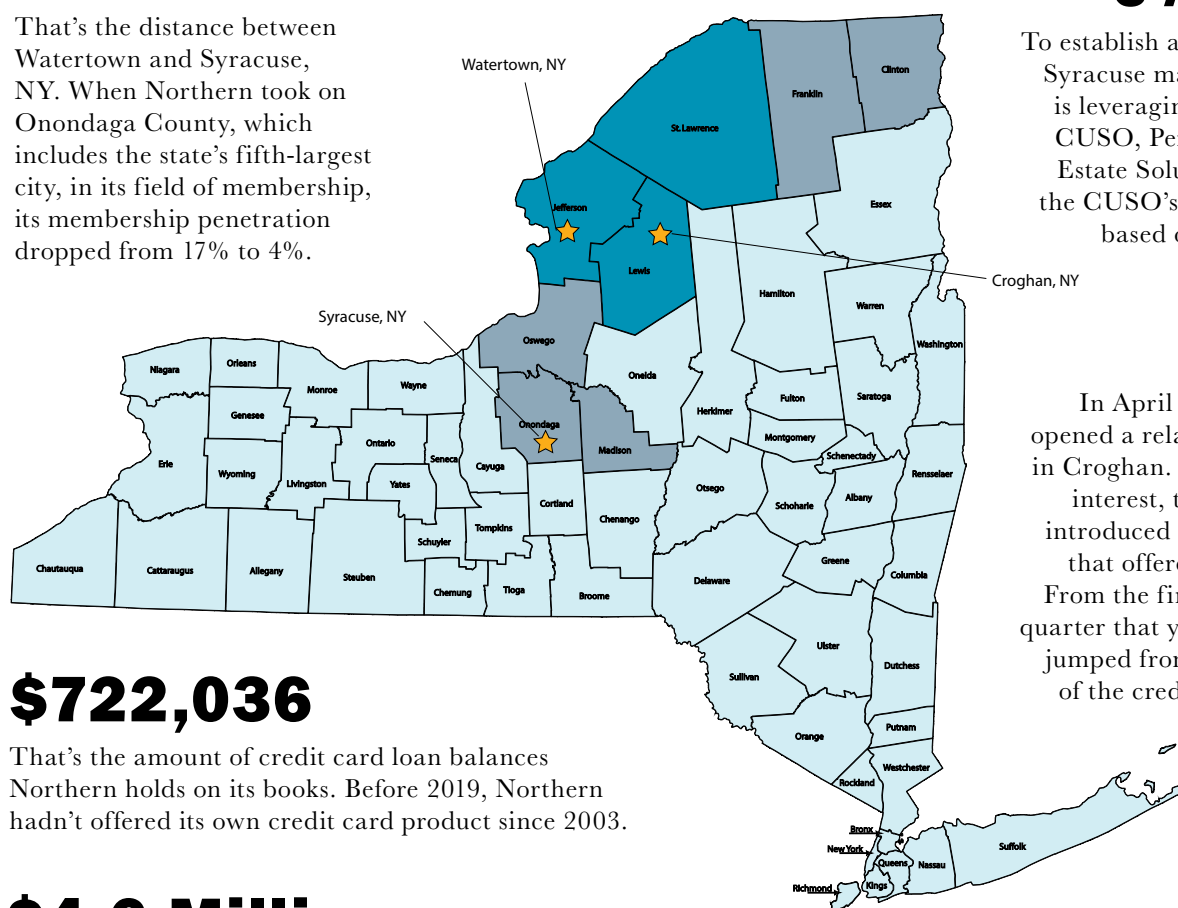
BY ERIK PAYNE

Northern Credit Union (\$287.7M, Watertown, NY) is a growing cooperative. In the past five years, it has added \$90 million in assets, 2,500 members, and three new branches, which Northern calls “relationship centers.” Additionally, the 65-year-old credit union’s share draft penetration rate jumped 10 percentage points to 82%, a function of the North Country cooperative’s focus on relationship banking.

“Our vision is to be viewed as world-class relationship builders,” says Brian Caird, Northern’s director of underwriting.

70.1 Miles

That’s the distance between Watertown and Syracuse, NY. When Northern took on Onondaga County, which includes the state’s fifth-largest city, in its field of membership, its membership penetration dropped from 17% to 4%.



It’s that talent for cultivating relationships that helps the credit union foster a continuing cycle of developing products that fit members’ lifestyle and growing the institution. In 2018, Northern converted to a state charter and increased its field of membership from three counties to eight. To coincide with that geographic expansion, the credit union has introduced new products and services to better serve the needs of the new population.

The graphic below shows Northern’s growth strategy in relation to the counties it serves. Of note: In bright blue are the Northern’s pre-2018 counties; in gray are the post-2018 counties.

3 Agents

To establish a foothold in the Syracuse market, Northern is leveraging its real estate CUSO, Personalized Real Estate Solutions. Three of the CUSO’s agents are now based out of Syracuse.

8.2%

In April 2019, Northern opened a relationship center in Croghan. To attract local interest, the credit union introduced a 12-month CD that offered a rate of 3%. From the first to the fourth quarter that year, certificates jumped from 0.7% to 8.2% of the credit union’s share portfolio.

\$722,036

That’s the amount of credit card loan balances Northern holds on its books. Before 2019, Northern hadn’t offered its own credit card product since 2003.

\$4.6 Million

Northern began offering business loans five years ago but recently hired an experienced commercial lender to help kick the cooperative’s now-\$4.6 million portfolio into overdrive.

FUNDING FINANCIAL EDUCATION FOR THOSE WHO NEED IT MOST

Two partnerships allow Northern Credit Union to help community members lead better financial lives.

BY ERIK PAYNE

Before Rochelle Runge joined Northern Credit Union (\$282.7M, Watertown, NY) in 2018, she worked for Cornell Cooperative Extension running a program focused on providing financial education to New Yorkers. In her work marketing the program to area credit unions, Runge connected with the North Country cooperative.

The Mad City Money program had been funded through various federal and state grants, managed by Cornell who partnered with Northern Credit Union to organize and administer the reality fair-style financial education curriculum to area students. That was until Northern decided to fully fund the program and hire Runge to manage the Cornell partnership, and the credit union's marketing team.

"Northern is not focused on selling widgets," says Runge, now Northern's marketing supervisor. "We are focused on helping people lead better financial lives. Offering education is one part of that."

Northern is one of several financial service providers in the North Country. To stand out and make an impact, the credit union goes beyond simple monetary donations and focuses instead on investing time and resources in events



ROCHELLE RUNGE,
MARKETING SUPERVISOR,
NORTHERN CREDIT UNION



MEAGHAN STRADER,
MARKETING PROFESSIONAL,
NORTHERN CREDIT UNION

and causes, from winter carnivals and veterans organizations to financial wellness efforts that include Mad City Money and Banzai.

In this Q&A, Runge and Meaghan Strader, Northern's marketing professional, discuss the need for financial education in the communities the credit union serves, its two major efforts to meet this need, and the best practices the credit union has learned along the way.

WHAT IS THE NEED FOR FINANCIAL EDUCATION WITHIN NORTHERN'S COMMUNITIES AND AMONG ITS MEMBERS?

ROCHELLE RUNGE: Home economics is just not being taught in schools. Sure, students used to learn cooking and other basic skills, but they also learned the basics of balancing a checkbook and creating a budget. With increased budget cuts in schools, those areas aren't being served as well.

WHAT IS MAD CITY MONEY, AND HOW DOES IT WORK?

RR: It's a hands-on budgeting simulation. We go to schools, set up tables, and give kids a persona. Are they married? Do they have children? What is their income? We then give them budgeting tips and they walk around the room to purchase "wants" and "needs" that we have laid out on the tables.

We leave what they can and can't purchase vague because it's experiential learning. It's a safe place to make a mistake. From your own life experience, sometimes you learn more from making a mistake than from someone telling you how to do it. We see kids who have that lightbulb moment, who realize the reason they don't have money leftover for food is because they spent \$800 per month on a car.

WHAT DOES IT REQUIRE TO SET UP ONE OF THESE EVENTS?

RR: Cornell funds cover part of the administrative costs, though Northern provides branded folders and pretend debit cards that we distribute to the students. Cornell finds the schools, trains the teachers, and sends a program educator day of to run the simulation at the school.

Northern runs the financial institution booth at the event, so we recruit internally for employees who would like to work it; we prefer those from a relationship center in the same area as the school or who have ties to the school — whether an alumni or parent of a current student. We've had employees run other booths

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“We are focused on helping people lead better financial lives. Offering education is one part of that.”

— ROCHELLE RUNGE, MARKETING SUPERVISOR, NORTHERN CREDIT UNION

in a pinch if we don't have teachers or other community volunteers. Depending on the size of the school, it can take anywhere from 12 to 25 people to run an event.

MEAGHAN STRADER: Last year, we made certificates for the students who participated. If they brought those to one of our relationship centers and opened an account, we deposited \$25 into it. If they already had an account, we still gave them \$25.

WHAT AGE GROUPS DO YOU TARGET?

RR: The curriculum is written for seventh to 12th graders. However, we find that 8th to 10th grade is really the sweet spot because they're eager to learn and they have the right attitude. This age group is not always forthcoming in a group discussion setting, but we use a conversational approach to uncover what they learned and what they think about all of it.

WHAT ARE YOUR GOALS WITH THIS PROGRAM?

MS: There's no clear ROI as you may have for another campaign. For us, the ROI is building brand awareness and providing education, not in how many accounts we've opened. That will come later. Plus, we've focused on getting into more schools in 2020. We've got 10 sessions already scheduled.

RR: The year is still early, and we try not to say “no” to any school. Usually schools like to schedule in advance, which often means the last few months before the school year ends or the first few months of the new calendar year. We've had more than 2,700 kids go through the program since its inception, and we're on track this year for more than 500 — which will be our best year yet.

WHAT ELSE DOES NORTHERN DO FROM A FINANCIAL EDUCATION STANDPOINT?

MS: We've partnered with Banzai since 2011, which essentially allows us to offer its financial literacy solutions and curriculum to schools to help fill the education gap.

Because of our sponsorship, we can offer the materials for free to the schools.

In addition to the curriculum, teachers can either schedule a trip to the credit union or have someone from Northern come in and give an Adulting 101 presentation to the students. I've trained nearly half of our employees to give the presentation, which will help us get into more schools and educate more students.

WHAT DOES THE CURRICULUM INCLUDE?

MS: It's a combination of question and answer and scenarios. There are three different levels each geared toward different groups: Junior, which is for third grade through sixth, includes basic concepts. Then there is Teen and Teen-Plus. Teen covers credit building — loan debt, credit card debt, accrual of interest — and Teen-Plus goes into more depth on budgeting. The older you are, the more relevant budgeting becomes.

We go through these concepts in the Adulting 101 presentation, as well. But we also talk about the difference between credit unions and banks and try to make the spending and savings goals more real and relevant.

RR: And, we tailor the presentation to the audience. A high schooler might have a real job whereas a seventh grader cares more about saving money for a video game.

DO YOU OFFER ADULTING 101 TO THOSE OLDER THAN 18?

MS: We have created financial education targeted for adults in the past, similar presentations that are branded differently and separated by topic. Recently, Banzai has expanded its offering to include more adult curriculum, which we believe offers us an opportunity to partner with community organizations.

HOW MANY STUDENTS COMPLETED THE PROGRAM IN THE LAST FULL SCHOOL YEAR?

MS: In the 2018-2019 school year, we had 52 teachers use the program and approximately 2,000 students. In the 2019-2020 year, we've already helped 2,200 students. And, as with Mad City Money, our goal is not to open accounts. But when

one is opened, the student gets \$25 from us as a first deposit and we also give \$50 to each teacher. Of that total, teachers receive a \$25 gift card to Staples for school supplies and the school receives a \$25 check designated to a program or club the teacher chooses.

CORNELL AND BANZAI DO THE MARKETING FOR YOU. HOW DO YOU TAKE THAT INTRODUCTION AND BUILD UPON THE RELATIONSHIP?

RR: Having our partners make the introduction validates our work. Even though our reasons for offering financial education are altruistic, there could be the perception that we're coming in to sell to students. We start from a place of trust and respect instead. That makes it easy to get into schools.

After that, it's all word-of-mouth. We're not in a large community, so when people talk, others hear. Teachers are always looking for resources for their students, and they recognize their deficit areas. They know where they do and don't have backing from their school and are open to the idea of good actors in the community coming in to fill that gap.

COMING AT IT FROM A PLACE OF GOOD FAITH IS KEY?

RR: It's about recognizing how important financial education is for students as they navigate through life. If you have your finances in order, the rest of your life is easier. By introducing education across thousands of students per year, we hope to make that happen. ▲

WITH GRATITUDE

Callahan & Associates wants to thank the following individuals for sharing their time, insight, and truck defrosting wisdom during our two-day trip to Watertown, NY. Their hospitality and candor made our trip a fruitful one. We hope readers found value in the Northern Credit Union story.



CHRISTINE BOOTH, VICE PRESIDENT, MEMBER RELATIONS

"The great thing about Northern is that if you want it, you go and get it. If you put yourself out there to find new ways to impact members, the doors are open wherever you choose to go."



HEATHER MORAN, ASSISTANT VICE PRESIDENT, LENDING

"At Northern, we have the freedom to do what's right for the member. We're encouraged to challenge the status quo and find a way to make our solutions work for everyone."



BRIAN CAIRD, DIRECTOR OF UNDERWRITING

"We're all empowered to make decisions on behalf of our members. That's one part of Northern's culture I most identify with."



JESSICA RIDSDALE, SENIOR VICE PRESIDENT, HUMAN RESOURCES, TRAINING, COMPLIANCE

"I've seen how Northern impacts people and the communities in which they live. It's incredible to be a part of that."



DAN ESTAL, VICE PRESIDENT, LENDING

"Our culture gets me up every day. We are constantly thinking of new ways to impact the lives of our members and our community."



ROCHELLE RUNGE, MARKETING SUPERVISOR

"Helping members lead better financial lives and making their dreams come true are at the heart of what Northern does. That spirit drew me to the credit union, and it's what makes it easy to come to work each day."



DAN ST. HILAIRE, CEO

"I love everything about Northern. From the good to the bad, the successes to the hard times, it all adds up to an organization I love and an opportunity I relish."



MEAGHAN STRADER, MARKETING PROFESSIONAL

"We are professionally challenged daily, which has helped me grow personally since I've been here. It's the best job I've ever had."



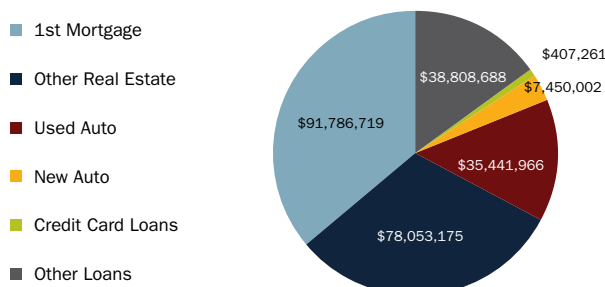
NATHAN HUNTER, CFO

"It's exciting to be a part of an organization that has something to offer and gives back. My personal values so closely align with Northern's core values."

LOAN COMPOSITION

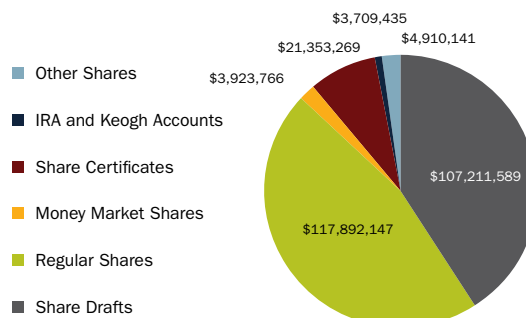
FOR NORTHERN CREDIT UNION | DATA AS OF 12.31.19

Unlike its asset-based peers, Northern holds the majority of its loan portfolio in real estate. As of fourth quarter 2019, just 17% of Northern's total loans were in new and used auto, compared with 38% for credit unions \$250M-\$500M. Also, 20% of Northern's auto loans come from the indirect channel; that's compared to 53% for asset-based peers.

**SHARE BALANCE COMPOSITION**

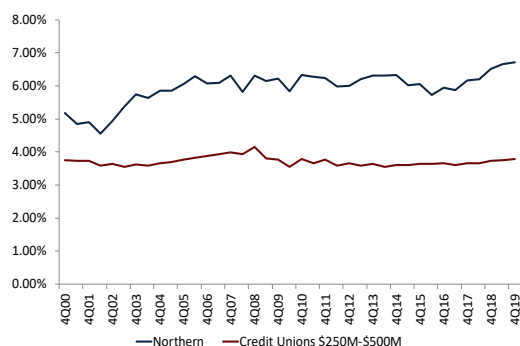
FOR NORTHERN CREDIT UNION | DATA AS OF 12.31.19

At year-end, Northern's annual share growth of 15.2% ranked 16th among the 347 credit unions in its \$250M-\$500M asset-based peer group. The credit union historically posts one of the highest share draft penetration rates of its peer group, but this year's annual growth was driven primarily by a certificate product Northern introduced in 2019 that brought in approximately \$20 million.

**OPERATING EXPENSE RATIO**

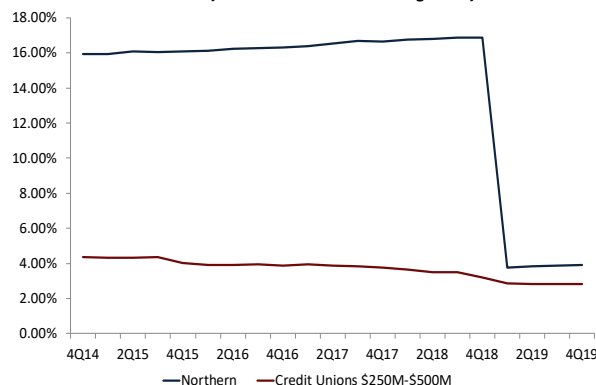
FOR CREDIT UNIONS \$250M-\$500M | DATA AS OF 12.31.19

Since Dan St. Hilaire assumed his role as Northern Credit Union's CEO in June 2002, the North Country cooperative has invested heavily in technology. Unsurprisingly, the credit union's operating expense ratio has sat at least two percentage points above the asset-based peer average for nearly two decades.

**MEMBERS PER POTENTIAL MEMBERS**

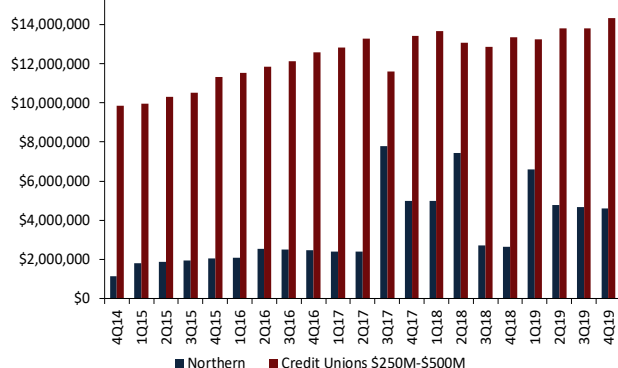
FOR CREDIT UNIONS \$250M-\$500M | DATA AS OF 12.31.19

In 2018, Northern increased its field of membership from three counties to eight. This included an expansion into Madison and Onondaga counties in central New York; the latter is home to Syracuse, the state's fifth-largest city.

**MEMBER BUSINESS LOAN BALANCES**

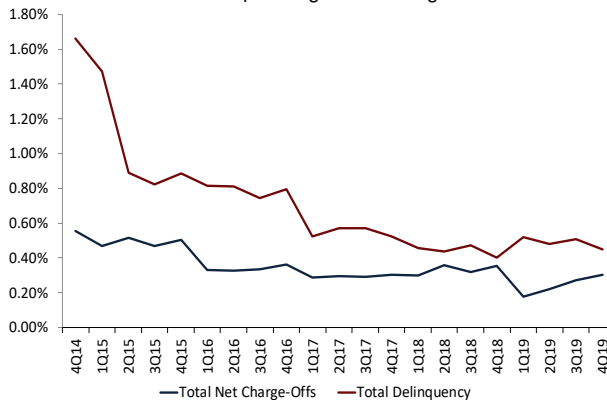
FOR CREDIT UNIONS \$250M-\$500M | DATA AS OF 12.31.19

To expand its product offerings, Northern introduced business loans in 2014 and recently hired an experienced commercial lender to oversee that portfolio. Although production currently lags that of asset-based peers, the credit union is focused on growing the portfolio in the years ahead.

**TOTAL DELINQUENCY AND NET CHARGE-OFFS**

FOR NORTHERN CREDIT UNION | DATA AS OF 12.31.19

Northern's total delinquency, 0.45%, and net charge-offs, 0.30%, sit well below the performance of asset-based peers. As the credit union invests more in riskier lines of business, Northern believes its relationship banking ethos will mitigate future declines in asset quality.



SOURCE: CALLAHAN & ASSOCIATES