

Are Business Services Right for Your CU?

Nearly 2,000 CUs think so

By most measurement standards, credit union involvement in business services is small. But in recent years, growth has been rapid as more credit unions discover the growth opportunities and revenue potential business services represent.

The most current data shows 37.5% of credit unions offered services to small businesses. Mid-year 2006 data reveals that 1,954 U.S. credit unions have outstanding member business loans. The total increases to 1,991 when loan participations are included, but this still represents only 23% of all U.S. credit unions.

When credit unions with a business lending program were asked their reasons for going into business lending, the leading answer was to offer more services to members (57%), followed by interest from members at 54%, and loan growth only slightly less at 48%.

These answers, from CUNA's 2007 Credit Union Member Business Lending & Services Survey, make it safe to assume a successful business lending program results from a variety of reasons and not just one.

But independent of specific demand, a credit union may also make the decision to offer business loans and deposit services based on a strategic examination or survey of its membership. Market analysis and surveys may reveal needs in the community and within the membership—many of whom may never have considered their credit union as a source of

business services.

Business services/lending can also be an effective portfolio diversity tool in terms of ALM management (i.e. credit risk, yields, and loan durations).

In any case, business services “should not be a product of ‘me too’ thinking,” according to Pat Spencer, national sales manager for member business services software provider Baker Hill, Inc. “This attitude often indicates that the credit union has not developed a business plan, studied its membership or market, and has no concrete idea whether there is a market for the services it intends to offer,” he says.

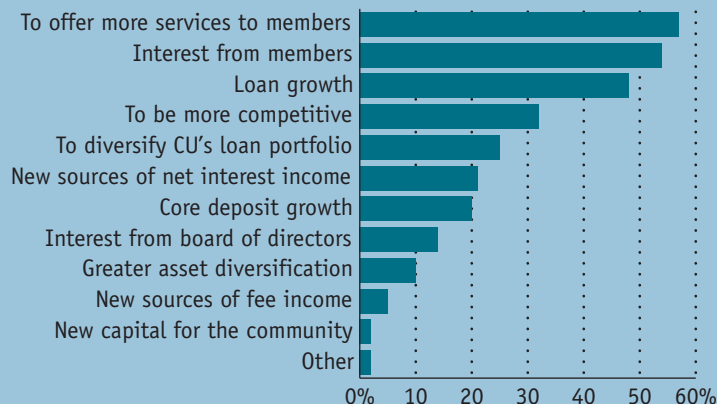
Spencer cautions that the investment costs in a business services operation are too great to be merely a copycat undertaking. And, he notes, the turnover that some credit unions have witnessed in member business services staffing is a direct result of these circumstances.

What advice would current credit union business service leaders give to those considering starting a business services operation? In this survey, the most common bit of wisdom came from the 35% who responded “go slow.” Hiring qualified staff followed close behind at 29%. The advice to join or partner with a CUSO, at 15%, ran a distant third.

For more information on CUNA's 2007 Business Services Survey or to order online, go to buy.cuna.org and enter stock number 27615 in the search box. To order by phone, call 800-356-8010, press 3 and use the stock number as a reference. ■

Figure II

Top Three Reasons for Starting a Member Business Lending Program



Based on credit unions that have a member business lending program.

Source: CUNA's 2007 Business Services Survey

