

WCCU



World
Council
of Credit
Unions



Building up Credit Union Competence in the Global Environment

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World
Council
of Credit
Unions

Trade Association



Development Agency



What is WOCCU?



Worldwide Foundation

WOCCU Services Group

WOCCU



World
Council
of Credit
Unions

97 countries

46,000 credit unions

Serving

172 million people



World
Council
of Credit
Unions

19 Technical Assistance Programs in 15 Countries



Three Phase Business Model



Foundations:

- Policies & Procedures
- Financial Disciplines
- Business Planning
- Systems
- Governance

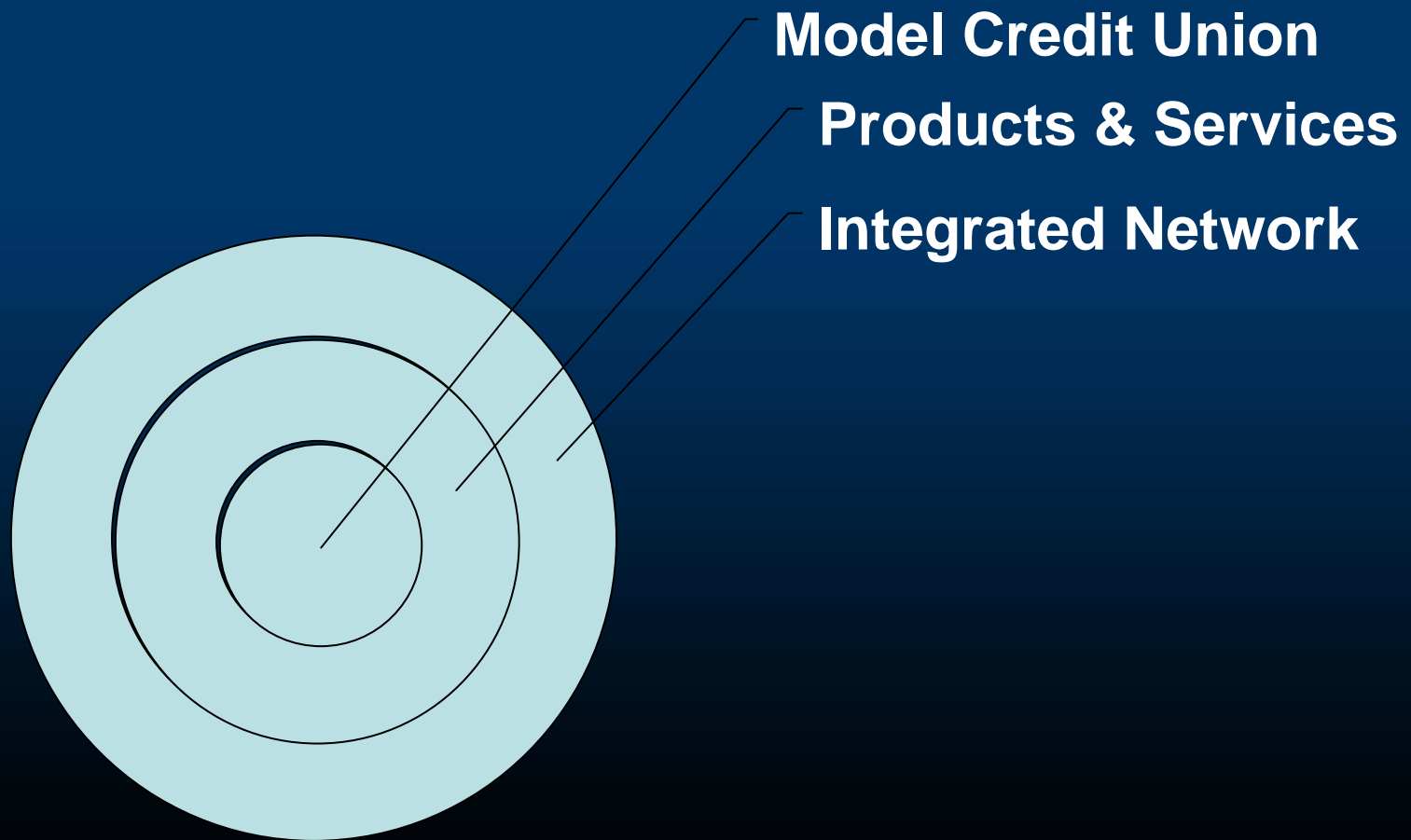
Growth:

- Marketing
- Savings Mobilization
- New Product Development
- Branch Offices

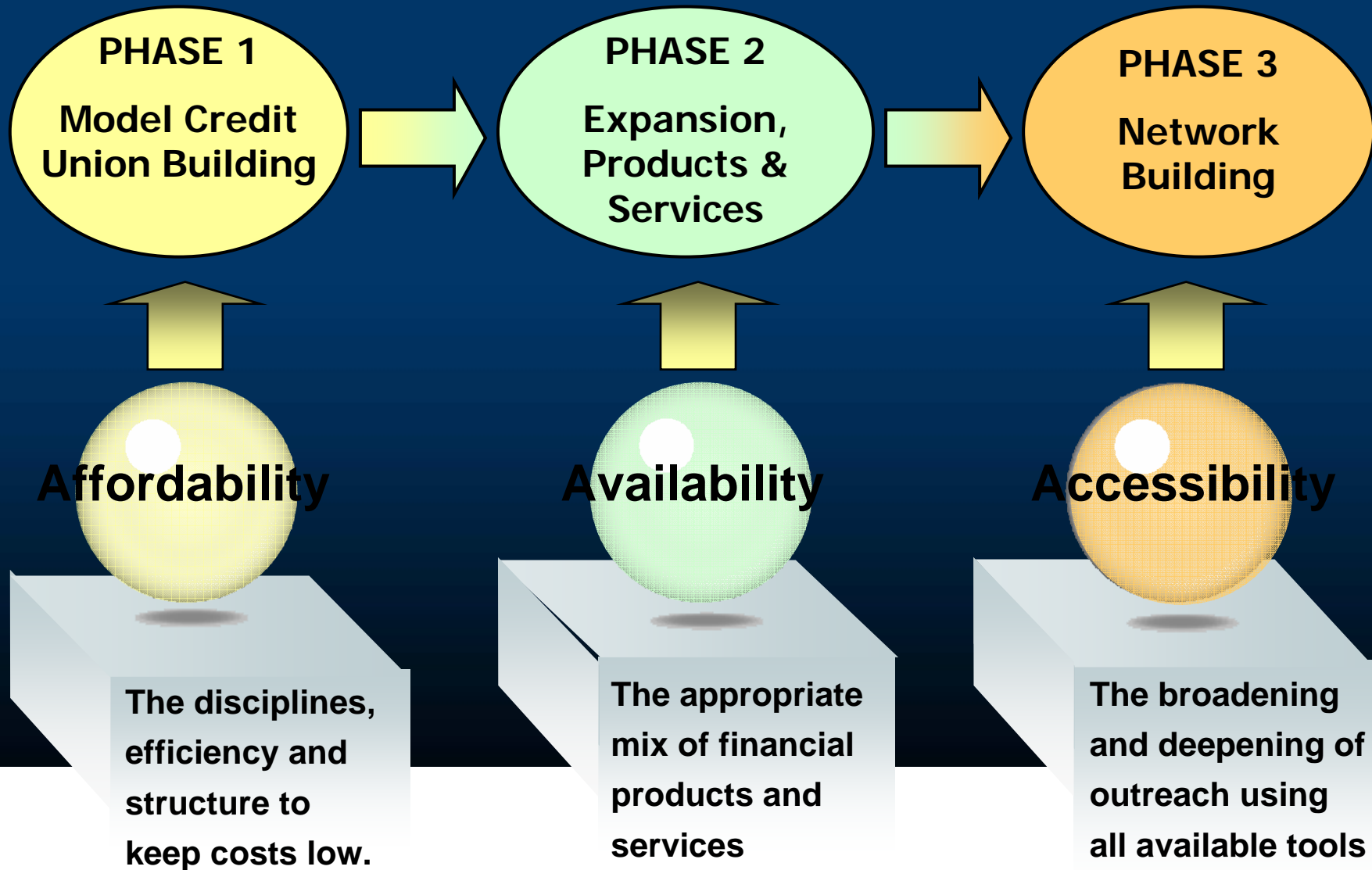
Networks:

- Alliances
- Network Tools & Products
- Transaction Services
- IT Systems

CU Development Approach 2008



A Business Model w/ 3 Phases



AFFORDABILITY

➡ Savings & retained earnings

➡ Maximize investment in loans

➡ Minimize non-earning assets

Optimize financial structure

➡ Operating expense ratio [5% to 7% assets]

➡ Diversify mix of clients

Maintain efficiency in operations

➡ Maximize loan quality (PAR < 5%, provisions)

➡ Market pricing of products & services

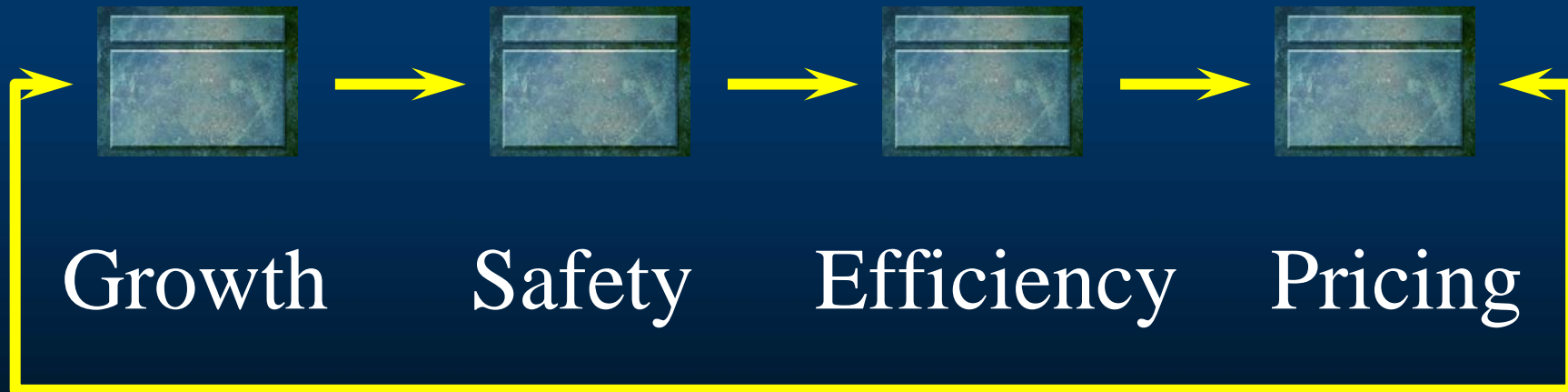
Apply all the PEARLS financial disciplines



The Ideology of PEARLS



The Four Cornerstones





The Ideology of PEARLS



The 12 Decisions



Growth

- Most Important Things:
 1. Total Assets
 - Savings/Shares
 - Capital
 2. Membership



The Ideology of PEARLS



The 12 Decisions



Safety



- Most Important Things:
 3. Delinquency Rate
 4. Loan Loss Provisions
 5. Charge-offs
 6. Recoveries
 7. Capital Reserves



The Ideology of PEARLS



The 12 Decisions



Efficiency

- Most Important Things:
 - 8. Loan Book Outstanding
 - 9. Non-Earning Assets
 - Delinquency Rate
 - 10. Operating Expenses



The Ideology of PEARLS



The 12 Decisions



Pricing

- Most Important Things:

11. Loan Rates

12. Savings/Shares
Rates

“The Entrepreneurial Rate”



Linkages of PEARLS Indicators

	<u>Yield</u>	<u>Growth</u>	<u>Structure</u>
<u>Earning Assets</u>			
Loans	R1 →	S1 →	E1
Liquid Investments	R2 →	S2 →	E2
Financial Investments	R3 →	S3 →	E3
Non-Financial Investments	R4 →	S4 →	E4
<u>Interest-bearing Liabilities</u>			
Savings Deposits	R5 →	S5 →	E5
External Credit	R6 →	S6 →	E6
<u>Capital</u>			
Member Shares	R7 →	S7 →	E7
Institutional Capital	R8 →	S8 →	E8

PEARLS answers these questions regarding CU performance

1. Is it financially disciplined?
2. Is it profitable?
3. Is it efficient?
4. Is it equitable and fair in achieving objectives 1-3?
5. Has it had an economic AND social impact?

Impact of Affordability

MIX 2006 Benchmarks

Financial Institution	Loan Interest Rate
Credit Unions	15.6%
Rural Banks	18.2%
Banks	18.6%
Non Bank MFIs	23.4%
NBC	25.4%

AVAILABILITY

Micro savers (< \$500)

➡ Liquidity versus return

➡ Minimum fees

➡ “Programmed savings”
(education, medical, holidays)

Net savers (\$1,000 to \$5,000)

➡ Return versus liquidity

➡ Programmed savings, CD's
and specialty products

➡ Institutional savings

Savings

Offer a mix of products and incentives for different types of savers

AVAILABILITY

Diversity of loan products ($< \$500$)

➡ Consumer, education, health, emergency

➡ Micro enterprise

➡ Year term loans, working capital, supplier credit, crop loans, factoring

Diversity of loan products (\$1,000 - \$5,000)

➡ Small business, agricultural investment, other productive

➡ Home improvement, purchase and construction

Loans

Offer financing for all household needs with a mix of products, terms and conditions to fit the use

ACCESSIBILITY

Simplify Processes

➡ Minimize entry requirements

➡ Offer products & services being sought by clients

➡ Service small accounts

Bring the product to the client

➡ Group & individual lending, Semilla Cooperativa

➡ POS devices, cell phones

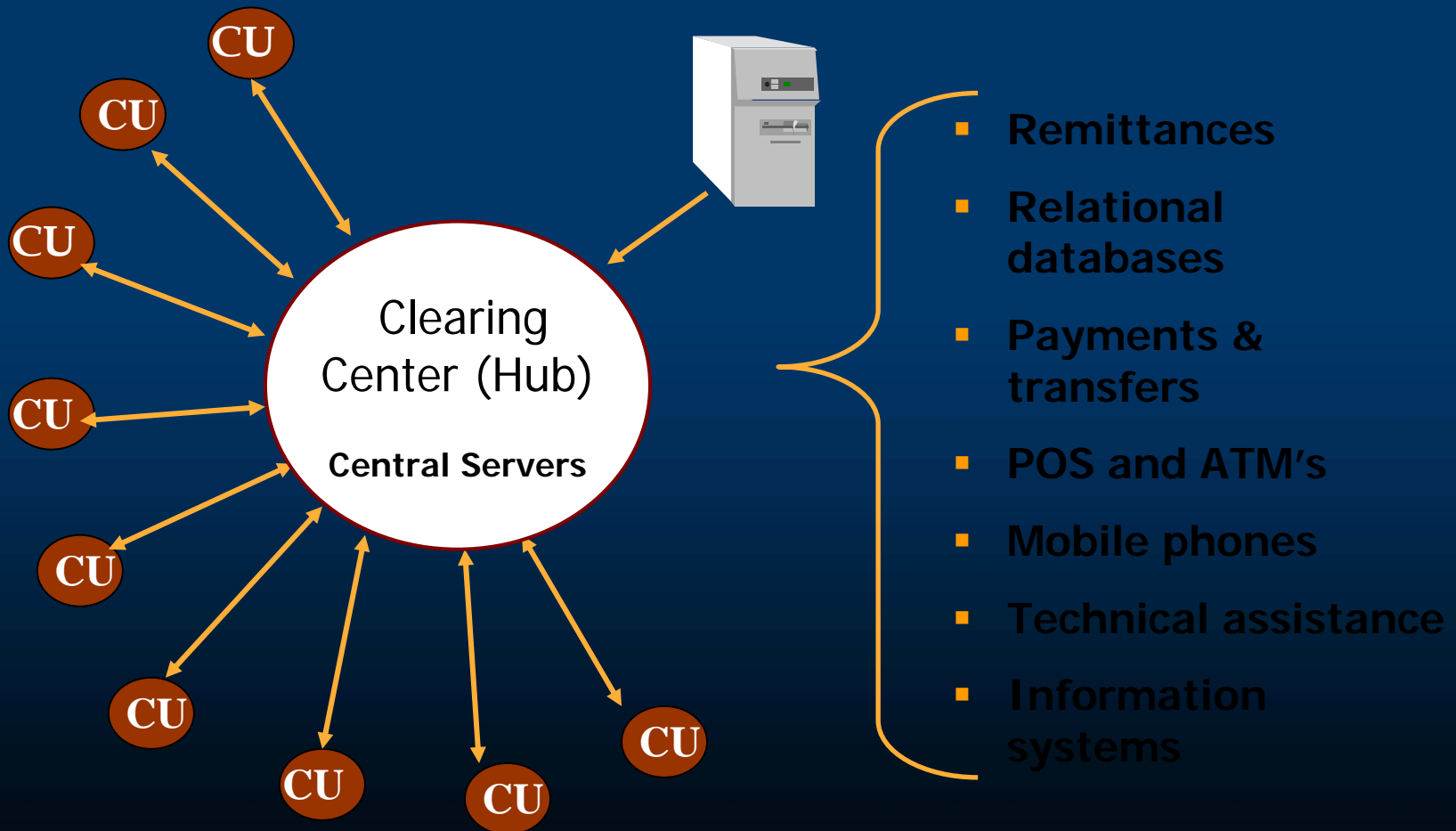
Build Networks

➡ Individual CUs linked together (bricks and mortar)

➡ Fully hosted (virtual)

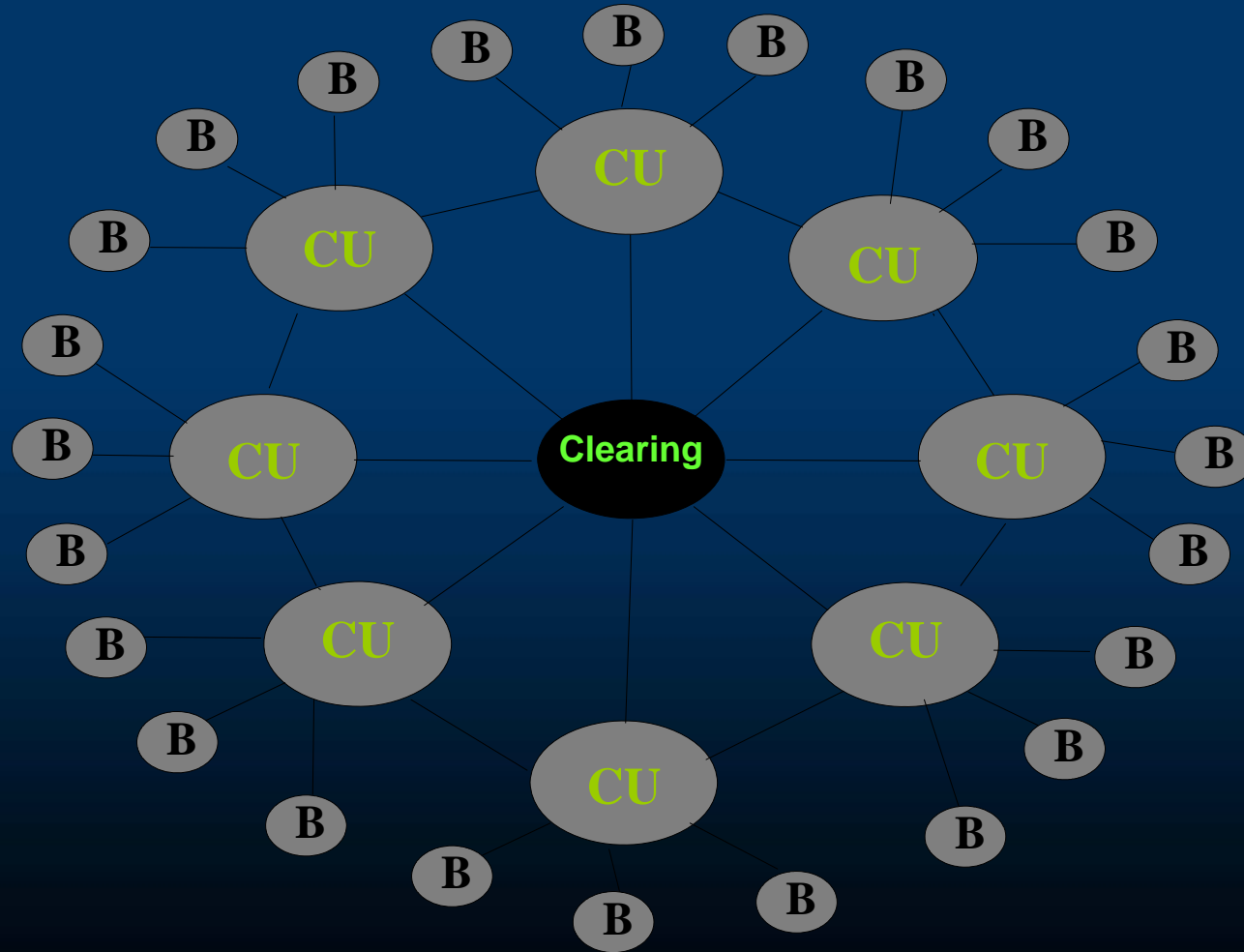
➡ Mixed hosting

Individual CUs Linked Together as a Network



Financial and policy standard
compliant credit unions

National CU Network



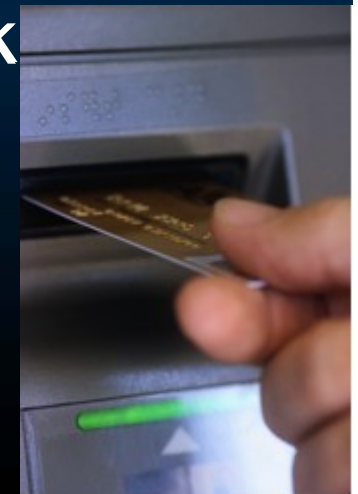
Integrated Credit Union Networks



Servi Red

Cooperativas de Calidad Para Todos

- Branded System/Network Image (Trademarks, Logos, Colors) - Standards Driven
- Data Processing Systems
- Transaction Services
- Correspondent Bank Services

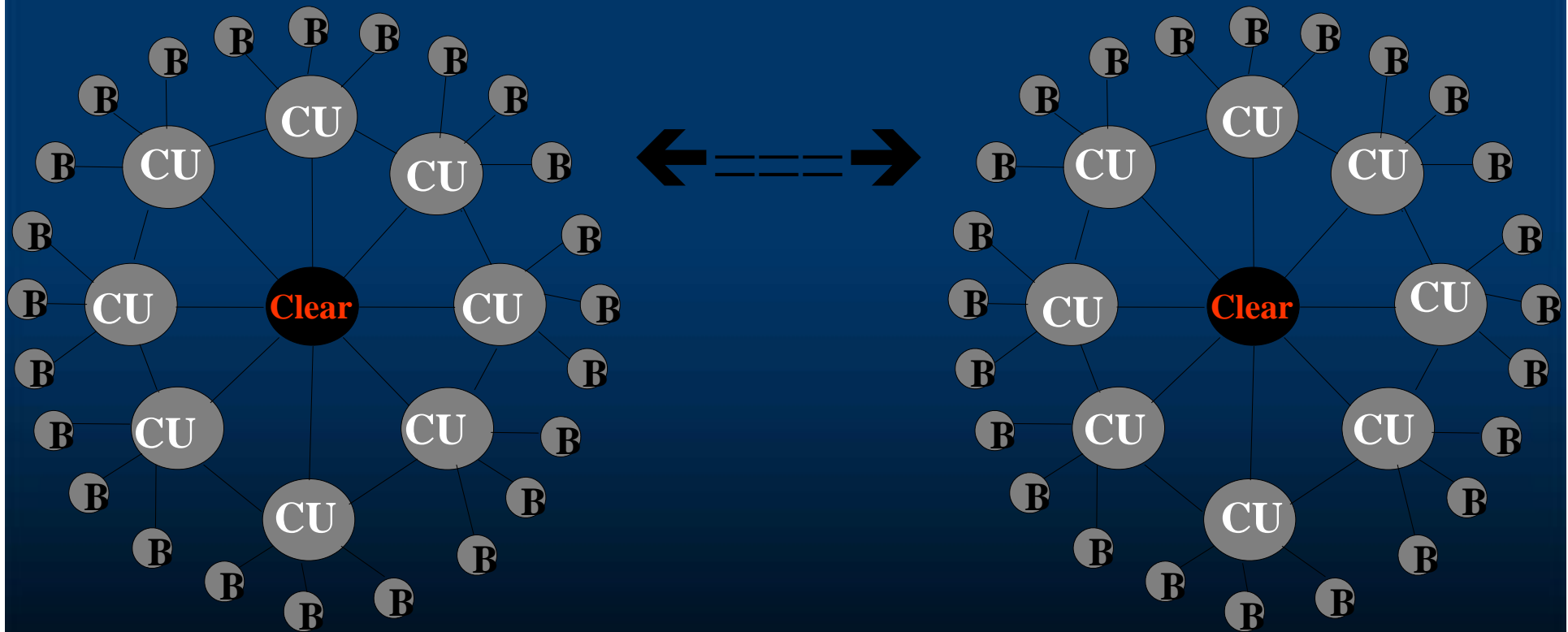


Network Transaction Services

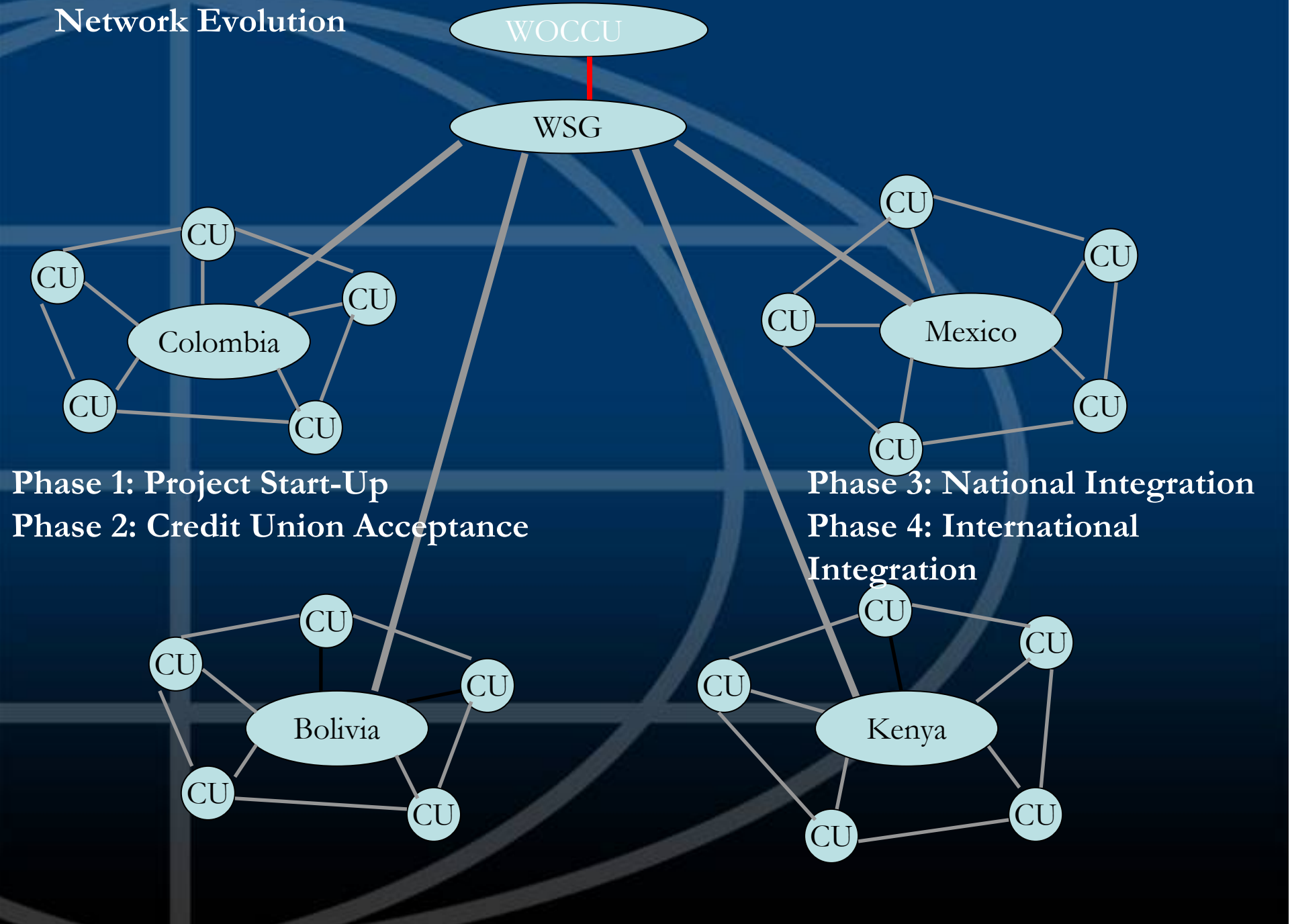


- Bill Payment
- Remittances
- ATM Networks
- Card Services
- Electronic Transfers
- Shared Branching
- International Shared Branching
- Mobile Banking
 - POS, Cell Phone

International Integration



Network Evolution



Legal and Regulatory Advocacy

Credit union specific legislation/regulation

- Accounting, Financial, Operating Standards
 - Capital Adequacy
- Authorized Formal Financial Sector Regulator
 - Direct Supervision
- Governance Controls

Creating tools to help regulators supervise credit unions



Audit

Risk Analysis

Conduct risk-based examination to monitor and contain risks

Governance

Audit governance practices to control and minimize abuses.

→ Capital Risk

→ Credit Risk

→ Liquidity Risk

→ Operational Risk

→ Abuse of Power

→ Abuse of Financial Resources

→ Abuse of Products & Services

→ Institutional Abuse

Model for Building Competence



The Traditional Instrument of CU Management

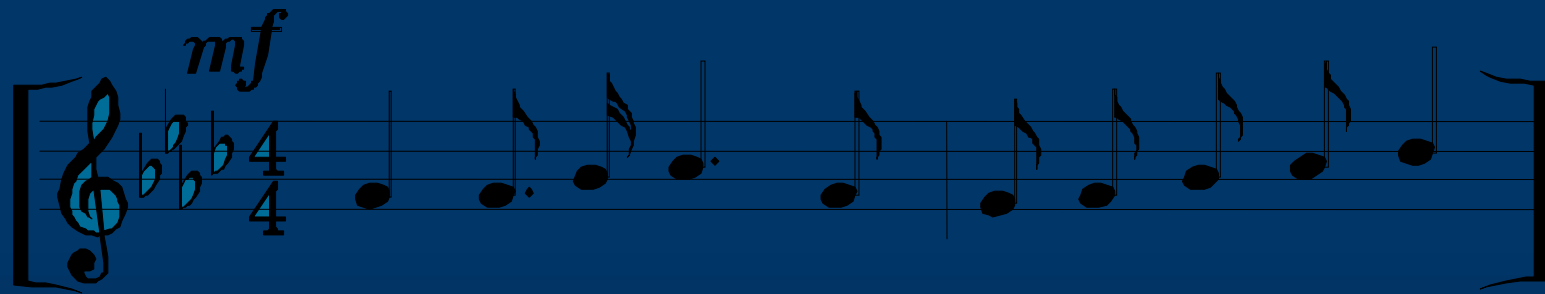


- **Loans**
- **Shares**
- **Donations/External
Financing**

A New Level of Competence: Playing with all the fingers



The Melody



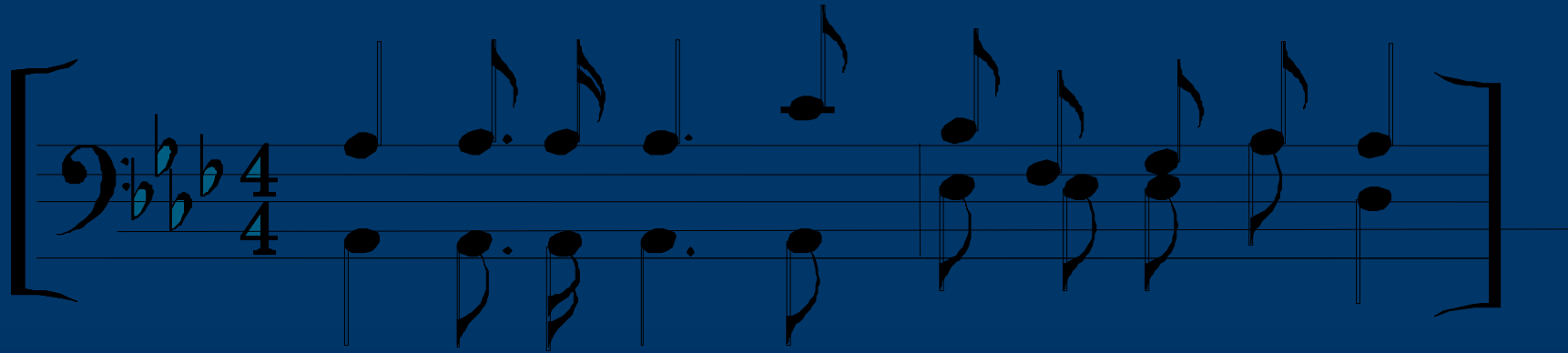
✉ Human Resources
Employees
Directors

The Harmony



- ✉ Savings Products
- ✉ Loan Products
- ✉ Insurance Products
- ✉ Financial Structure
- ✉ Interest Rate Pricing
- ✉ Marketing Program
- ✉ Action Plan

The Rhythm



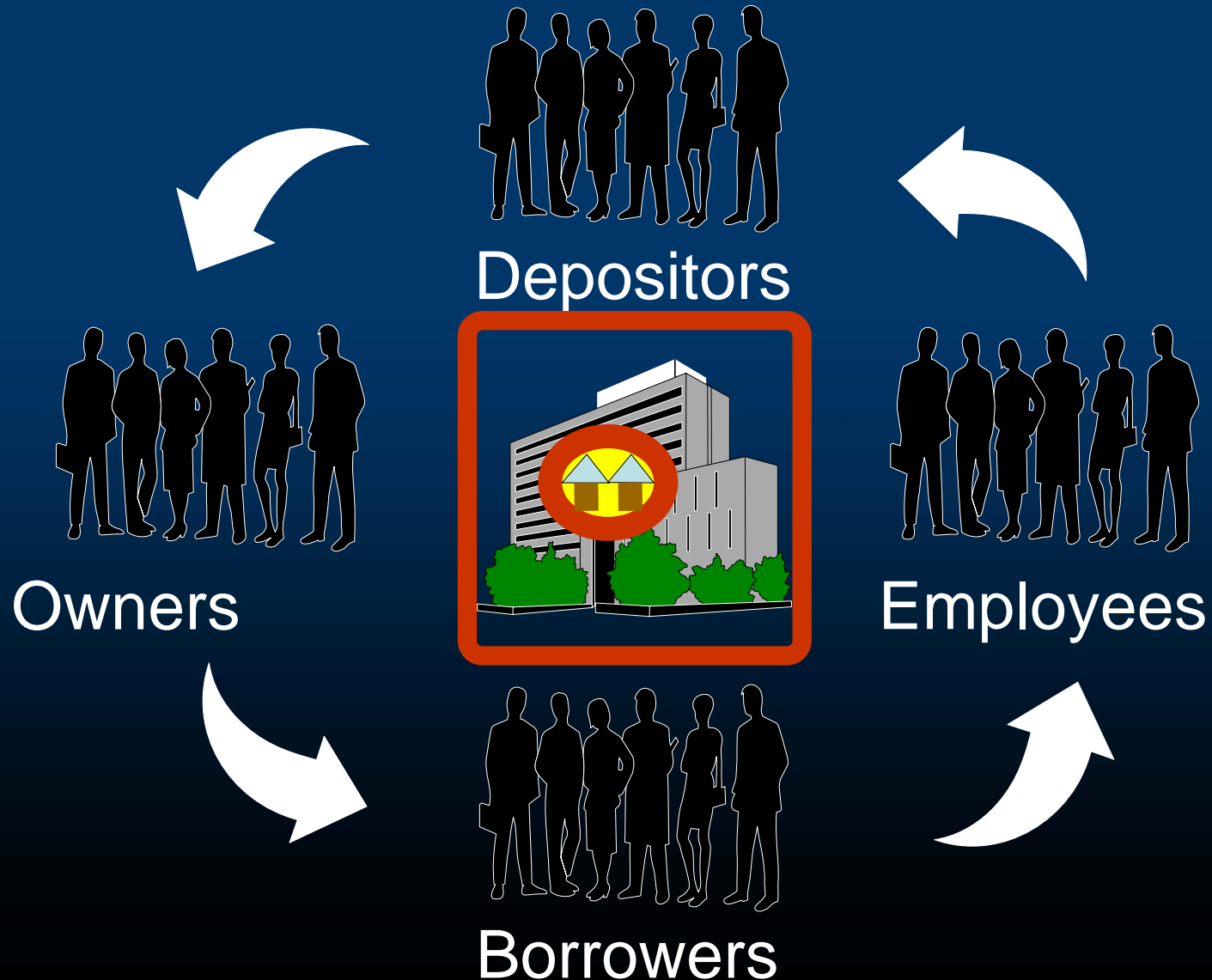
- ✉ CU Legal Framework (Law & Bylaws)
- ✉ Financial Discipline
- ✉ Monitoring System
- ✉ Audit, Supervision, & Risk Rating

The Credit Union Opus

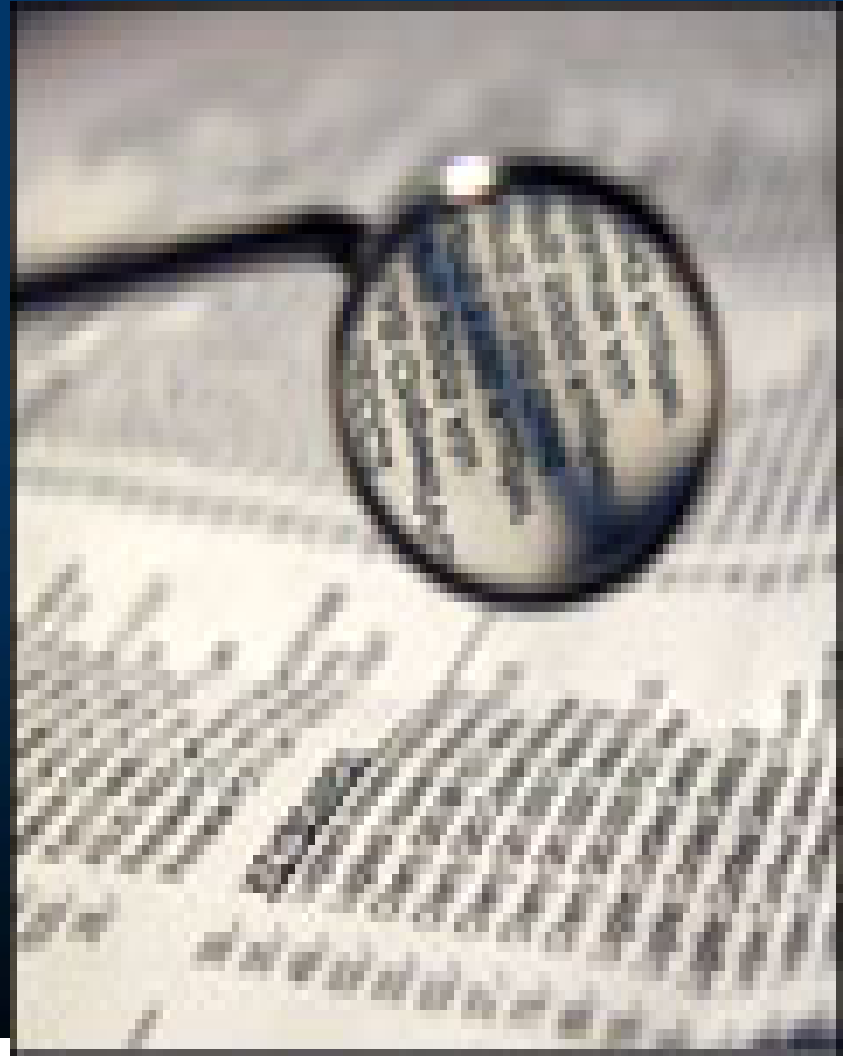


Credit Union

Stakeholder Equilibrium



**Results from
applying the
model &
tools?**



Broad outreach to small depositors

Distribution of savings accounts	\$0-100	\$101-300	\$301-500	\$501-1,000	\$1,000 +	TOTAL
Number of accounts	95,209	147,397	56,165	46,731	73,713	1,319,215
% of total accounts	75.4%	11.2%	4.3%	3.5%	5.6%	100%
Total savings (US\$ millions)	\$20.8	\$26.2	\$28.0	\$42.3	\$457.8	\$575.1
% of total volume	3.6%	4.6%	4.9%	7.4%	79.6%	100.0%
AVG Account	\$21	\$178	\$498	\$905	\$6,210	\$436

Mexico, Colombia, Ecuador, Philippines & Sri Lanka

96 credit unions

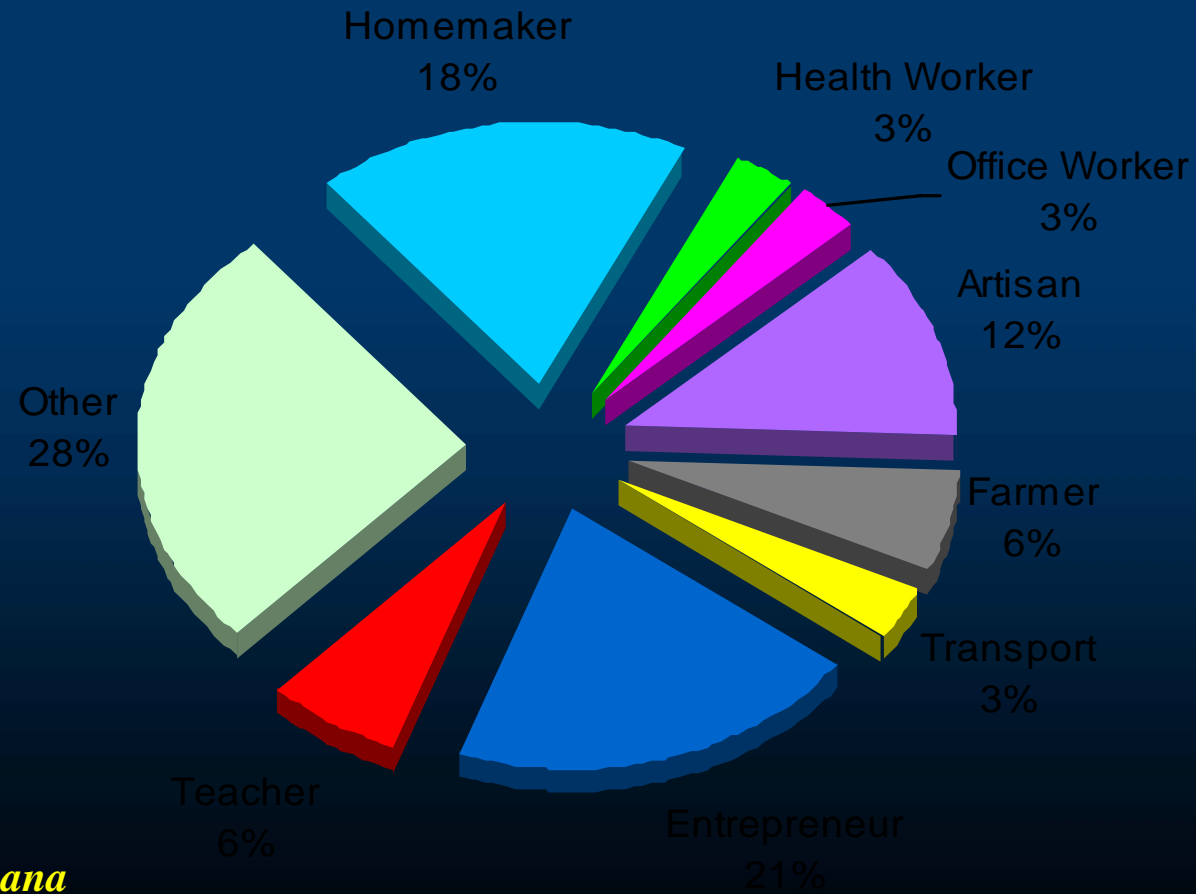
High volume & wide mix of loan sizes

Distribution of Loans	\$0-300	\$301-500	\$501-1,000	\$1001 +	TOTAL
Number of Loans	117,190	52,958	87,265	198,602	456,015
% of total loans	25.7%	11.6%	19.1%	43.6%	100%
Total volume (\$ millions)	\$42.20	\$47.41	\$93.74	\$519.55	\$702.89
% of total	6.0%	6.7%	13.3%	73.9%	100.0%
AVG Loan	\$360	\$895	\$1,074	\$2,616	\$1,541

Mexico, Colombia, Ecuador, Philippines & Sri Lanka

96 credit unions

A very diverse membership



Caja Popular Mexicana

December 06

Wide range of activities being financed

Loan Purpose	# loans	% of loans	volume (US\$)	% of volume
Agriculture	17,187	4.0%	\$26,301,575	3.7%
Housing	23,470	5.5%	\$102,588,112	14.4%
Consumption	104,828	24.4%	\$196,724,723	27.7%
Micro & Small Enterprise	284,319	66.2%	\$385,554,700	54.2%
TOTAL	429,804	100%	\$711,169,111	100.0%

Mexico, Colombia, Ecuador, Philippines & Sri Lanka

96 credit unions



Working together to engage people in the
Global Movement



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Thank you

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