



1

# Hacking Field of Membership

**Presented by**  
Sam Brownell  
CU Collaborate LLC



2

# Does Field of Membership Hinder Your Credit Union's Ability to Grow?

- A. Yes
- B. No



3

Proprietary - Not for External Distribution

## About Me

Non-Technical Hacker



**Sam Brownell**

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Founder & CEO, CUCollaborate

4



4

# About CUCollaborate

CUCollaborate, is a consulting, software development, and digital marketing company whose mission is to help credit unions grow. CUCollaborate primarily focuses on addressing credit union's biggest obstacle to growth, field of membership. CUCollaborate specializes in expanding credit union fields of membership to the greatest degree possible, eliminating the friction field of membership causes in consumer acquisition, and delivering strategies that help credit unions efficiently attract new members, loans, and deposits.

## Our Team



**Sam Brownell**  
Founder & CEO

- 10+ years w/ credit unions
- Field of membership thought leader
- Specializes in software product development



**Bob Fenner**  
Senior Advisor

- 40+ years w/ credit unions
- Former NCUA General Counsel
- Specializes in rulemaking, litigation



**Chris Tissue**  
COO

- 11+ years in management consulting
- Focus on consulting for federal government
- Specializes in analytics, financial management



**Lucas McCanna**  
Director of Marketing

- 3+ years of sales and marketing experience
- Advised hundreds of small businesses
- Specializes in technology, regulated industries



# About CU Collaborate



## Software

- ExpandCU
- JoinCU
- SEG Application



## Consulting

- FOM Strategy
- Project Planning & Reporting
- Application Support
- Branch Analysis
- Handbooks / Checklists



## Marketing

- Digital Marketing
- Lead Generation
- Rebranding
- Website Management
- Paid Advertising
- Marketing Automation



## What is hacking?

- A. A clever solution to a complex problem
- B. Using technology to achieve a goal
- C. Anonymous
- D. All of the above



7

## Regulatory Growth Hacking

*A strategy combining public policy and alternatives to traditional marketing to successfully scale in the next wave of the digital economy*

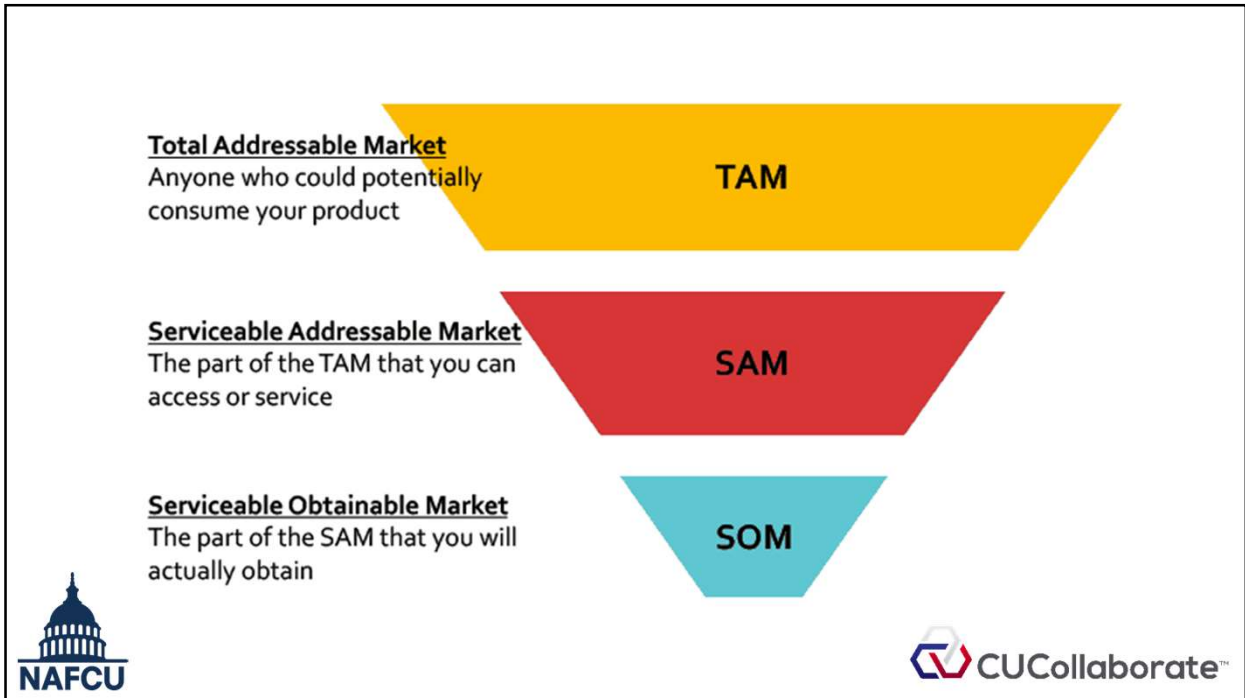
— *Regulatory Hacking: A Playbook for Startups* Evan Burfield

**Hack:** a clever solution to a complex problem. To hack is to modify or change something in an extraordinary way.

**Growth Hacking:** is an umbrella term for strategies focused solely on growth. It is usually used in relation to early-stage startups who need massive growth in a short time on small budgets.



8



9

## Easier than ever to shop for financial products

- 70M+** people searched for a financial product online in 2018.
- 52%** of all consumers started their search for a financial product online.
- 68%** of 18-24 year olds purchase financial products in this way.

**NAFCU**

**CUCollaborate™**

10

## Credit Unions offer better rates and services



Credit unions have access to cheaper capital due to tax advantages and their non-profit status.



Credit unions have higher customer satisfaction ratings than traditional banks.

Product	Avg. CU Rate	Avg. Bank Rate
New car loan, 60 months	<b>2.91%</b>	4.75%
Used car loan, 48 months	<b>2.99%</b>	5.16%
Credit card, Classic	<b>11.61%</b>	12.98%
Unsecured fixed rate loan, 36 months	<b>9.16%</b>	10.06%
5 Year CD-10K	<b>1.69%</b>	1.37%

Interest rates reported by active banks and credit unions on December 29 2018 according to SNL ([www.snl.com](http://www.snl.com)).



11

## Yet most consumers don't use a credit union

### Membership

Only approximately 28% of Americans are members of a credit union.

### Knowledge

40% of consumers don't believe they are eligible to join a single credit union.



12

## Why aren't more people members of a credit union?

- A. Field of Membership
- B. Field of Membership
- C. Field of Membership
- D. Something Sam didn't consider



13

## Field of Membership's Impact

- Limits total addressable market (TAM)
- Makes it more expensive to reach addressable market (SAM)
- Confuses consumers & lowers conversion rate on new member applications (SOM)



14

# Hacking Field of Membership

- Eliminate or at least mitigate the issues FOM causes credit unions.



15

# FOM's Impact on Total Addressable Market



16



# True or False: A community chartered credit union can get more community than any other charter.

- A. True
- B. False
- C. Why ask the question if its true?



17

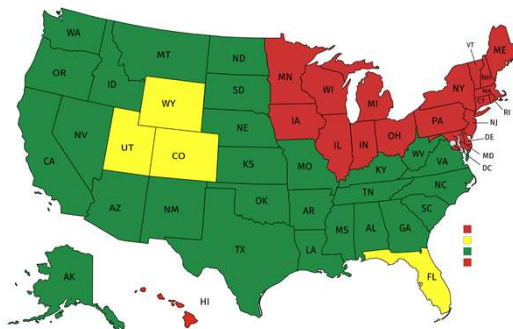
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18

## Hacking Community Charters

**Counterintuitively a Federal Multiple Common Bond, or SEG-based, chartered credit union can obtain an almost infinitely larger community than a Community Charter outside of New England and the Midwest.**

**Underserved Rural Districts are the key.**



18

## Underserved Areas

19

- Only multiple common bond FCU's are permitted to add underserved areas.
- The process is complicated.
- The area must either already have a branch in the area or you must commit to opening a branch in the area within 2 years of approval.
- Three basic requirements. The area must:

1

Be an  
"economically  
distressed"  
under CDFI rules

2

Be  
underserved  
by other  
depositories.

3

Qualify as a  
community



19

## What does "economically distressed" mean?

20

An area is considered to be "economically distressed" if it meets the following criteria:

- Contiguous group of census tracts where 85% of population lives in distressed tracts
- A tract is distressed if (i) unemployment rate is 1.5 times national average, or (ii) 20% or more of population lives in poverty, or (iii) the median family income (MFI) is at or below 80% of the Metropolitan Statistical Area (MSA) or National MFI



20

## What does “underserved by depository institutions” mean?

An area is considered to be underserved by other depositories if it meets the following criteria:

- The average number of people per branch (of a depository institutions available to the public) for the entire area is higher than the average number of people per branch in the “economically distressed” tracts that are included in the area.



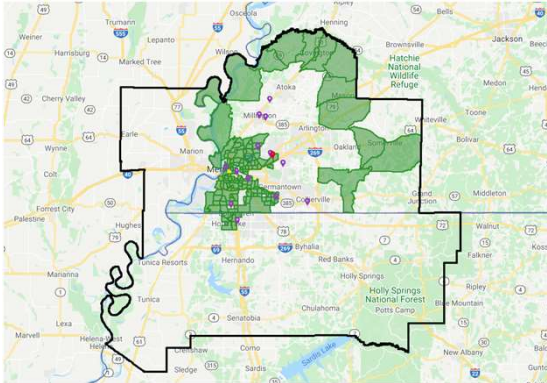
## What does “community” mean?

An area is considered to be a “community” if it meets one of the following criteria:

- A single political jurisdiction: i.e. a single County or Place (city, town, village, etc.).
- Local well defined community:
  - Consists of an area entirely within a CBSA (soon to be CSA)
  - Under 2.5 million people
- **Rural district:**
  - Under 1 million people.
  - Population of density of under 100 people per square mile.



## The Old Way to Do Underserved Areas

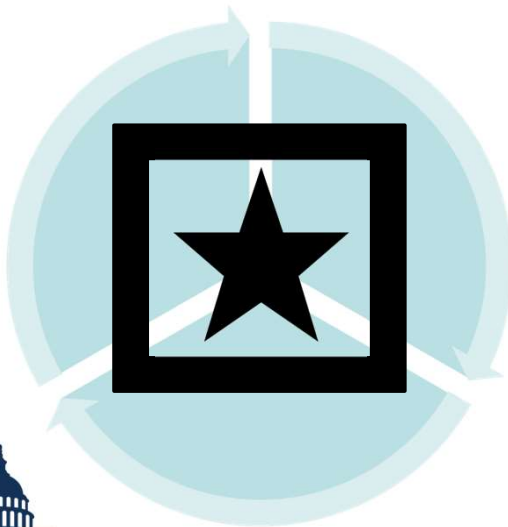


**Up until now, when credit unions added underserved areas they would add only a part of community and not the entire community itself i.e. something less than what you could get in a market if you were a community charter.**

**This map is an example of the old way of leveraging underserved areas.**



## How to “Hack” Community Charters



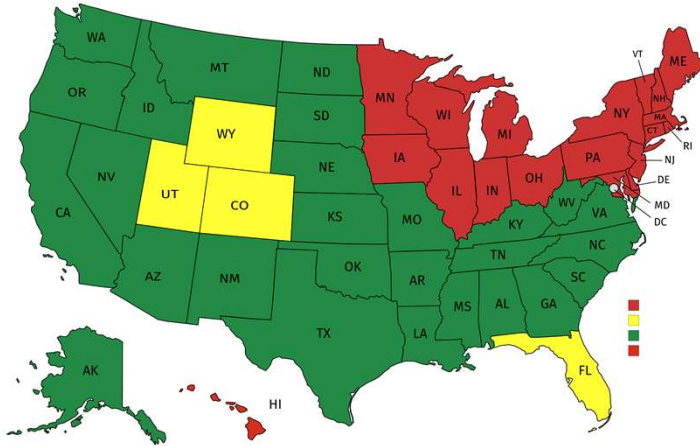
**You can use multiple UA that in combination not only give you the entire market that a community chartered credit union could get but actually more.**

**Typically, to make the area work, these end up being underserved rural districts.**

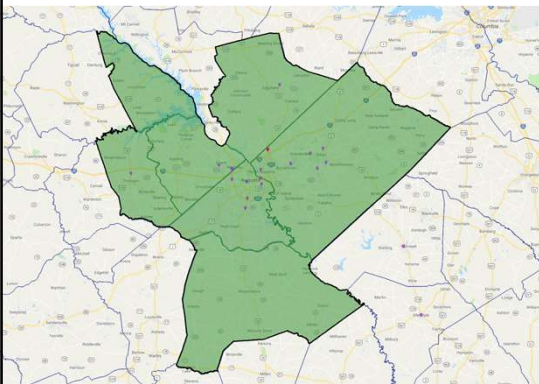
**Additionally, you can repeat this strategy infinitely.**



# Uncapped FOM



# Before



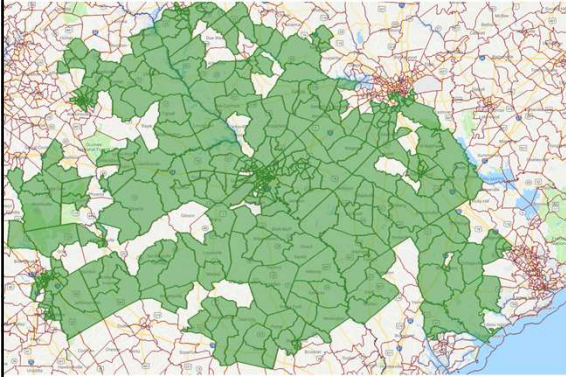
## Community Chartered Credit Union

# 600k

This credit union has a community charter for the Augusta-Richmond County, GA-SC Metropolitan Statistical Area.



## After



### MCB Credit Union

1.6M

By converting to a MCB credit union they will be able to more than double the size of their community based rules (by adding seven underserved areas), add new select groups, including an associational "back door".



## FOM's Impact on Serviceable Addressable Market



## My credit unions marketing is efficient

- A. Agree
- B. Disagree
- C. Plead the 5th



29

## Only market to eligible consumers

### Don't: "Spray & Pray"

Growth hacking means getting the biggest bang for your buck. Less targeted marketing is more expensive.

### Do: Use Big "Stalker" Data

Using an IP address you can:

1. identify home address
2. company they work for
3. family/household members
4. whether they are in the market for a car/house, etc.



30

## Prioritize highest conversion rates

### Associations Don't Convert

The online conversion rate for consumers only eligible to join by using an association is roughly **7%**.

### Lives or Works Does

The online conversion rate for consumers eligible based on their home address or employer is roughly **36%**.



31

## FOM's Impact on Serviceable Obtainable Market



32



## True or False: FOM is the highest cause of abandonment in credit union online account opening forms?

- A. True
- B. False
- C. I get it, FOM is a problem already



33

On average, only 16% of consumers complete a credit union's online application forms, compared to 34% for banks.

### Abandonment

40% of consumers don't believe they are eligible to join a single credit union, so it should not be surprising that **over 84%** of abandoned applications drop-off on the field of membership validation step.

### Denials

For those consumers that do complete the online application, credit unions deny over 30% due to either ineligibility or a lack of credit worthiness.



34

# Eligibility Validation

Consumers have to think too much.

Each credit union's eligibility validation methodology is different and maintained locally.

The screenshot shows a web application interface. At the top, there is a green header with the word 'Application'. Below it, a navigation bar shows 'Step 1: Application' and 'Membership Requirements'. The main content area is divided into two columns. The left column is titled 'Requirements' and is mostly blacked out. The right column is titled 'Eligibility Guidelines:' and contains a bulleted list of requirements. Below the list, there is a note: 'Note: Proof of eligibility will be required'. Underneath the note, there are three radio button options for selecting the user's status: 'I am an employee or member of:', 'I live, work, worship or go to school in Washington DC.', and 'I live, work, worship or go to school inside the Beltway in Prince George's County.'. The third option is expanded to show a sub-section for family members: 'A family member who is an existing member of Signal Financial FCU. (Related to a current member by blood, marriage or other recognized family relationship in the same household; AND those who live outside the household and are grandparents, parents, spouses, siblings, children or grandchildren of members)'. A fourth radio button option is 'I would like to become a member through WABA.'. A 'continue' button is located at the bottom right of the form.



# Takeaways



## FOM Expansion

- Explore MCB Charter & Underserved Areas
- Narrative applications/adjacent areas
- Leverage “open” associations for sales-based/indirect channels



37

## Marketing

- Market exclusively to consumers eligible to join your credit union and prioritize those eligible in way that have high conversion rates.
- Encourage everyone to respond to your marketing.



38

# Acquisition Funnel

- Move eligibility step to end of online account opening or even remove it and identify eligibility manually if necessary.
- Try to help ineligible consumers by referring to other credit unions.



39

# Extra Credit: Industry FOM Hack

Solve the problem with “collaborative” marketing



40

## Field of membership makes it hard to find CUs

In 2018, roughly 70M people shopped for financial products in a way that effectively excludes credit unions.

### Access

Membership rules make it difficult for consumers to access superior products available through CUs. Despite offering superior rates, credit unions only have a 6.8% market share.



### Visibility

Finding a credit union you can join—let alone all credit unions you can join—is nearly impossible.



41

## Collaborative Marketing

Past efforts didn't financially benefit individual credit unions.

### ROI

Most collaborative marketing solutions have been championed as a "social good" rather than focusing on how they benefit the bottom line.



### Fairness

Credit unions often feel that they unfairly foot the bill for other credit unions that benefit disproportionately from the campaign.



42

# Tech driven collaborative marketing

A single standardized eligibility validation platform

## Access

Make it easier for consumers to join and borrow from credit unions

## Visibility

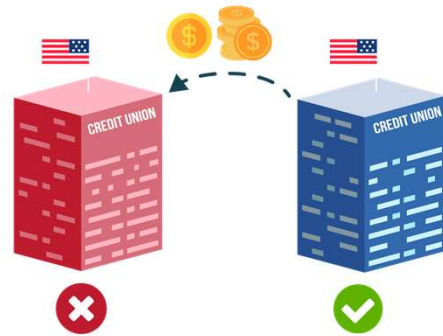
Increase credit union's visibility



43

# Collaborative finders fees

Make it possible for consumers to find CUs through marketplace websites and even from other CU websites – monetizing ineligible consumer traffic.



44

# Questions?

