

# The Credit Union Difference & Clearpath

Unlike other financial institutions, Clearpath Federal Credit union is a not-for-profit financial cooperative that is owned and operated by and for its members. As employees, we should feel proud to be part of the Cooperative Movement that started in the 19<sup>th</sup> century, giving rise to businesses like ours that are based on mutual benefits rather than profit.

It is important that all of us learn the heritage of our organization and what makes it unique. In doing so, you will understand our business decisions and the philosophy behind them. As you learn more about our philosophy, you will realize that our members are the sole reason we exist. You will also notice that the Cooperative Spirit informs the organization right down to your work culture and environment.

## The Cooperative Movement

The evolution of “cooperative credit” and “credit unions” was part of a broader “cooperative movement” in Europe. This movement developed as a result of the breakdown of the feudal system at the end of the Middle Ages, the introduction of the concept of individual land ownership, and the resulting complexities of modern economic life, which placed a greater importance on money and credit.

Cooperative associations (or Societies) were used mainly by craftsmen, farmers, and small producers as a way to come together and buy needed materials as well as sell goods and wares. By pooling their resources, they realized they could have a greater impact in the marketplace. This “cooperative” way of doing business improved all of their financial positions in a changing economy.

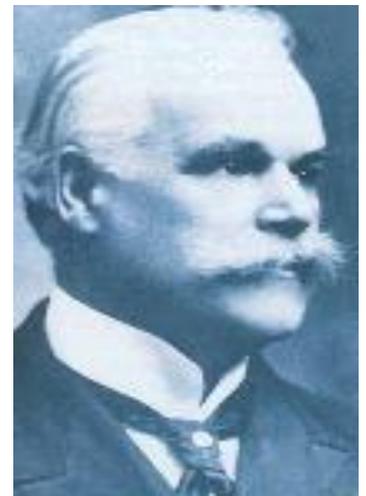
Credit unions grew out of this movement and were fueled by the competitive conditions associated with the growth of the industrial revolution and the need for increased capital. It was during the mid-1800s that the Credit Union Movement formally began in Germany.

Cooperative banking gained its first permanent foothold in North America in the Canadian province of Quebec. The driving force of this movement, journalist Alphonse Desjardins, organized the first Canadian credit union in 1901.

## America Joins the Credit Union Movement

The same conditions of the industrial revolution that were present in Europe and Canada were also present in the United States. There was a great need for better credit facilities for small entrepreneurs, wage earners, salaried employees, and farmers. Many among the poorer classes had to borrow from pawnbrokers, moneylenders, and small loan companies. These lenders offered very high priced credit, with many charging usury rates and numerous high fees. Garnishing of wages and foreclosures were common even for the smallest delay in payment.

Following Canada’s lead, New Hampshire enacted a special law in 1909 that allowed Saint Mary’s Parish of Manchester to organize the first credit union in the United States called the Saint Mary’s Cooperative Credit Association. At the same time, several prominent businessmen in Massachusetts



were exploring the need for a better credit lending system and had learned about credit unions from their travels. A primary force in this state's movement towards establishing credit unions was wealthy department store owner, Edward Filene. Through the work of this group and Mr. Filene, Massachusetts became the first state, also in 1909, to pass a general statute for incorporating credit unions.

*Today, one of four U.S. citizens are credit union members--thanks to Ed Filene.*



The growth of credit unions was slow during the next decade; by 1920, only 10 states had enacted laws allowing for credit unions. By 1929, 974 credit unions had been established. During the Depression, numerous bank failures occurred and credit unions were not immune. But unlike banks, credit unions actually saw a rise in their numbers, reaching over 1,600 in 1932 and over 2,500 in 1935. That same year, the first federal law was enacted and the National Credit Union Administration (NCUA) was formed.

In 2009, there are approximately 8,000 American credit unions serving over 90 million members nationwide. Although the total number of credit unions is down from past years due to consolidations, the total number of members served has continued to grow.

## **Who Can Join a Credit Union?**

Credit Unions are cooperative financial institutions, owned and controlled by the people who use its services. These people are called *members* and must have some *common bond*. A common bond is a specific trait that links all members together. Examples of common bonds are a particular employer, an association, a common ethnicity, or a geographic area. If a common bond is defined as a geographic area like a county or city, the credit union is said to have a *community charter*. The credit union's charter defines the specific field of membership that the credit union serves using their particular common bond definition. In the beginning, there could be only a single common bond group.

## **Select Employee Groups (SEGs)**

In the early days, a group of 500 or so individuals was sufficient to charter and run a new credit union. As time went on, it became apparent that it was no longer economically feasible to start credit unions with so few people, resulting in some small groups having no geographic access to already existing credit union services but still remaining too small to start one on their own. So, in 1982, the NCUA allowed federal credit unions to add Select Employee Groups (SEGs) that are eligible to join a credit union by qualifying through the common bond. This new policy opened the door to millions of consumers who could now participate in the benefits of credit union membership. These eligible SEGs were required to be doing business in a "well-defined area", which is an area served by an actual or planned credit union office. Those credit unions that have many SEGs are said to be a multiple-SEG credit union. Clearpath is a multiple-SEG credit union.

The importance of Select Employee Groups can not be emphasized enough. The reason is simple. Because we are a "closed" credit union, we can only grow membership from the employees of our specific SEGs and their immediate family members. So maintaining a good working relationship

with our SEGs helps strengthen our partnership with them, gaining vital support for the credit union within their organization. That is why our Clear Giving Charitable Association is such an important SEG.

We provide a crucially important employee benefit to our SEGs by helping their employees become financially successful, thereby improving the overall employee productivity for the organization. We can do this by helping them become more financially literate, giving them ways to systematically save, and providing them with financing options that are fair and right for their situations. To review a current list of our Select Employee Groups that are eligible to join the Clearpath Federal Credit Union, please visit the “Member Eligibility” page of our website at [clearpathfcu.org](http://clearpathfcu.org).

## **Family Membership**

Family members can join Clearpath and have all the advantages of membership right from the start. They can open Member Share Savings and Share Draft Checking Accounts, purchase Term Share Certificates of Deposit, apply for Loans and Mortgages, and utilize our convenient eServices.

For a family member to be eligible, he or she needs to be a spouse, child, sibling, parent, grandparent, or grandchild of the primary member. Step-children, stepparents, step-siblings, and adopted children are also included. In addition, persons living in the same residence with a Clearpath member and who participate in the maintenance of the household are also eligible. This would include two people sharing an apartment, domestic partners, and legal guardians.

## **The Rights of Membership**

Each member first has to open a Member Share Savings Account for \$1.00. That \$1.00 Member Share Account represents his or her one share of ownership in the Credit Union. This gives every member who is over 18 and in good standing the right to run for the Board of Directors and the right to vote in the Annual Board election.

## **Our Volunteer Board of Directors**

Our Board of Directors consists exclusively of volunteers from the membership who are elected to three year terms. Term expiration dates are staggered to ensure that no more than a third of the Directors could be new to the job in any given year. This results in a stable board with experienced members. They set the strategic direction and policies of Clearpath and monitor the institution to ensure that it is financially-sound.

## **The Importance of Member Education**

Member financial literacy is a cornerstone of the Credit Union Movement. The more educated our members are, the better they will be able to make sound financial judgments and stay on top of their budgets and goals. We publish educational articles in our Talking Cents newsletter and website. We regularly produce timely member education pieces about credit, home buying, and consumer buying tips. This focus is one important aspect that truly differentiates us from banks.

## **Making a Difference through our Culture of Member Advocacy**

Throughout our history, Clearpath has always focused on building a strong culture of exceptional service for our members. We strive to be advocates for the members, working to help improve their financial lives in what ever way makes sense for them. That is why rather than pushing particular

products or services, we find ways to help our members improve all financial aspects of their lives. Our job is not to sell products that our members do not need; rather, we seek to understand their needs and provide solutions.

By always looking for ways to help members save money or make money, we aim to help members achieve more financial ease, which, in turn, can help to improve their lives in general. Our culture of member advocacy extends throughout Clearpath; every decision is made keeping the best interests of the members and the membership in mind.

## How Credit Unions are Different from Banks

	<b>Credit Unions</b>	<b>Banks</b>
<b>Ownership</b>	Members	Stockholders/Investors
<b>Leadership</b>	Volunteer Member Board of Directors	Major Stockholders, Paid Board of Directors
<b>Clientele</b>	Eligible Members through Common Bond	Anyone
<b>Earnings</b>	Returned to the Members	Distributed to Stockholder/Investor
<b>Philosophical differences</b>	Non-Profit Cooperative, Tax-Exempt, Member-focused Service	Profit-driven, Concerned with Shareholder, Can Raise Capital
<b>Terminology</b>	Credit Union, Member, Shares, Share Account, Term Share Certificates	Bank, Customer, Deposits, Savings Accounts, Certificates of Deposit

## Our Mission & Values

### Mission

We are committed to providing superior Financial services and partnering with our members to improve their financial well being.

### Vision

Our Vision is to provide our members with a clear path to financial well being.

### Brand Promise

We promise to be member advocates and do what is in the best interest of each member.

### Values = Service Promises

The following tenets will guide our organization's relationships with its members, employees, and all business partners:

- I promise to be focused, personable, and professional in my interactions with members/team members, acknowledging and respecting their individual needs.
- I promise to take initiative to find ways to improve the quality of service provided.
- I promise to use my good judgment to understand each member/team member's situation

- and to find and provide the best solution to meet their needs.
- I promise to be responsible and to take ownership of my duties and obligations to fulfill the mission of Clearpath.
  - I promise to be a team player and appreciate the importance of everyone's role in providing excellent service to members/team members.
  - I promise to be clear and effective in all communications with members/team members, share information and resources, and follow up in a timely manner.
  - I promise to be a trustworthy advocate for members/team members and make all decisions with their best interests in mind.

### **Filter**

To live as a true member advocate, we will always ask ourselves these questions in making decisions about our organization and the member:

- ❖ Would I want to do business with me?
- ❖ Does it directly improve the well-being of the member?
- ❖ What is the impact on the membership as a whole?
- ❖ Would the member agree?