



For Credit Unions, Diversity Offers Opportunity

Embracing diversity can expand membership, drive business and fill the roles of retiring leaders

By Arch Mortgage Insurance Company

One of the biggest changes for credit unions in 25 years happened in late 2019 as an eighth cooperative principle—based on diversity, equity and inclusion (DEI)—joined the seven existing principles that have guided credit unions for decades.

The change was made to a set of principles that date from 1844 and were last updated more than two decades ago. It followed the adoption of a 2019 resolution by the Credit Union National Association (CUNA).

And it loudly signaled the credit union movement’s embrace of diversity—in terms of both members and employees.

A leader in the call for change, Maurice Smith, CEO of Local Government Federal Credit Union in Raleigh, North Carolina, cheered the resolution’s approval.

“As an African American, I am proud to be part of a movement that improves the lives of individuals and our communities,” he said in response to the passage of the DEI resolution in September 2019. “For me, the credit union creed stands for financial and social empowerment. We are supposed to be

the best representation of fairness in our neighborhoods.”

Over the past year, credit unions across the nation have been putting those principles into action in dozens of ways that will be highlighted in this article after a discussion of likely economic impacts.

AN ENORMOUS GROWTH OPPORTUNITY

Many industries responded to the calls for social change by creating diversity



initiatives, but credit unions had a head start with the seven principles that already include open and voluntary membership and democratic control. Many credit unions are also located in highly diverse areas and serve employee groups that include large numbers of minority members.

“As a CU partner for more than 25 years, the benefits to credit unions and members are very clear to me,” said Tom Murphy, Arch MI’s Senior Vice President, Credit Union Sales. “Recruiting more diverse employees will help bring new ideas, drive innovation and attract new members.”

As credit unions move ahead on diversity initiatives, many executives point to opportunities a DEI focus represents for individual branches and the movement as a whole. Three important factors will shape the emerging business climate for CUs:

- **Future generations:** Nearly half (48%) of today’s 20-year-olds (Generation Z) self-identify as a racial or ethnic minority—far more than the 27% of Baby Boomers (ages 56 to 74) who identify as a minority, according to the U.S. Census Bureau.¹



PRINCIPLE

EQUITY • INCLUSION



- **Growth:** Credit union membership growth slowed to 1.5% in 2020, a nine-year low, CUNA Mutual Group reported.²
- **Age of members:** CUs must solve what's been called a "glaring demographic problem" relating to age—50% of members are 53 years and older, according to American Banker magazine.³ This is crucial because younger members tend to create more profitable activity for credit unions with car loans, mortgages and other services.

In addition, many credit union leaders and loan officers are also closing in on retirement age, creating openings for younger employees from a broader range of backgrounds and a need for more focus on training and advancement.

In mid-2020, a future-focused report, "Striving to Stay Relevant in a Rapidly Changing World," produced by the Credit Union Executive Society (CUES), summarized the outlook: "... a concerted effort to attract younger, more diverse staff and board members ... will be critical to long-term CU success."⁴

BUILDING ON SUCCESS

CUs outshine many industries when it comes to supporting the advancement of women. Female CEOs are at the helm of 52% of CUs—10 times the rate of the banking industry, according to the 2020 "Diversity, Equity and Inclusion in Credit Unions" report by the Filene Research Institute.⁵

INCREASING RACIAL DIVERSITY IN THE U.S.

Generation	Ages	Racial or Ethnic Minority
Baby Boomers	56 to 74	27%
Gen X	41 to 55	38%
Millennials	21 to 40	43%
Gen Z	8 to 20	48%

Source: U.S. Census Bureau

That report, supported by a consortium of eight large CUs, also determined that a typical CU's board of directors is more than 90% white and that about 5% of credit union CEOs identify as a racial or ethnic minority, only slightly better than Fortune 500 companies.

Credit unions currently originate a

higher percentage of mortgage loans to African American and Hispanic households than banks, and a higher proportion of CU branches are located in low-income and racially diverse areas, according to CUNA.⁶

Many credit union leaders say recruiting younger employees is a key to attracting younger members, and a Glassdoor survey found that 67% of job seekers evaluate a company's diversity practices before accepting a job offer, according to CU Management.⁷

An industry leader, New York's United Nations Federal Credit Union (UNFCU) was a recipient of a Mortgage Bankers Association's 2020 Diversity and Inclusion Residential Leadership Award in October. In response to questions about UNFCU's diversity initiatives, a spokesperson said, "Embracing diversity is a core value at UNFCU, given the diversity of our global membership. Our employees reflect the diversity of our members. ... Our recruitment efforts actively focus on a diverse applicant pool."

Minorities accounted for 73% of UNFCU hires in 2019/2020. UNFCU recently began a pilot program that exposes new employees who are recent college graduates to various lending areas, including mortgage sales, to "create a pipeline of younger loan officers."

At BECU in Seattle, Washington, Senior Vice President Lorraine Stewart states that diversity is a key focus. "We've been working with industry partners (and team members) to identify previously untapped talent for recruiting with a racial equity lens," she said. "We would like to focus on recent graduates who are interested in a career in mortgage lending or banking."

THE BUSINESS CASE

How do investments in diversity impact the bottom line? Across multiple busi-



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ness categories, more diverse companies are 35% more likely to post above-average earnings for their industries, according to McKinsey & Company, a prominent management consulting firm.⁸

UNTAPPED POTENTIAL

The Homeownership Council of America (HCA) released a 2019 report titled “The Untapped Potential of Underserved Communities.”⁹ It says “lenders stand to conservatively increase their



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loan volume by at least \$1.5 trillion” by expanding lending in historically underserved communities (while adhering to current loan quality standards).

The potential upside in broadening the CU membership base is evident from recent housing trends. Hispanic households drove 51.6% of the net growth in homeownership from 2009 to 2019, according to a study by the National Association of Hispanic Real Estate Professionals.¹⁰

THE CREDIT UNION INDUSTRY: ACTING ON MANY FRONTS

Before and after the CU industry adopted DEI as an eighth cooperative principle, credit unions have been putting the principle into practice in myriad ways:

- 83% of CU leaders prioritize hiring from a diverse pool of applicants, according to the National Credit Union Administration’s (NCUA) latest annual self-assessment survey.¹¹
- In August 2020, CUNA outlined plans to develop more inclusive workspaces, expand DEI efforts for members and collaborate with the American Association of Credit Union Leagues (AACUL), the African American Credit Union Coalition (AACUC) and other system partners.
- The new Arch MI Scholars Program was launched in November 2020 to provide scholarships, work opportunities and mentoring for high-achieving

students at North Carolina A&T University, the nation’s largest historically Black university.

- Announced in September, a new Credit Union DEI Practitioner Network includes diversity-focused executives from 20 credit unions.
- The number of credit unions offering formalized diversity training continues to grow. A review of the American Banker’s annual “Best Credit Unions to Work For” rankings shows that number rising from 64% of those included in the rankings in 2017 to 88% in 2020.¹²

About the company

Arch MI, a leading provider of mortgage insurance in the United States, offers expert risk management and financial services to help mortgage lenders protect investments and expand origination opportunities.

THE COOPERATIVE PRINCIPLES

The Rochdale Principles are a set of seven ideals for the operation of cooperatives. They were first set out in 1844 by the Rochdale Society of Equitable Pioneers in Rochdale, England and have formed the basis for the principles on which co-operatives around the world, including credit unions, continue to operate:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

Footnotes

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- ³ American Banker. “Credit Unions Are Losing the War for Millennials.” Oct. 30, 2018. <https://www.americanbanker.com/creditunions/opinion/credit-unions-are-losing-the-war-for-millennials>
- ⁴ Credit Unions Executives Association (CUES). “Scenarios for Credit Unions 2020: Striving to Stay Relevant in a Rapidly Changing World.” August 2020.
- ⁵ Filene Research Institute. “Diversity, Equity and Inclusion in Credit Unions: Approaches, Insights and Future Directions.” Aug. 11, 2020. https://filene.org/deipositionpaper_download
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- ⁷ CU Management. “The Seven Ways Highly Profitable Credit Unions Calculate the Value of Diversity, Equity & Inclusion.” Sept. 4, 2020.
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- ⁹ Homeownership Council of America (HOA). “The Untapped Potential of Underserved Communities.” 2019. <https://homeownershipcouncil.org/the-untapped-potential>
- ¹⁰ National Association of Hispanic Real Estate Professionals (NAHREP). “Hispanic Homeownership Rate Increases for Fifth Consecutive Year.” Feb. 18, 2020. <https://nahrep.org/press-releases/2020/02/18/hispanic-homeownership-rate-increases-for-fifth-consecutive-year/>
- ¹¹ National Credit Union Administration (NCUA). “2019 Voluntary Credit Union Diversity Self-Assessment Results.” Nov. 20, 2020. <https://www.ncua.gov/files/publications/2019-cudsa-report.pdf>
- ¹² American Banker. “Diversity Training Gaining Ground at Credit Unions.” Sept. 20, 2020. <https://www.americanbanker.com/creditunions/news/diversity-training-gaining-ground-at-credit-unions>