

The MSU Federal Credit Union: People Helping People

Introduction

When used responsibly, credit is one of the most salient features of a capitalist society. People of all backgrounds can borrow to purchase homes, education, and other assets that they would not otherwise be able to attain without the system. Providing loans for education, again when done responsibly, allows individuals to make one of the best possible investments for the future. In Michigan, these educational loans, both traditional and transitional, are integral in providing residents with the skills they need to be competitive in the globalizing job market. That is why reliable lending institutions such as the Michigan State Federal Credit Union (MSU FCU) are so important to our transitioning economy.

Background

While credit unions are clearly important players in the financial arena, they operate much differently from banks. Credit unions are nonprofit. They are member owned. Each member can vote for the board of directors. The board is made up of volunteers who receive no compensation for their services. According to Kenneth Laubenstein, former president of MSU's credit union, "all of the profits we make go back to the members in the form of more services, higher dividends, and lower lending rates."¹

The Michigan State Federal Credit Union was started by MSU professors in 1937. Today, the credit union is still true to its university roots; it is owned and operated by members of the Michigan State and Oakland University communities. With 2006 membership topping 134,000 members, MSU FCU has grown to be the world's largest university-based credit union and is the second largest credit union in Michigan with more ATMs than any other institution in the Greater Lansing area. Its 2006 assets were over \$1.3 B.²

Exhibit 1: MSUFCU Quick Facts

Industry	Financial Services
2005 Net Income:	\$ 11.3 M
U.S. Employees	331
Headquarters	Lansing, MI
CEO	Patrick McPharlin
Founded	1937
Website	https://www.msufcu.org/

The Michigan State Credit Union is known around Lansing as being a very reliable and helpful organization. It offers numerous free seminars to the community and caters to members of all ages by offering special services that target community members of all ages. The belief in collective ownership and existence for the betterment of the community permeates throughout the organization, awarding it nationwide

accolades as a great place to work.

Awards

The Great Place to Work Institute, which chooses the Fortune Best Places to Work List nominees, listed the MSU FCU as #20 on its 2007 list of "Best Small & Medium Companies

¹ Caswell, Christine, "Lansing's Big Three Credit Unions," Greater Lansing Business Monthly, Lansing: Mar 1992

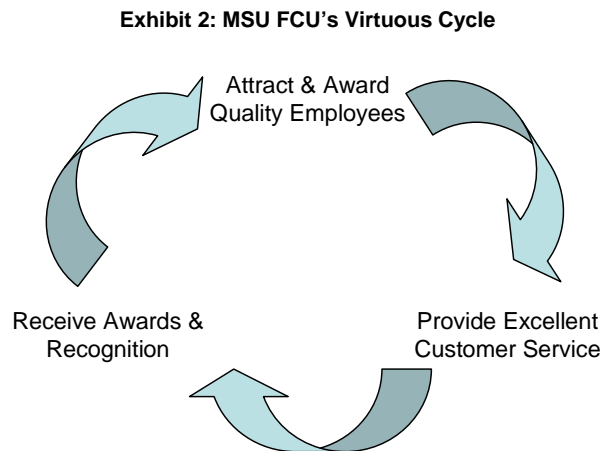
² There is a Difference The Difference is Night and Day. . .Michigan State University Federal Credit Union 2006 Annual Report, https://www.msufcu.org/p_annualreports.html?mnuccid=65 3 September 2007

to Work for in America.” It also appeared on this list in 2006. This recognition was given to recognize MSU FCU as an organization that gives back to the community and its employees. Most notably, its employees receive benefits that rival most leading financial institutions, despite its non-profit status.

In 2003, The Principal Financial Group, a leading global financial services firm, named the MSU FCU to its “The Principal 10 Best Companies for Employee Financial Security” list.³ This recognition is given to financial institutions that defy the normally high turnover and minimum benefits that are offered to most service workers at banks and credit unions.

Todd Surline, MSU Federal Credit Union’s VP of Human Resources offered the following in response to the Principal award; “we strongly believe that benefits are a retention tool for us. Our turnover is approximately half of the average credit union’s turnover.”⁴

Locally, MSU FCU is one of the most respected institutions in the area, winning both the Town Courier Best of Business and the Adams Best of Companies Awards. Nationally, in 2006, Callahan and Associates, a national credit union consulting company, ranked MSU FCU as one of the best \$1 billion credit unions in return of value to the members.



There is definitely a business incentive to this virtuous circle that starts with providing benefits to employees, which in turn encourages them to provide quality customer service, which together catalyze awards and recognition, which feed back into the system to attract more talented employees and loyal customers. President and Chief Executive Officer Patrick McPharlin has realized that the foundation of this cycle is employee satisfaction. According to him, MSU FCU “ensures the best of service to our members by offering excellent benefits and work environment to our employees.”⁵

A Helping Philosophy

“When we work with each other we all benefit,” said Surline, VP of Human Resources.⁶ This helping philosophy is central to the operations of the Michigan State University Federal Credit Union. MSU FCU has shared its knowledge on such vital financial issues such as estate and retirement planning, tax preparation, credit card management, long-term health

³ The Principal®10 Best Companies for Employee Financial Security for 2003, <http://www.principal.com/theprincipal10best/2003/winners.htm>, 3 September 2007

⁴ “Meet The Principal 10 Best Companies for Employee Financial Security,” http://www.principal.com/theprincipal10best/2003/winners_profiles.pdf, 3 September 2007

⁵ Employment at MSUFCU, A Message from the President https://www.msufcu.org/c_employment.html?mnuccid=65 3 September 2007

⁶ Merrick, Bill, “Cooperation, networking pay dividends,” Credit Union Magazine, Madison: Jun 2003

care and identity theft with the community for more than 20 years.**Error! Bookmark not defined.**

When perusing MSU FCU’s website, one is able to easily locate the seminars outlined in Exhibit 2 below, plus numerous others. This listing was only comprehensive of the fall of 2007. After taking a brief look at seemingly similar university-owned credit unions in Michigan, it is clear that the pursuit of knowledge sharing in the community is unfortunately not widespread. A few credit union calendars are completely empty, and others only offer seminars to their membership base.

The seminars offered by MSU FCU build a trusting relationship with the public, and serve to recruit potential members and employees, whom both witness first-hand the helping culture that exists there.

According to Credit Union Management Magazine, the majority of the seminars offered by MSU FCU do not overtly promote the business’s products and services. “Most seminars are

Exhibit 3: Highlight of MSU FCU Seminars – All Open to the Public

Basic Business Structure
Buying, Financing, Inspecting & Appraising a Home
Estate Planning
Facing Unexpected Challenges & Succession Planning
Identity Theft & Online Security
Women and Investing

not used to sell our services, but many of those who come will stay after the seminar to talk about what we offer,” said Joyce Banish, Vice President of Marketing. “In some cases, those who come to the seminar will want to become a member.”²

When MSU FCU does not have an expert on hand, they make sure to get

the right person for the job, ensuring that they are always providing excellent service. For example, the session on identity theft was led by a representative from the attorney general's office and the "Women's Financial Forum" featured a representative from a mutual fund company.**Error! Bookmark not defined.**

In 2006, the MSU FCU served over 850 individuals through its seminar offerings at the main office and branches. Notable seminars that were offered were financial planning for those faced with an automotive company buyout and discussions related to the Medicare prescription coverage changes.⁷ Having experts talk about these timely issues provides a great service to the community.

A Commitment to the Community

Although it has been said that “the credit union philosophy is ‘people helping people,’” that unfortunately has not been congruent with the recent headlines. Today, many financial institutions are being blamed for the sub-prime market collapse, primarily for offering variable rate mortgages to under qualified recipients. In addition, credit unions that are affiliated with universities have been blamed for bribing schools in order to have their institution recommended to students. MSU FCU acknowledges the damage that has been done to the industry’s overall reputation. McPharlin said, “The MSUFCU philosophy of putting the members’ financial interest first is a sharp contrast to all of the headlines about

other financial institutions taking advantage of the citizens who are the most naïve or vulnerable.”²

Banish, VP of Marketing has agreed with McPharlin, and stated that the mission of the MSU FCU is “to serve the university community.”⁸ Banish also sees the credit union as a “community meeting place.”⁹ This is a far cry from the accusations that are being lunged at other lending institutions.

It is this sense of existing to serve the community that empowers MSU FCU employees to come to work every day with a sense of purpose in their work. Professor Fred Mael of Wayne State University noted the connection between organizational identity and employee satisfaction in 1989 when he coauthored “Social Identity Theory and The Organization” with Blake Ashforth. Their article stated that, “Organizational identification has long been recognized as a critical construct in the literature on organizational behavior, affecting both the satisfaction of the individual and the effectiveness of the organization.”¹⁰

MSU's credit union strengthens this organizational identity through relationships with many community partners. It supports the MSU Women's Resource Center, Wharton Center for Performing Arts, and Kresge Art Museum and also contributes to countless special events such as the MSU Museum Dino Dash and MSU Community Charitable Campaign.

Sharing Strategies

MSU FCU has demonstrated that it is willing to share its secrets for success with other organizations, again affirming its commitment to serving a greater community. Believe it or not, their definition of community extends across an ocean!

When MSU FCU developed a training program to help ease their staff's transition from a DOS to a Windows-based version of its core processing system, rumor of the successful training spread near and far. Hawaii USA Federal Credit Union asked MSU Federal if they could spare their training specialist Andrea Walton for a week to facilitate staff training for the Hawaiian bank's system conversion.

MSU FCU agreed to share Ms. Walton. The Hawaiian credit union valued her training skills so much that they flew her all the way across the ocean. According to Surline, “We have a well-developed training department, and we always try to support other credit unions' training efforts. It's a continuation of our people helping people philosophy. We do this locally a lot, but sending someone to Hawaii was a leap of faith.”⁶

Surline and the rest of the leadership were willing to take that leap and they have affirmed that the MSU FCU is deserving of its numerous accolades and its recognition as a great asset to our Michigan community.

Conclusion

⁸ Whittington, Jane, “Credit Unions Serve Member Communities,” Greater Lansing Business Monthly, 1 Jul 2002

⁹ Piper, George, “Do you go 55-plus?” Credit Union Management, Feb 1999

¹⁰ Ashforth, Blake, and Mael, Fred, “Social Identity Theory and the Organization.” *The Academy of Management Review*, Vol. 14, No. 1, Jan., 1989.

From offering free programs to educate the community to lending out their top employees to help other organizations, the Michigan State Federal Credit Union has created a strong organizational identity. It is known throughout the community as an organization that is there to benefit society and help members of the greater Lansing area. This identity, in turn, gives employees a stronger connection to their employer. Those employees want to be seen as working for a great company, and this virtuous cycle of excellent benefits, service, and satisfaction is most likely set to continue for years to come.