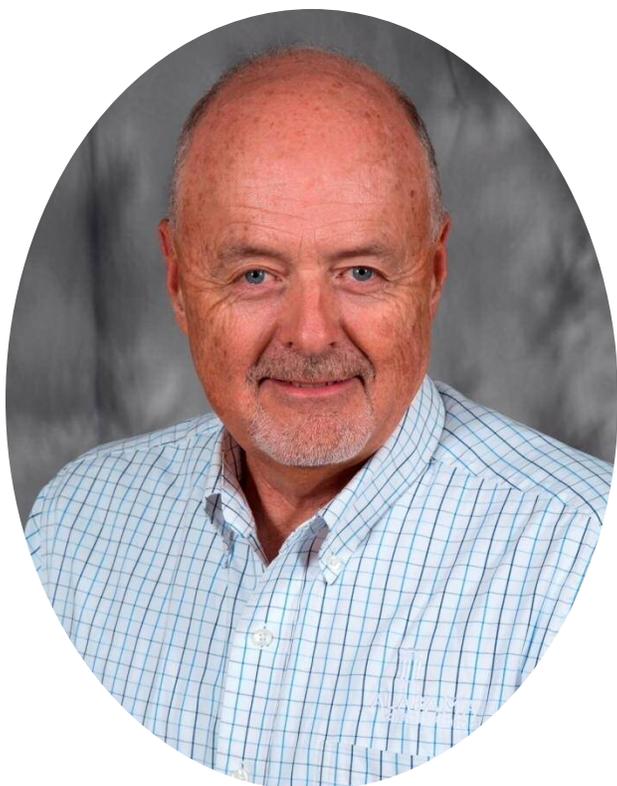


## With an Emphasis on having Members and not Customers, Alabama Credit Union Differentiates itself from other Lenders, Savings and Investment Institutions



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**CEOCFO:** *Mr. Swofford, would you tell us the philosophy at Alabama Credit Union?*

**Mr. Swofford:** We are similar to most credit unions in that we recognized that we are member owned. Most of what we do around here is to address the needs of our members and help to improve their quality of life. However a second focus for us is on our team members here. We feel a similar responsibility to provide a rewarding career and a way for them to meet their own personal goals through a positive work environment. If we are able to do that we actually think that they will take it upon themselves to help accomplish the goals we have for our members.

**CEOCFO:** *Do members in a credit union look at the organization differently than they do a bank?*

**Mr. Swofford:** The credit union should reinforce that they are member owned through the way they operate and through the types of materials and articles and so forth that they distribute. As long as team members or staff members of a credit union recognize the folks coming in are not customers, I think that members will have a sense of loyalty, understanding that they are owners and not just customers. This loyalty often translates into their willingness to contact their legislator on behalf of credit union issues, and to recommend the credit union to friends and family.

**CEOCFO:** *How do you differentiate?*

**Mr. Swofford:** I think that there should be a different dynamic when you are on the phone or across the desk from a member or at a credit union annual meeting talking to members. I recognize and I think I am reflective of everybody that is here, that these people own this place and they have the right to come to an annual meeting, ask questions, and each of them deserves the same treatment whether they have \$100 on deposit here or \$1 million. They deserve the same treatment because of that equal share of ownership. I have members all the time say they are a member here, they do not say they are a customer here. We have a few people that will say they bank at our institution or they bank at our credit union. They may use the B word to describe the activity but they know the difference. It is all because of what we do to reinforce our uniqueness, I think.

**CEOCFO:** *Would you tell us about Green Path?*

**Mr. Swofford:** Greenpath is one of those extra services we provide for members. Our members are across the socioeconomic spectrum. We have the \$1 million depositor or that person who is living paycheck to paycheck and has the

bump in the road, the medical expenses or divorce that causes them to get into difficult financial straits. We do a lot around here to try to address their needs in the types of loans we make and the forgiveness we provide in certain situations. Green Path is our way to provide them the financial education and financial tips that they can use to better manage their money or to accomplish their financial goals. It is also a program that allows them to call and get budgeting help, to get advice even to the point of setting up a payment plan with their borrowers so that they can get themselves back on track. The credit union incurs the expense for this service, in contrast to those more commercial plans members see on TV that costs them a considerable amount to get into.

**CEOCFO: *What is the economy like in your area?***

**Mr. Swofford:** Our offices and members are spread from north to south Alabama and just a little bit into Florida. Our economy is strong generally speaking. Even the Great Recession of 2009-2010 did not hit us as badly as it did in other areas of the country. We are enjoying reasonably good loan growth and our members have jobs. As a matter of fact one of the biggest problems some of our big sponsor groups we serve are having is finding enough people to fill vacant positions. I'd say our economy is doing better than most.

**CEOCFO: *How do you attract new members?***

**Mr. Swofford:** We do the standard marketing. We do TV and radio and all that. Word of mouth is big around our membership; we have done referral programs and things like that. We have found that if our members are happy here they will tell other people about that. We calculate what is called the Net Promoter Score - a measure of loyalty and satisfaction - that essentially asks the question of on a scale of 1-10, what is your willingness to recommend Alabama Credit Union to friends and family? We have a phenomenally high net promoter score, something that is along the lines of the scores claimed by some of America's top companies, companies like Southwest Airlines, Chik Filet and Harley Davidson. With that kind of loyal member base we get a lot of member referrals. And even though we're a community credit union, we still seek and maintain relationships with our Value Partners (SEG's). We still go onsite for sign-ups and financial education. We do things in those value partners that enable us to attract members in that fashion as well.

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**CEOCFO: *What is the competitive landscape with community banks and community credit unions? Are there many?***

**Mr. Swofford:** Competition is everywhere. We have a couple of markets where we have more limited competition but we are in Huntsville, Birmingham, Tuscaloosa and Mobile, where you find all the big names in the financial market, plus many credit unions. We have actually moved into some areas, for example along the Alabama gulf coast, where there were no credit unions fifteen years ago. Now other credit unions have moved in there, but we were able to establish a strong presence down there early on so we have a substantial market share. At last count there are twenty-one banks and credit unions just in Tuscaloosa, so competition is strong wherever we go. We think being a credit union and having a good reputation for the caliber of service we provide differentiates us significantly, providing the opportunity for further growth.

**CEOCFO: *How do you help maintain an appropriate level of security without annoying your customers?***

**Mr. Swofford:** Much of what we have to do is mandated by regulation. For example, right now we are being required to restrict the way that members authorize wire transfers. Years ago all they had to do was call a credit union and we probably knew who the member was, we could recognize their voice and we could shoot the wire out and it would be fine. Now we are down to a point where we are going to require them to actually either use our online banking authorizing the wire or to come into the office. That becomes an inconvenience to the members. I think people are getting more and more used accustomed to the kind of data breaches and all that. I guess they are probably going to be more accommodative of it than I would have been a few years ago.

**CEOCFO: *What do you anticipate in terms of loosening of the regulatory environment and how do you prepare for the unforeseen?***

**Mr. Swofford:** We are very attuned to regulations. In every area of the credit union we have outstanding compliance staff, along with excellent compliance attorneys. We are involved here heavily in attending various government affairs functions at both the state and federal level. I have had the opportunity to sit in on several meetings with the CFPB. We are aware of what is coming down the pike in the normal course of things. Right now it is a little hard to tell but we are optimistic that we will see a lessening of the regulatory avalanche that we have experienced over the last few years. Chairman

McWaters back in February at the CUNA (Credit Union National Association) Government Affairs Conference outlined fifteen areas he intended to address, and many of the items could be classified as regulatory relief. If we start seeing that from the various agencies that would certainly be a help. I can say that in the CFPB meeting I attended in February, there was a slightly different attitude than there had been in previously visits with them, the last one being last September. I am optimistic we will see a lessening of this regulatory overreach.

**CEOCFO: *Alabama Credit Union was named as one of the best companies to work for in Alabama. Is there a deliberate strategy to provide that type of work environment or is that part of your general philosophy of treating people well?***

**Mr. Swofford:** It is actually both. We were also named over the last three years as one of America's Best Credit Unions to work for, a designation that the Credit Union Journal recognizes every year. We have always had a strong workplace culture here. If we expect our employees to treat our members in a specific way, we better treat the employees the same way or better. One will transfer into the other. Three or four years ago we embarked down a path to try to take what was already a very strong internal culture and turn it into an extraordinary one. We did that by ramping up our talent development area to provide Team Members a better opportunity to learn, identify their career path and all that. We have maintained a very strong employee benefit package here and very competitive salaries. The other thing we did was start a process of what we call High Performance Teams that enables us to involve employees in almost every key decision that we make. Anytime that we have a new product to launch, or need to improve a process or whatever, the effort is not led by the senior management group anymore like it used to be. It is assigned to a team of employees absent of any senior leadership person. They are given a charter and a timeframe, usually ninety days, and they are set out on their own to solve the problem or improve the process. The result is a higher layer of engagement by our employees. It has resulted in better decision-making and it is a faster process. It gives us a chance to see people in a different way and if they perform well in that environment, they become candidates to move up into advanced positions. We have been doing that for five or six years and it has been a wonderful process. Each one of our employees that have participated on such a team will tell you it is valuable to them. The fact that they feel so vested in our organization is why they rate us so highly in those surveys. We have, as part of that, a team of people who are charged solely with communication of our strategy and goals and things that the employees can do to contribute to those. That team produces a weekly video that is watched by everybody. They distribute newsletters and they are charged with communicating and making sure that every employee knows our direction and how they can participate in that. I think it has allowed our overall strategic plan and our mission to permeate our organization. All of those things have helped elevate our workplace culture to a higher level than we had before.

**CEOCFO: *What is ahead for Alabama Credit Union?***

**Mr. Swofford:** We are in the middle of a ten-year strategic plan to become a billion-dollar credit union. We started that in 2010 and we were about \$347 million in assets. The reason for it was to recognize that we had to get bigger to take advantage of economies of scale. You are able to easily see that \$1 billion and above credit unions have significantly lower operating costs as a percentage of assets, and we think we need to be there in order to be competitive and to be a viable institution long-term. Here we are a little more than half-way through and we are a little over \$760 million right now. We are on track to achieve that goal and whether we achieve it or not, the things we put in place to get there are benefitting us every day. We are striving for that goal and we put a new emphasis on the lending process. Lending has to pay the bills so we have been focusing on that. We have been maintaining the culture so that we have folks that are willing to put the effort forth to get us where we need to be.

