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A Strategy To Build Financial Wellness And The Bottom Line

Chicago-area KCT Credit Union deepens relationships and cross-sells member-friendly products and services via regular debt checkups.

By [Marc Rapport](#)

181 Views

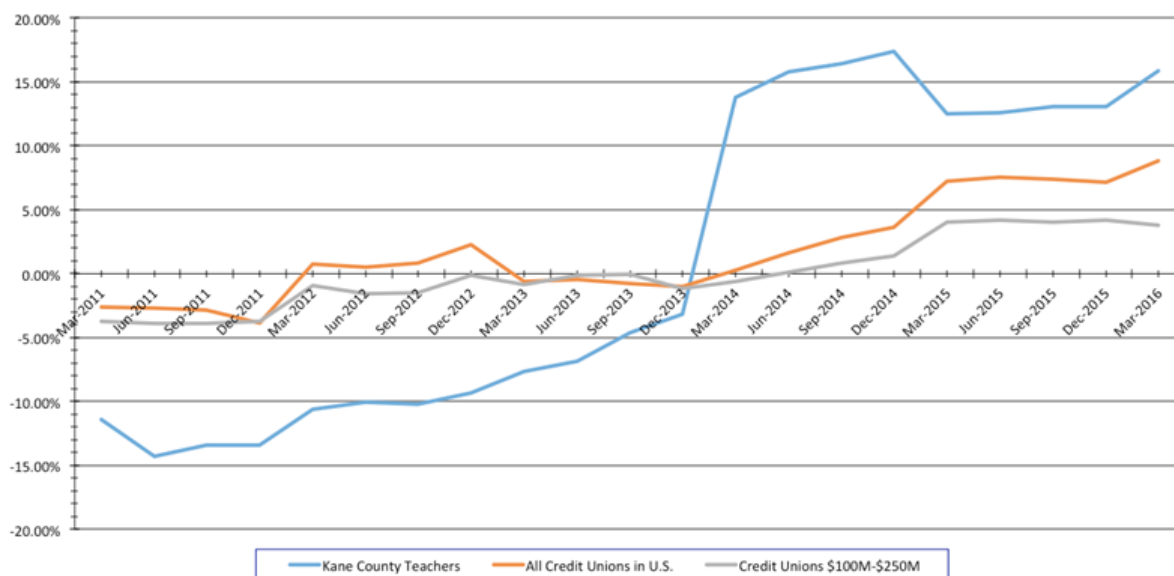
Fostering financial wellness among members at [Kane County Teachers Credit Union](#) (\$214.0M, Elgin, IL) has also helped the credit union heal itself.

The suburban Chicago cooperative was losing money and members when Mike Lee left Alloya Corporate Credit Union to take the helm of struggling KCT in August 2013.

Lee brought his evangelical zeal for financial wellness and his passion for sales to bear, instituting a new member-service philosophy that centers on annual debt checkups and reigniting long-dormant relationships with its SEGs.

INCOME GROWTH

For all U.S. credit unions | Data as of 03.31.16
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KCT has posted a dramatic turnaround in income over the past five years. Its first quarter 2016 performance kept it well within the top 10% of all credit unions nationally. Source: [Peer-to-Peer Analytics](#) by Callahan & Associates

The results have been dramatic. Lending and share deposits have soared and the credit union is now profitable again. Just as importantly, Lee says, is the community it serves is benefiting and KCT is doing something about what Lee sees as a

national problem.

"The American worker is losing productivity because of financial stress," Lee says, citing findings in the 2014 report from the CFPB titled [*Financial Wellness at Work*](#). "That's an epidemic issue affecting Americans in the workplace and then at home."

Callahan & Associates managing partner Jon Jeffreys talks about how credit unions can help members achieve fiscal fitness in ["Financial Wellness Is More Than A Campaign Pledge."*](#)*

Financial wellness looks at how all the financial pieces of a person's life fit together, and KCT is addressing that through what the credit union calls "debt checkups," something it has completed hundreds of over the past couple of years.

"We go over credit reports and amortization tables," says Joe Menolascino, KCT's vice president of lending and operations who came to KCT with Lee from Alloya. "We talk to members about how important cash flow is, how it's not just about lowering rates. We usually have better rates, but you've got to do the math. We show them all the options and help them decide what would be best for them."

That might include one of the credit union's get-out-of-debt loans, a consolidation loan usually limited to approximately \$10,000 with a below-market rate. Or it might include coaching about the true cost of a car, which might have a sticker price of \$30,000 but costs \$36,000 after financing. If that's a budget stretch, KCT staff helps the member decide if a less expensive car would work out just as well.

KCT encourages members to come back every six to 18 months to check on their debt. Often that leads to refinancing into a better rate and term.

"Most important is we show members we will not place them in a loan that will put them in a worse position," Menolascino says.



Eleven-year KCT member Taylor Stark gets a debt checkup from her service representative Daisy Flores.

Five principles drive the debt checkup and overall financial counseling process at KCT. They are:

- Don't judge.
- Build trust by being a holistic adviser.
- Emphasize cash flow instead of just rates and terms.
- Refinance only when it makes sense.
- Schedule annual checkups.

"That approach has been good for business, but more important, it's been good for members," Lee says.

That's true across the pay scale.

"Financial literacy without application means nothing," Lee says. "I can't imagine what would happen if the monster credit unions in the nation adopted this debt checkup and we started advertising this: 'Come to your local credit union, do a debt checkup, and change your financial future.'"

The credit union spends a lot of time in staff development to make sure its front-line employees "drink the Kool Aid," as Menolascino puts it, helping to ensure they understand products, services, and the financial wellness philosophy.

To help that process along, the credit union opens late, at 11 a.m., every Wednesday, allowing time for training and pep talk. Pay and morale alike have improved, with employees getting raises for the first time in three years and an incentive plan put in place to reward sales production.

Lee says pay was so low at KCT when he arrived that it could deploy the incentive plan without lowering salaries.

KCT's incentive plans are among the documents, policies, and templates available for fellow credit unions in Callahan's [Executive Resource Center](#).

Ultimately, though, it's about what's best for the member. KCT doesn't push loans on members, nor does it badger them about how they should manage their money.

Instead, Menolascino says, "We tell them, 'it's up to you, but our goal is to get you out of debt and to get you financially sound, so you don't have all that stress and financial burden on you.' That makes life better, doesn't it?"

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