

# Texar Federal Credit Union: Where Your Friends Are

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## ABSTRACT

*TEXAR Federal Credit Union (formerly Bowie County Teachers Credit Union, Bowie-Cass Teachers Credit Union, and the Teachers Federal Credit Union) has been, from inception in 1951, a provider of a broad range of financial services to its members, primarily in Texarkana, Texas, and Arkansas and the surrounding areas. The credit union experienced normal growth over the years as it progressed through major name changes, especially to TEXAR in 2001. Another significant milestone was the decision to launch a major building program that concluded with moving into a new, large, and modern building in 2003.*

*As the national economy went into a recession in 2008, the states of Texas and Arkansas experienced economic slowdowns that were not as significant as the changes that were reflected in the economic indicators at the national level or those experienced by other states that were much more severely affected. The Texarkana area economy was moderately affected by slowdowns in lending, especially for housing, automobiles, and other durable products. There was additional impact by an elevation in member loan defaults.*

*Another significant occurrence, not related to the local economy, was the failure of U.S. Central Federal Credit Union and Western Corporate (WesCorp) Federal Credit Union and the financial losses of Southwest Corporate Federal Credit Union. Similar to the Federal Deposit Insurance Corporation that insures losses in the banking industry, the National Credit Union Share Insurance Fund (NCUSIF) insures losses among credit unions. To help cover the losses of U.S. Central and WesCorp, TEXAR was assessed approximately \$750,000 and because of the losses at Southwest Corporate, it was assessed approximately \$700,000. That is the essence of this case.*

**Keywords:** Credit Unions; Financial Industry; Financial Ratio Analysis; Marketing Strategy; Strategic Planning

## INTRODUCTION

From their origins, credit unions were formed under statutory provisions as unique not-for-profit financial institutions by an organized group whose members pool their assets through deposits to provide loans and other financial services solely to each other. They are operated by mostly volunteer boards of directors. When formed according to the provisions of the Federal Credit Union Act of 1934, credit unions are chartered and regulated by the National Credit Union Administration (NCUA). They also insure savings in federal and most state-chartered credit unions through the National Credit Union Share Insurance Fund (NCUSIF), a federal fund that is backed by the United States government.

The history of credit unions began in 1844 with a group of weavers in Rochdale, England, who established the Rochdale Society of Equitable Pioneers. The weavers sold shares to members to raise the capital necessary to buy goods at lower-than-retail prices and then sold the goods at a saving to members. In doing so, they became the first credit union.

The movement spread to Germany in 1850, the first home of credit unions as we know them today, and to Levis, Quebec, Canada, in 1901, where Alphonse Desjardins organized La Caisse Populaire de Levis. He recognized the outrageous interest being charged by loan sharks and organized the credit union to provide relief to the working class. In 1909, he helped a group of Franco-American Catholics in Manchester, New Hampshire, organize St. Mary’s Cooperatives Credit Association – the first credit union in the U. S.

Spurred by the attention of Edward Filene, a merchant and philanthropist, and Pierre Jay, the Mass Banking Commissioner, the Massachusetts Credit Union Act became law April 15, 1909. The act served as a basis for subsequent state credit union laws and the Federal Credit Union Act.

President Roosevelt signed the Federal Credit Union Act in 1934, forming a national system to charter and supervise federal credit unions. Credit Unions grew steadily in the 1940’s and 1950’s. By 1960, credit union membership amounted to more than 6 million in over 10,000 institutions. In 1970, the NCUA became an independent federal agency and the NCUSIF was formed to insure member’s deposits.

**BACKGROUND**

**TEXAR Federal Credit Union**

The financial institution that is now TEXAR Federal Credit Union was established as Bowie County Teachers Credit Union in 1951, became Bowie-Cass Teachers Credit Union in 1964, the Teachers Federal Credit Union in 1974, and, subsequently, TEXAR Federal Credit Union in 2001. An organization meeting took place on August 10, 1951 where procedures were implemented and documents were prepared to apply for a Texas Charter. A five-member board of directors would be formed and membership subscriptions were committed. Charter number 176 was granted to Bowie County Teachers Credit Union on September 7, 1951.

The first board of directors was selected at a meeting on that day which, in turn, elected four officers: president, vice president, treasurer, and secretary. The first annual meeting was held on January 10, 1952 with 21 of 40 members attending.

At the 1954 annual meeting, the board of directors was increased to seven members. The field of membership was also expanded from only school employees to include spouses, siblings, children, and parents of school employees. In 1964, the field of membership was again amended to include “employees of public schools of Bowie and Cass Counties, State of Texas, employees of the credit union, auxiliary employees, members of their immediate families, and organizations of such persons.” In 1954, assets were \$55,000 and membership was 224. Exhibit 1 shows the subsequent growth of assets and membership.

**Exhibit 1: TEXAR Federal Credit Union - Asset & Membership Growth**

<b>Year</b>	<b>Assets</b>	<b>Membership</b>
1951	4,657	40
1955	108,120	276
1960	358,829	620
1965	892,896	1,187
1970	2,057,727	1,798
1975	8,133,245	3,957
1980	13,605,564	5,724
1985	15,321,947	5,761
1990	37,699,473	7,400
1995	59,791,990	12,412
2000	86,594,988	15,497
2005	159,008,181	25,183
2010	233,570,840	29,173

Source: TEXAR FCU Records

J. H. Calvert had served as part time manager until he became the full time manager in 1969. The following year he retired and was replaced by Frank Cardin in that position. The by-laws were amended in 1974 to change the name from Bowie-Cass Teachers Credit Union to the Teachers Federal Credit Union.

In 1976, two new services were added - Individual Retirement Accounts (IRA's) and Share Drafts (Checking Accounts). A new building was also completed that year on Kennedy Lane, Texarkana, Texas. On October 21, 1977, Frank Cardin resigned to be followed by Alvin Jackson as president in December, 1977. Exhibit 2 presents the CEO progression for the credit union.

**Exhibit 2: TEXAR Federal Credit Union - Management Progression**

<b>Title</b>	<b>Name</b>	<b>Period Of Service</b>
Part-Time Manager	J. H. Calvert	
Manager	J. H. Calvert	7/18/1969-7/1970
Manager	Frank Cardin	7/1970-10/21/1977
President	Alvin Jackson	12/05/1977-7/31/1978
Interim Manager	Newton Thompson	8/01/1978-10/1978
Manager	Newton Thompson	10/1978-1/1984
President	Joe Thornton	2/26/1984-12/31/1999
President & CEO	Kelly Mitchell	1/1/2000-Present

Source: TEXAR FCU Records

During the third quarter of 1983, several problems were identified within the institution. Undivided Earnings suffered negative balance, contingent losses in real estate loans were identified, and two branch offices were identified for possible closure. The credit union converted from an on-line to an in-house computer system in August 1983. In February 1984, one of the branches was closed.

In 1987, the organization went through a remodeling program, the Atlanta (Texas) branch was built, and the field of membership was expanded by the addition of several new Separate Employee Groups (SEG's). Financial services were expanded and the name, TEXAR Federal Credit Union, was implemented in March 2001. A large, new modern, building was completed and moved into in January 2003. Currently, TEXAR has \$240 million in assets, has five branches, and 85 employees.

**Recent Events**

As the national economy went into a recession in 2008, the states of Texas and Arkansas experienced economic slowdowns that were not as significant as the changes that were reflected in the economic indicators at the national level or those experienced by other states that were much more severely affected. While the national unemployment rate approached 10%, the Texas unemployment peaked at 7.6%. The Bowie County, Texas, unemployment rate, which includes Texarkana, peaked at a less severe 6.7%. The Texarkana area economy was moderately affected by slowdowns in lending, especially for housing, automobiles, and other durable products. There was additional impact by an elevation in member loan defaults.

The most significant occurrence that was not related to the local economy was the failure of U.S. Central Federal Credit Union and Western Corporate (WesCorp) Federal Credit Union and the financial losses of Southwest Corporate Federal Credit Union. Similar to the Federal Deposit Insurance Corporation that insures losses in the banking industry, the National Credit Union Share Insurance Fund (NCUSIF) insures losses among credit unions. To help cover the losses of U.S. Central and WesCorp, TEXAR was assessed approximately \$750,000 and because of the losses at Southwest Corporate, it was assessed approximately \$700,000. These assessments, in addition to the moderate slowdown in business because of the local economy starting in 2008, had an adverse effect on TEXAR's undivided earnings. A major challenge for the TEXAR management team was to establish a plan to deal with these economic challenges and the consequences of the assessments.

**TEXAR Federal Credit Union Mission Statement**

The TEXAR Federal Credit Union mission statement that reflects the philosophy of management is “to serve the financial needs of our members”. The statement, although rather simple, is reviewed by the board of directors every year and continues to be readopted.

**Competition**

The significant major area of competition of TEXAR is considered to be Red River Federal Credit Union that operates in the same area and has assets of approximately \$400 million. Mil-Way Federal Credit Union and Domino Federal Credit Union also operate in the area, but are smaller and serve more specialized memberships. Area banks include Region’s Bank, BanCorp South, Wells Fargo Bank, and several smaller banks that have entered the local market in the last five years.

Exhibit 3 present the market wants/needs of its members as determined by TEXAR research.

**Exhibit 3: TEXAR Federal Credit Union - Member Wants/Needs**

<b>Members Wants/Needs</b>
1. Low Interest Loans
2. High Interest on Deposits
3. Convenience of Financial Products and Services
<b>TEXAR FCU Wants/Needs</b>
1. Low Cost of Funds
2. High Interest on Investments
3. Economic/Market Stability
4. Fair Regulations

Source: TEXAR FCU Research

TEXAR performed a SWOT analysis of the institution in 2010 and Exhibit 4 presents what the research identified as its strengths, weaknesses, opportunities and threats.

**Exhibit 4: TEXAR Situation Assessment - SWOT Assessment 2010**

<b>Strengths</b>
1. Organizational Efficiency
2. Operational Effectiveness
3. Community Identity, Positive Image, and Reputation
4. Convenience of Services
5. Strong Capital
6. Local Management Control
7. Relatively stable local economy
<b>Weaknesses</b>
1. Poor lending environment
<b>Opportunities</b>
1. More efficient operation through the use of technology
2. Take advantage of less than normal competition
<b>Threats</b>
1. Increased governmental regulation
2. Revenue sources under attack
3. Industry problems because of poor national economy
4. Monetary assessments from the National Credit Union Share Insurance Fund (NCUSIF)

Source: TEXAR FCU Report

**Distinct Competency**

Distinct competencies are those processes and attributes of an organization creating a unique position relative to its competitors among the targeted market. This mixture should be a recipe for success that, in

combination, creates a unique persona for TEXAR Federal Credit Union that members view as positive and desirable. In short, they make an institution different and better.

**Distinct Competency Set for TEXAR Federal Credit Union**

1. Operational Effectiveness
2. Organizational Efficiency
3. Community Identity, Positive Image, and Reputation
4. Convenience of Services
5. Strong Capital
6. Local Operational/Management Control

**Key Opportunities**

1. More efficient operation through the use of technology
2. Take advantage of less than normal competition
3. Capitalize on positive community image

**THE CREDIT UNION INDUSTRY**

**Industry Financial Data**

TEXAR is part of the three-digit SIC code 606 industry grouping which includes all credit unions, both federally chartered and not federally chartered. Credit unions are part of a larger two digit industry grouping which includes all depository institutions. Selected financial ratios for the credit union industry are presented in Exhibit 5. Industry data were obtained from CUDATA.COM Online Financial Performance Measurement System. CUDATA is an online service that gathers credit union data and organizes it into analytical reports.

**Exhibit 5: Credit Union National Statistics as of December 31, 2009**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Membership</b>			
# of Members	88,500,886	89,919,778	91,192,455
# of New Members (YTD)	1,086,216	1,418,892	1,272,677
% Increase		1.6%	1.42%
<b>Assets</b>			
Total Assets \$ (In Millions)	\$770,099.73	\$823,662.49	\$896,824.20
Total Assets Growth (YTD)	6.04%	6.96%	8.88%
Return On Assets (ROA)-Annualized	0.64%	-0.01%	0.18%
<b>Net Worth</b>			
Net Worth \$ (In Millions)	\$88,125.49	\$87,751.56	\$88,737.22
Net Worth Ratio	11.44	10.65	9.89
<b>Total Loans</b>			
Total Loans (\$) (In Millions)	\$538,602.81	\$574,753.63	\$580,454.24
Total Loans (\$) Growth (YTD)	6.54%	6.71%	0.99%
Yield on Loans (Annualized)	6.74%	6.61%	6.29%
<b>Loan Delinquency</b>			
Delinquent Loans To Total Loans	0.93%	1.37%	1.83%
Net Charge Offs To Avg Loan	0.5%	0.84%	1.21%
<b>Deposits</b>			
Total Deposits (\$) (In Mil)	\$646,819.67	\$691,764.55	\$763,341.59
Total Deposits (\$) Growth (YTD)	5.12%	6.95%	10.35%
<b>Branch Delivery</b>			
Number of CUs	8,268	7,968	7,710
# of Branch Offices	20,848	21,403	21,341

Source: CUDATA.COM Online Financial Performance Measurement System

**TEXAR Federal Credit Union**

Exhibits 6 through 8 contain financial and operating information for TEXAR Federal Credit Union for 2007, 2008, and 2009.

**Exhibit 6: TEXAR Federal Credit Union - Delinquent Loans, Loan Charge Offs And Recoveries**

<b>Delinquent Loans</b>	<b>Total Reportable Delinquency (Amount)</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Unsecured Credit Card Loans	2,397	-0-	13,027
Fixed Rate(Hybrid/Balloon > 5 yrs)	-0-	-0-	102,619
1st Mortgage Fixed Adjustable Rate	186,529	203,362	32,885
All Other Loans	853,904	908,176	1,165,975
<b>Total Delinquent Loans</b>	<b>1,042,830</b>	<b>1,111,538</b>	<b>1,314,506</b>
<b>YTD Loans Charged Off</b>			
Unsecured Credit Card Loans	37,184	29,306	46,075
All Other Loans	759,444	992,409	1,075,341
<b>Total</b>	<b>796,628</b>	<b>1,021,715</b>	<b>1,121,416</b>

Source: [www.creditunions.com](http://www.creditunions.com)

**Exhibit 7: TEXAR Federal Credit Union - Statement Of Financial Condition**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Interest Income</b>			
Interest on Loans (Gross-before interest refunds)	11,847,790	12,620,739	12,375,280
Income from Investments	793,929	789,055	425,831
<b>TOTAL INTEREST INCOME</b>	<b>12,641,719</b>	<b>13,409,794</b>	<b>12,801,111</b>
<b>Interest Expense</b>			
Dividends on Shares	4,770,556	4,825,871	3,355,729
Interest on Borrowed Money	561,918	737,576	496,863
<b>TOTAL INTEREST EXPENSE</b>	<b>5,332,474</b>	<b>5,563,447</b>	<b>3,852,592</b>
Provision for Loan Losses (PLL)	685,715	841,836	1,190,830
<b>Net Interest Income After PLL</b>	<b>6,623,530</b>	<b>7,004,511</b>	<b>7,757,689</b>
<b>Non-Interest Income</b>			
Fee Income	2,010,214	2,155,642	2,249,804
Other Operating Income	1,079,410	1,118,627	1,826,650
Gain (Loss) on Disposition of Fixed Assets	-1,212	-2,318	-3,483
Other Non-Operating Income (Expense)	25,164	5,299	462,443
NCUSIF Stabilization Income	1,049,974	1,049,974	1,049,974
<b>TOTAL NON-INTEREST INCOME</b>	<b>3,113,576</b>	<b>3,277,250</b>	<b>4,535,414</b>
<b>Non-Interest Expense</b>			
Employee Compensation and Benefits	3,738,257	3,875,576	4,211,879
Travel and Conference Expense	225,653	301,563	185,854
Office Occupancy Expense	737,157	753,324	751,699
Office Operations Expense	2,036,977	2,212,504	2,432,282
Educational and Promotional Expense	391,030	478,910	410,389
Loan Servicing Expense	203,557	218,465	308,083
Professional and Outside Services	40,355	41,292	54,036
Member Insurance	11,859	10,243	291,906
Operating Fees (Examination /supervision fees)	32,876	41,309	48,503
Miscellaneous Operating Expenses	78,372	92,855	82,466
<b>TOTAL NON-INTEREST EXPENSES</b>	<b>7,496,093</b>	<b>8,026,041</b>	<b>8,777,097</b>
<b>Net Income (Loss) Before NCUSIF Stabilization</b>	<b>3,516,006</b>	<b>3,516,006</b>	<b>3,516,006</b>
<b>NCUSIF Stabilization Expense</b>	<b>1,049,974</b>	<b>1,049,974</b>	<b>1,049,974</b>
<b>Net Income (Loss)</b>	<b>2,241,013</b>	<b>2,255,720</b>	<b>2,466,032</b>

Source: [www.creditunions.com](http://www.creditunions.com)

**Exhibit 8: TEXAR Federal Credit Union - Statement Of Financial Condition**

Assets	2,007	2,008	2,009
<b>Cash</b>	21,613,759	11,422,210	14,736,550
<b>Investments</b>			
Available for Sale Securities	0	0	15,896,936
Held to Maturity	0	0	1,087,032
Membership Capital at Corp Credit Unions	1,000,000	1,000,000	606,660
Other Investments in Corp Credit Unions	6,500,000	17,892,000	6,669,000
All Other Investments	1,192,100	976,000	664,300
<b>TOTAL INVESTMENTS</b>	<b>8,692,100</b>	<b>19,868,000</b>	<b>24,923,928</b>
<b>Loans</b>			
Unsecured Credit Card Loans	2,177,493	2,230,195	2,344,996
All Other Unsecured Loans/Lines of Credit	4,510,521	4,571,087	4,662,096
New Vehicle Loans	10,800,951	14,176,793	15,986,953
Used Vehicle Loans	38,020,664	45,841,531	53,209,675
Total First Mortgage Loans/LOC	54,971,691	62,768,326	63,772,536
Total Other Real Estate Loans/LOC	802,796	707,240	583,220
All Other Loans/Lines of Credit to Member	31,448,685	29,858,988	27,914,822
<b>TOTAL LOANS</b>	<b>142,732,801</b>	<b>160,154,160</b>	<b>168,474,298</b>
Less: Allowance for Loan Losses	924,041	854,903	1,000,506
<b>Other Assets</b>			
Foreclosed and Repossessed Assets	240,906	491,400	285,044
Land and Building	6,662,152	6,447,357	6,207,159
Other Fixed Assets	1,124,309	1,026,656	800,161
NCUA Share Insurance Capitalization Deposit	1,375,620	1,588,173	1,774,804
Intangible Assets	3,750,008	3,589,927	3,666,597
<b>Total Assets</b>	<b>185,267,614</b>	<b>203,732,980</b>	<b>219,868,035</b>
Liabilities, Shares And Equity	2,007	2,008	2,009
<b>Liabilities</b>			
Draws Against Lines of Credit	22,000,000	21,000,000	10,500,000
Accrued Dividends & Interest payable on Shares	454,971	396,683	245,480
Accounts Payable and Other Liabilities	2,577,799	2,385,273	2,721,017
Shares & Deposits	143,413,930	160,874,391	184,876,013
<b>Equity</b>			
Undivided Earnings	13,598,625	15,854,344	18,320,377
Regular Reserves	3,222,289	3,222,289	3,222,289
Other Comprehensive Income	0	0	-17,141
<b>Total Liabilities, Shares And Equity</b>	<b>185,267,614</b>	<b>203,732,980</b>	<b>219,868,035</b>

Source: [www.creditunions.com](http://www.creditunions.com)**CHALLENGES GOING FORWARD**

After more than 50 years of mostly stable operations, the credit union found itself in the midst of the recession that began in 2008. Although it faced an economic softening that was not as severe as economic indications in the national economy, TEXAR experienced a decline in loan demand for durable products, including homes and automobiles and the inability of some members to continue meet their payment obligations.

In addition, the failure of U.S. Central Federal Credit Union and Western Corporate (WesCorp) Federal Credit Union and the financial losses of Southwest Corporate Federal Credit Union had a negative impact on TEXAR. Similar to the Federal Deposit Insurance Corporation that insures losses in the banking industry, the National Credit Union Share Insurance Fund (NCUSIF) insures losses among credit unions. To help cover the losses of U.S. Central and WesCorp, TEXAR was assessed approximately \$750,000 and because of the losses at Southwest Corporate, it was assessed approximately \$700,000

In considering that, the board of directors and the management team of TEXAR Federal Credit Union believed there were several questions to answer before moving forward:

- How can TEXAR prepare itself for the uncertainty of projected continued soft economy assessments?
- How can TEXAR prepare for the uncertainty of additional NCUSIF assessments?
- Are there opportunities to introduce new financial services?
- Are there opportunities to offer existing financial services more efficiently?

### **TEXAR Federal Credit Union: Instructor’s Manual**

#### *Intended Courses and Audience*

The TEXAR Federal Credit Union case, with its emphases on strategic planning and effective management, is targeted primarily for undergraduate and graduate courses in management and strategic planning.

#### *Teaching Plan*

Our suggested teaching plan includes four elements: 1) evaluate the current market segments of TEXAR Federal Credit Union, 2) compare TEXAR to the industry, 3) evaluate TEXAR’s financial trends using vertical analysis of the balance sheet, and 4) establish a strategic plan for moving forward.

### **TEXAR Federal Credit Union: Assignment Questions and Analysis**

1. In developing a situation analysis, you need to synthesize several sources of information presented in the case, such as the primary research conducted by TEXAR FCU and secondary research from creditunions.com for TEXAR Federal Credit Union financial information and CUDATA.COM for industry data. Answer the following questions from information presented in the case:

- a. What are the key market segments for TEXAR Federal Credit Union? Consider segmenting the total market according to geography, demographic variables, and usage behavior.

*TEXAR Federal Credit Union has focused on the vehicle and mortgage segments of the credit union industry. Other possible segments are based upon demographics (gender, ethnics, and age), geography, and group type (individuals, employer, or group plans).*

*Most students will focus on one means of segmentation at a time when attempting to describe customers and potential customers. In this case, most will recognize loan type as a segment.*

*However, combining segmentation approaches gives a more complete picture.*

- b. Determining the financial health of the credit union is an important part of a situation analysis which requires an analysis of key financial ratios in comparison with those of the industry. There are several ways to choose an ‘industry’ comparison. One of the most common industry measures is based on the firm’s primary SIC code or industry grouping. Another possible comparison would be with the firm’s main competitors. Data for the credit union industry was given in the case. Compare TEXAR with the credit union industry and comment on some of the main differences.

*The instructor can have the students compute various financial ratios for TEXAR or give them Exhibit 9 and ask for their analysis of the ratios. Students should note that TEXAR’s delinquent loans as a percentage of total loans remained fairly constant for the last three years while the industry’s rate has doubled going from .93% in 2007 to 1.83% in 2009.*



Exhibit 9: TEXAR Federal Credit Union Statistics

	2007	2008	2009
<b>Assets</b>			
Total Assets \$	<b>185,267,614</b>	<b>203,732,980</b>	<b>219,868,035</b>
Total Assets Growth (YTD)		9.97%	7.92%
Return On Assets (ROA)	1.21%	1.11%	1.12%
<b>Net Worth</b>			
Net Worth \$ (undivided earnings + regular reserves)	<b>16,820,914</b>	<b>19,076,633</b>	<b>21,542,666</b>
Net Worth Ratio (Net Worth/Total Assets)	9.08%	9.36%	9.79%
<b>Total Loans</b>			
Total Loans (\$)	142,732,801	160,154,160	168,474,298
Total Loans (\$) Growth (YTD)		12.21%	5.20%
<b>Loan Delinquency</b>			
Delinquent Loans	1,042,830	1,111,538	1,314,506
Delinquent Loans To Total Loans	0.73%	0.69%	0.78%
Charge offs	796,628	1,021,715	1,121,416
Net Charge Offs To Avg Loan	0.56%	0.64%	0.67%
<b>Deposits</b>			
Total Deposits (\$)	143,413,930	160,874,391	184,876,013
Total Deposits (\$) Growth % (YTD)		12.17%	14.92%

- c. When comparing data from different years or with the industry, using percentages is usually preferable. In vertical analysis, each amount in the balance sheet is expressed as a percent of total assets. Prepare a vertical analysis of TEXAR using data given in the case. Comment on your findings.

*The completed vertical analysis is given in Exhibit 10. Areas with major changes in the percentages are highlighted with bold type. Students should note these areas in their discussion.*

Exhibit 10: TEXAR Federal Credit Union - Statement of Financial Condition

Assets	2,007	2,008	2,009
<b>Cash</b>	11.67%	5.61%	6.70%
<b>Investments</b>			
Available for Sale Securities	<b>-0-</b>	<b>-0-</b>	<b>7.23%</b>
Held to Maturity	<b>-0-</b>	<b>-0-</b>	<b>0.49%</b>
Membership Capital at Corp Credit Unions	<b>0.54%</b>	<b>0.49%</b>	<b>0.28%</b>
Other Investments in Corp Credit Unions	3.51%	8.78%	3.03%
All Other Investments	0.64%	0.48%	0.30%
<b>TOTAL INVESTMENTS</b>	<b>4.69%</b>	<b>9.75%</b>	<b>11.34%</b>
<b>Loans</b>			
Unsecured Credit Card Loans	1.18%	1.09%	1.07%
All Other Unsecured Loans/Lines of Credit	2.43%	2.24%	2.12%
New Vehicle Loans	5.83%	6.96%	7.27%
Used Vehicle Loans	20.52%	22.50%	24.20%
Total First Mortgage Loans/LOC	29.67%	30.81%	29.00%
Total Other Real Estate Loans/LOC	0.43%	0.35%	0.27%
All Other Loans/Lines of Credit to Member	16.97%	14.66%	12.70%
<b>TOTAL LOANS</b>	<b>77.04%</b>	<b>78.61%</b>	<b>76.63%</b>
Less: Allowance for Loan Losses	0.50%	0.42%	0.46%
<b>Other Assets</b>			
Foreclosed and Repossessed Assets	0.13%	0.24%	0.13%
Land and Building	3.60%	3.16%	2.82%
Other Fixed Assets	0.61%	0.50%	0.36%
NCUA Share Insurance Capitalization Deposit	0.74%	0.78%	0.81%
Intangible Assets	2.02%	1.76%	1.67%
<b>Total Assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Exhibit 10: cont.

Liabilities, Shares And Equity	2,007	2,008	2,009
<b>Liabilities</b>			
Draws Against Lines of Credit	11.87%	10.31%	4.78%
Accrued Dividends & Interest payable on Shares	0.25%	0.19%	0.11%
Accounts Payable and Other Liabilities	1.39%	1.17%	1.24%
Shares & Deposits	77.41%	78.96%	84.08%
<b>Equity</b>			
Undivided Earnings	7.34%	7.78%	8.33%
Regular Reserves	1.74%	1.58%	1.47%
Other Comprehensive Income			-0.01%
<b>Total Liabilities, Shares And Equity</b>	100.00%	100.00%	100.00%

- d. What is a strategy for TEXAR Federal Credit Union to respond to the economic downturn that began in 2008? Consider the local economy characteristics as compared to the national economic indicators for 2008 to the present.

*Consider the advantage of a local economy whose downturn was significantly softer than that of the U. S. economy. Another consideration might be the credit union advantage in lending as commercial banks significantly tightened their lending criteria. TEXAR could emphasize in advertising its slogan, "Where Your Friends Are".*

2. Review the Strengths/Weaknesses/Opportunities/Threats (SWOT) analysis and distinct competencies presented in the case. Identify distinct image and operational effectiveness or differentiation competencies of TEXAR Federal Credit Union. How sustainable is the competency?

*Students should be aware that competitors cannot easily duplicate distinctive competencies. Distinctive competencies include human resources, strength of capital, and community image. The degree of difficulty in duplicating a distinct competency is an indication of how sustainable it is. In today's rapidly changing environment, maintaining and developing distinct competencies require continuous attention.*

3. Does the TEXAR Federal Credit Union's mission statement adequately describe the current and future mission of the organization? If not, how would you change it?

*Students should recognize that the current mission statement is straight forward and succinct. It may be adequate but the instructor may want to encourage students to look at mission statements of other financial institutions for comparison.*

4. Establish a strategic plan for moving TEXAR Federal Credit Union forward.

*The instructor should allow students the flexibility to establish varying objectives, goals, and strategies to move the organization forward. These different plans could become the basis for comparative student discussions.*

## EPILOGUE

By May, 2011, TEXAR Federal Credit Union's assets had increased to \$ 261.326 million and total loans were \$173.5 million. A new service fee schedule was adopted to better reflect cost of member services. Plans and incentives were also implemented to encourage members to use the credit union's online services when feasible. Live tellers inside the home office and in the drive-through lines were replaced by interactive monitors to attain a more efficient utilization of teller personnel.

**AUTHOR INFORMATION**

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**NOTES**