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THE COMMUNITY DEVELOPMENT CREDIT UNION: EVALUATING ITS SUCCESS IN IMPROVING THE URBAN COMMUNITY

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Abstract

This study examines the fundamentals, operations, and performance of community development credit unions (CDCUs) in urban communities throughout the Great Lakes region. It incorporates a system for evaluating their operation as well as an analysis of traits that can be linked to CDCU effectiveness.

The two-pronged approach to the study begins with an evaluation matrix that utilizes a collection of criteria designated as performance benchmarks. Data collected via mail survey for each of the nine case studies are passed through the matrix, producing scores that provide a basis for comparison in the analysis section where a set of criteria is drafted to personify an ideally successful community development credit union.

The analysis of trends within the case studies has produced the conclusion that effective CDCU operation is linked to a high loan-to-deposit ratio, presence of local small business support, and an existent level of citizen participation within the community. In addition, the thesis suggests continued improvement of small business lending and support as well as providing financial education programs for residents.

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Chapter I: Introduction

A. Background

This thesis looks at community development credit unions (referred to as CDCUs for the remainder of the thesis) and attempts to determine what characteristics can be linked to effective operation. The approach to the study is actually two-fold. First, a rating system has been used to give a score to each of the case studies and provide a basis for comparison. Second, the analysis section lays out a collection of criteria that lend themselves to successful CDCU operation in urban areas.

Why should a study of this nature be performed on these organizations? As of this date, the exposure of CDCUs to the public has been rather limited. A unique and original rating system could be beneficial in helping the organizations understand how they compare to their peers and what measures they can take to streamline their operations. Since these locally based institutions have been founded to better serve their respective communities with basic banking services, both positive feedback and constructive criticism could potentially increase CDCU effectiveness within these areas.

The scope of this project is of personal interest mainly because it merges the areas of community development and economic development, which can take form in many ways. In this example, local internal development is taking form through CDCUs via community reinvestment. Likewise, many of these organizations perform community development functions through educational programs and neighborhood support.

B. Thesis Statement

Can CDCU effectiveness be measured by a standardized evaluation system, thus producing a set of criteria that define this success? The two-part approach to this thesis attempts to answer the above question and produce an idea of what characteristics can be found in both more successful and less successful case studies. A successful thesis will produce not only this general outline of an effective CDCU, but a model that can be used to evaluate the concept.

Although the investigation into CDCUs may fall short in meeting the above goals in full, the thesis will not be a failure if they are not completely fulfilled. The evaluation matrix used in this study may become a basic building block that could be adapted, added to, or reworked to meet the needs of an individual CDCU or another organization involved with these credit unions. Likewise, some of the conclusions and observations made from the data analysis may also be used to improve the working model and/or the CDCUs themselves. Therefore, it is evident that the products of this study will be useful to the involved parties.

The lack of information and preexisting studies regarding CDCUs and their effects on their respective communities presents an open door to this thesis. Seizing this opportunity, it will hopefully provide a springboard for other future investigations into this genre to better these organizations and their operations.

C. Rationale

In determining the effectiveness of a CDCU's operation, a systematic process must be established. Waltzer (1996, 57) provides a framework for such a process: "The sustainability of any system is based on its ability to set goals, assess resources available within the system, mobilize resources, monitor the progress toward the goals, and adapt the goals along the way if the resources available are totally inadequate to meet them". Analysis of community development systems should recognize the importance of both internal resources and external conditions. However, some conditions such as social capital and community involvement often cannot be given a quantitative value for measurement. Community economic development relies much on effective networking between local political leaders, business leaders, lenders, and individuals. Fully effective networks must be diverse, inclusive, and flexible. The mobilization of neighborhood resources centers on their broad definition, equal accessibility, and local investment. Private investment contributions include commercial or low interest loans; grant donation or other in-kind contribution; contribution of personnel to project or loan fund administration; or contribution of personnel to serve on a board or committee, providing marketing or technical assistance (Waltzer 1996, 72).

CDCUs can assist the community by setting goals and administering outreach and educational programs that spur beyond basic banking needs. The organization can set, assess, and adapt their goals as part of an internal evaluation process. Though not measured in this study, a CDCU's ability to do so obviously increases its effectiveness with the public. Though often performed in-house, the assessment of resources such as

deposits and memberships can give the group a better idea of what possibilities and constraints may confront them. Attempts to improve involvement in these avenues can lead to increased productivity and results that are often felt by the community.

Looking further into Waltzer's framework, the mobility of the CDCU's resources can be measured by its distribution of loans to both individuals and local small businesses. Education programs and community efforts sponsored or assisted by the local organization can also be viewed as a way to mobilize available resources for the betterment of the community. All of these efforts must be monitored and adapted throughout time to ensure that the community is being served to the best of the CDCU's ability. An evaluation system such as the model set forth in this thesis may be able to serve this function by comparing a CDCU's effectiveness with that of its peers. Periodic evaluation would reflect current economic and sociologic trends throughout the region and/or the nation.

There are common preconditions "derived from experiences with strategic visioning efforts that can greatly enhance the chances of success" (Waltzer 1996, 75). From an economic development viewpoint, Waltzer (1996) suggests that successful communities "exhibit three components that make up the social infrastructure: (1) symbolic diversity, including wide acquaintanceships, acceptance of controversy, and a focus on the process of planning; (2) resource mobilization supported by relative equality in resource distribution and a willingness to invest locally; and (3) quality of networks providing data and information from diverse sources, often beyond the community

boundaries". These successful attributes provide a base for several criteria used in the assessment of the CDCUs.

D. Constraints and Freedoms

Performing a thesis of this nature in which both quantitative and qualitative variables are utilized has both limitations and opportunities. Since a study that evaluates CDCU performance has not yet been performed, I have the freedom to create the evaluation process and infer conclusions from its results. However, the structure and measurement of the matrices must be designed carefully to ensure the logical and fair rating of the CDCUs that are willing enough to cooperate in the thesis study. Fortunately, I believe that this process will bring about a good amount of information to potentially return back to the CDCUs in the form of suggestions for and/or affirmations of their operations.

Note: *Rating these organizations can be a difficult task since they have all been established to provide specialized services for the area that they serve. Therefore, it should be noted that all case studies are beneficial to their respective communities since they open up many opportunities that may have never been as readily available without the CDCUs. The study has been created with the purpose of determining positive characteristics within the CDCUs, not to degrade the less effective institutions.*

Chapter II: Literature Review

A. Background Information

The concept of community development credit unions (CDCUs) may be several decades old, but their utility and public exposure have been relatively limited. The purpose of the CDCU is to provide savings, loans, and other banking services to the members of its respective community. The population served by a CDCU does has special needs, given that low-income residents make up the majority of the included community. Residents are often underserved in many ways within such an area, especially by the banking community. In fact, issues such as low homeownership rates, poor housing conditions, nonexistent commercial activity, and lack of reinvestment efforts all contribute to these neighborhoods' financial and social woes. Goldstein (1977, 9) points out that "the qualities and performances of any city are unlikely to be anything more than the sum of the qualities and performances of its various neighborhoods". With this in mind, CDCUs target communities that have been traditionally underserved by lending institutions while looking to improve their overall conditions and thus contributing to the welfare of the cities to which they belong.

Since the "lower class has grown larger and perhaps more isolated from mainstream society" (Jencks 1991, 28), financial opportunities offered by institutions such as CDCUs are needed. With the nation's metropolitan areas growing rapidly and the benefits of new home construction and its related economies booming, many inner-city neighborhoods and inner-ring suburbs are often left behind. The loss of capital and

decline in property values in these areas usually leads to the entrapment of current residents and the introduction of lower-income individuals.

To compound the above problems, the corporate world, housing market, and lending foundation have arguably become impersonal, individualistic entities. However, reliance upon family and the community has not left many neighborhoods, especially low-income areas. Since self-reliance is not often entirely possible in these situations, dependence upon the community is important to its members. Pooling resources into community banks often relates to both individual financial gain as well as the improvement of the collective whole.

There are individuals, institutions, and community groups that look at many declining neighborhoods as sources of potential, not as just the effects of urban decay. "Rather than being viewed as collections of daunting problems, urban neighborhoods are increasingly being seen as reservoirs of talent and assets that can be building blocks of a better future" (Sweet 1999, 121). Often, communities look for external entities or programs to develop this potential, but neighborhoods can take advantage of their own assets. Developing and nurturing one's own assets can achieve efficiency and a sense of community accomplishment in a holistic manner. "A greater degree of involvement provides more ownership in both the process and the outcome" (Sweet 1999, 125). However, the residents must understand that responsibility and effort are just as important as capital and other tangible aspects. In the case of CDCUs, collaboration of monetary assets within a community can be more effective than the utility of a single source of capital.

There is wealth in many overlooked neighborhoods, but "the trick is how to identify it and gain the trust and confidence to actually secure the business. The nation's inner cities have nearly $100 billion of annual retail spending power, about 7% of the U.S. total, according to Boston Consulting Group estimates" (Quittner 2002, 12.A). Obviously, "the principal affliction of poor communities in the United States is not the absence of money, but its systematic exit" (Shuman 1998, 107). Figuring out how to keep more of the community's wealth inside the community has been a question for many areas for years. Financial institutions are the cornerstone to solving this dilemma, since they are "the titans of development, important to everyone in society—especially the poor" (Shuman 1998, 107). Credit is critical for fighting poverty for several reasons" (Shuman 1998, 108), but it is often not readily available to the impoverished. Many banks place branch locations in poor neighborhoods to offer savings and checking accounts to the residents without offering the lending opportunities available in other areas.

However, when the Supreme Court ruled that credit unions "had been serving too many publics" (Bush 2002, 6) in 1998, the entire industry was forced to streamline their membership requirements. Congress soon included "a provision that permitted the field of membership of a federal credit union to include any person or organization within a community designated an 'investment area' or 'underserved area'" (Bush 2002, 6). Credit unions can provide basic financial services at cost to all Americans who fit into such membership fields, including low-income individuals. In fact, it is often stated that "small credit unions are especially adept at serving the neediest consumers [with] a level

of trust and a level of accessibility that a large credit union would have difficulty matching" (Barancik 1999, 2).

B. What is a CDCU?

There are many programs and organizations that attempt to provide disadvantaged communities with financial assistance, but the CDCU can provide many services as a community institution. In all instances of CDCU operation, the served community is firmly established and has inherited problems as the face of America has changed. "As a neighborhood grows older, it loses its ability to compete with newer neighborhoods for higher-income residents, services, and economic investment" (Goldstein 1977, 99). The argument has been often made that federal programs are ineffective in revitalizing neighborhood economies, while locally-based initiatives such as neighborhood-based financial institutions are more qualified for the task. Since the public usually trusts local banks, these institutions are more likely to know their community and not make decisions based solely on the bottom line. "A neighborhood bank...knows more about the local economy than any other institution...and has more frequent contact with a larger number of local residents and institutions within the neighborhood" (Goldstein 1977, 100). The power of collective capital lessens the risk of individual investments and gives more opportunities for perspective business start-ups and homebuyers.

Communities that are in desperate need of credit and capital must often turn to alternative financial institutions to provide them. CDCUs are "built on the existing asset

base of the community—the savings of individuals, as well as the assets and connections of local associations and institutions" (Kretzmann 1993, 294). CDCUs "are very local, community-based institutions whose specific mission involves lending in low-income communities... [attracting] most of their capital from the local community, and do all of their lending within set community boundaries" (Kretzmann 1993, 294). This lending limitation is part of the Federal Government's laws governing CDCU operation in which specific boundaries must be designated. CDCUs may extend their services to people residing in or working in the geographic area as well as to businesses located there. Therefore, lending opportunities are readily available to the local residents. Large-scale banks view community businesses as "hardly ideal borrowers" (Shuman 1998, 109) since they look for smaller start-up loans. However, community-minded financial institutions like community development credit unions maintain "an unequivocal mission to invest locally" (Shuman 1998, 111) in its residents and businesses.

The lending activity of a CDCU generally finances the purchase or remodeling of homes, the start-up or expansion of businesses, education, consumer purchases, etc. The functions of the CDCU generally correspond to the needs of the community. Besides providing basic banking services, they offer flexible loan structures that include a wide range of loan amounts and terms. To ensure reinvestment in the community and conform to Federal laws, CDCUs maintain the principal that "all lending takes place within the immediate community" (Kretzmann 1993, 296) with each shareholder having a stake in the institution. Deposits made to a savings or checking account earns the resident a share in the institution. In fact, federal law passed in 1994 "offers limited

matching support for both for-profit and nonprofit" (Shuman 1998, 111) community development financial institutions (CDFIs). "Most antipoverty loans from CDFIs finance housing, automobiles, and college tuition", but lending to small businesses is fairly uncommon due to higher administrative costs for small commercial borrowers (Shuman 1998, 111). As a side effect, the CDCU establishment also provides "a vehicle for marginalized individuals to re-enter the mainstream economy" (Kretzmann 1993, 296).

In many low-income neighborhoods, much effort has been made to counter lending institutions' redlining practices. Redlining is usually described as the process by which lenders withhold "mortgage financing from potential buyers in neighborhoods that are undergoing economic transition to a lower-income group" (Blair 1995, 246). For example in Chicago, a "sense of partnership that later became key to formulating the neighborhood lending programs in Chicago was incorporated directly into [an] agreement with Bank of Chicago" (Squires 1992, 135). At a time when redlining and other predatory lending practices were not regulated, Bank of Chicago took the initiative to lend in neighborhoods that had been consistently shut out by lending institutions. Previous banking practices in these neighborhoods would justify accepting deposits without lending to those same patrons. By providing all of its customers with equal opportunities to its services, Bank of Chicago was earmarked as a community-friendly institution for the residents to do their banking. In fact, the Bank and the community entered a partnership to benefit both parties. The Bank was promoted among "community residents, businesses, block clubs, and other neighborhood institutions. Quarterly meetings between the bank and the community organization were established

to review progress toward the targeted goals" (Squires 1992, 136). CDCUs operate in a similar fashion, targeting areas that have historically been shunned by mainstream lending institutions and providing community residents with proper banking services and financial education programs.

CDCUs are interested in serving the public through education as well. With the presence of predatory lending practices, automobile title lenders, and payday lenders, all people need to be exposed to proper financial education. The focus of financial community development extends beyond making deposits and issuing loans and ventures into education and support. "Community banks are going to great pains to have facilities where communities can meet and utilize the bank after hours" (Quittner 2002, 12.A), just as a community center provides a gathering place for its residents. Neighborhood savings and lending institutions can become cornerstones of more than just financial services. As in the above example, the CDCU can also become a social link for the neighborhood.

Headed by Clifford Rosenthal, the National Federation of Community Development Credit Unions (NFCDCU) is "an association of credit unions that serve predominantly low-income communities, two-thirds urban and one-third rural" (Community 2001, 12). Serving more than 200 institutions that "range in size from less than a million dollars in assets to more than $600 million" (Community 2001, 12), NFCDCU is committed to serving not only low-income residents but the communities in which they belong. The federation ensures that their constituents receive sufficient consumer financial services since "the departure of banks from a lot of communities...has

diminished access to credit in many areas of the country, including the inner cities" (Community 2001, 12).

NFCDCU receives support from the federal government, namely in the form of the Federal Community Development Financial Institutions (CDFI) fund. This fund "provides capital in various forms to CDCUs, community development banks, community development loan funds, and micro-enterprise funds" (Community 2001, 12), but not to institutions that are not yet chartered. In addition, Citibank has supported the organization with a $1.25 million grant to help build the credit unions' capital position. However, it is apparent that the establishment of a CDCU is likely the most difficult part of its operation since support funds are generally reserved for those that are already up and running.

There has often been a question of whether CDCUs directly compete with large established banks and create bitter relations between the two establishments. However, the Treasury Department has recently reported that "credit unions are not a competitive threat to banks and thrifts" (Daigle 2001, 6). This non-competitive relationship between CDCUs and large banks has even fostered partnerships in some instances. For example, PNC Bank has agreed to share a branch office with a small CDCU in an economically distressed area of Philadelphia. The partnership hopes to make a difference by "offering basic retail banking services and financial education seminars to people who have avoided banks" (Reosti 2000, 1). PNC has bought and refurbished the building that the local credit union, People for People, is occupying. The bank pays all of the rent and has even deposited $100,000 into People for People, accounting for 20% of its deposits. Since the

foci of the two institutions are different, PNC has taken the stance that "we are not competitors, and we should be collaborators" (Reosti 2000, 1). Even though "it is not uncommon for banks to help community development credit unions" (Reosti 2000, 1), this specific type of arrangement is new and not as common. However, "it is important that stakeholders—civic leaders, government, business, educators, labor, faith-based institutions, nonprofits, foundations, philanthropists, and residents—invest in the long-term, incremental, durable change initiated by urban leaders" (Ladner 2001, 127).

C. Areas of Activity

Within the range of community development program operations, there are areas that are typically assessed and attacked. Kretzmann identifies two of these main subjects as housing and the local economy. Below, these viewpoints are discussed more in depth.

1. Improving the Community Housing Situation

"Economic development officials are concerned about housing because it directly affects community welfare, is a basic building block of neighborhoods, generates local tax resources, and affects the quality of life in the entire community" (Blair 1995, 238). However, some neighborhoods have fallen victim to the practices of redlining by lending institutions. Redlining can have devastating impacts on low-income communities, particularly in the form of reduced homeownership and property values. Current residents of these targeted neighborhoods are often discouraged from receiving loans to maintain, improve, or buy property. Neighborhoods with low owner-occupancy rates

often translate to poorer housing conditions with studies showing that "when landlords reside in the building they rent...[or] when landlords live in the neighborhood, they will better maintain rental units" (Blair 1995, 247).

The Community Reinvestment Act, enacted in 1977, "asserts that banks have an affirmative obligation to serve the credit needs of all the communities in which they are chartered and from which they take deposits" (Silver 1999, 34). Although this government program help put an end to predatory lending and redlining practices, voluntary actions by lenders are actually more profitable. "A Federal Reserve study in 1997 concluded that banks that offer substantial numbers of home loans in minority and low- and moderate-income communities are a little more profitable than those that do not" (Silver 1999, 34). Although the Community Reinvestment Act may be chiefly responsible for this trend, it again denotes the significant spending power in distressed neighborhoods that is often untapped.

In communities' rush to increase the amount of mortgage lending to low- and moderate-income individuals and households, "questions arise regarding their credit-risk implications" (Wachter 1999, 105). Though there are several ways to offset such risk, "collaborative community reinvestment efforts focused on targeted neighborhoods [may] help create active housing markets in those neighborhoods" (Wachter 1999, 132) and mitigate credit risk.

There is a strong connection between housing and business development at the neighborhood level. "As the population declines, businesses lose customers and are more likely to fail. As neighborhood businesses close, the area will likely become less attractive

for residents" (Blair 1995, 261), bringing along local job losses. Economic development experts point to several factors causing this vicious cycle including the lack of capital. "Financial institutions have been reluctant to extend loans to poor, inner-city neighborhoods in part because of the perceived higher risk" (Blair 1995, 263). Therefore, local capital accumulation and reinvestment are often sought for these areas. CDCUs embody these two key principles by accumulating money from within and redistributing it throughout the community.

2. Influencing Local Businesses and Economic Development

There is a "great difficulty most small businesses have in obtaining financing, whether for start-ups, to smooth out general cash flow, or for expansion" (Shactman 1997, 75). In many circumstances, some neighborhoods are faced with inflexible lending institutions that are unwilling to support small businesses that have few collateral assets. Unfortunately, these practices often lead to the suppression of prospective entrepreneurs. An initial lack of investment often leads to neighborhood-wide disinvestments, creating an atmosphere that these same lending institutions would like to ignore. "Community reinvestment is a social philosophy and a movement [whose] aim is to replace capital that flows out of minority and disadvantaged communities by pressuring banks and other lending institutions to develop new lending practices for housing, businesses, and social institutions in low-income areas" (Blakely 1994, 230).

According to Goldstein (1997, 5), "the causes of urban neighborhood decay have historically and demonstrably been economic, and it follows therefore that the suggested

remedies must be mainly economic". The National Urban Development Services Corporation had developed a six-part program that points out the keys in revitalizing neighborhood commercial areas. Within this program, NUDSC focuses on providing technical assistance to businesses related to financial planning and lending institution assistance. An important aspect of neighborhood economic revitalization is, in fact, recognizing and taking advantage of "opportunities and potential market and income...on the unserved retail expenditure potential" (Goldstein 1977, 13). If the purchasing power of the residents is retained within the neighborhood, conditions could be dramatically improved. This is where the private sector, especially in the form of lending institutions, can make a large difference.

The key to neighborhood reinvestment is the initial introduction of capital into the community. If there is a lack of financial resources present, new businesses are generally shut out of such areas. Some lending institutions are making an effort to combat this trend by funding small businesses in disadvantaged areas. The Small Business Administration's Community Express program backs such loans up to $250,000 while the lending institutions "get Community Reinvestment Act credit for lending in low-income neighborhoods" (Duran 2002, 3). "One of the critical problems facing older working-class neighborhoods throughout the country is the lack of shopping facilities within the neighborhood" (Goldstein 1977, 109). In these circumstances, residents must travel outside their neighborhoods to seek retail establishments, taking their money with them. The identification of this key problem points to the need for an economic development

strategy that would draw from the internal wealth of the community to create retail opportunities within the neighborhood.

Many communities are in need of commercial activity, but financing for small-business start-ups or expansions is not often readily available. Small Business Administration moneys can be offered to potential start-ups, but many entrepreneurs are often left to find their own financing. CDCUs "have always done small-business lending but have always been minor players in the market" (Thompson 2002, 5). Approximately 10% of credit unions make small-business loans and outstanding business loans comprise only 1.5% of their total lending capacity. It should be noted, however, that "a true development bank should be an innovative institution that continuously infuses capital, long-term credit, and technical assistance into social and economic improvements projects" (Goldstein 1977, 101). CDCUs are beginning to fulfill these needs by expanding small business lending and providing planning assistance to entrepreneurs and expanding local companies.

Business loans from local lending institutions must focus on "the critical needs of small firms and [the use of] tools appropriate to meeting their needs at each stage of their development" (Kemp 2000, 193). Therefore, a successful CDCU must not only look at the investment of community capital, but at the investment of knowledge into small business development. CDCUs often provide development tools such as investment and small business seminars that the community can access to ensure entrepreneurial and financial success.

Within the past decade, the small business failure rate has escalated. This astonishing fact has been related to several key factors, one of them being the "lack of access to sufficient venture and working capital...particularly at the start-up and rapid growth stages" (Kemp 2000, 57). In fact, "the central capital issue for small businesses is access to low cost financing" (Kemp 2000, 58) for each stage of development. However, locally oriented lending institutions like CDCUs are able to focus their resources on small businesses that will serve the neighborhoods in which they are located. "There is a set of perceptions and attitudes in the financial community that minority small businesses are less credit worthy than their majority counterparts" (Kemp 2000, 59), but neighborhood lending institutions often do away with such prejudices despite the fact that the rate of success for minority businesses are slightly higher than others.

The encouragement of economic development via heterogeneous growth helps to level out the tax burden. Many exclusively residential areas often require more public service dollars than the tax revenues can support. Integrating commercial uses into residential neighborhoods can alleviate this problem, making the community more fiscally sustainable. "Many neighborhood economic development efforts emphasize physical improvements" (Blair 1995, 170) that can potentially cause a ripple effect throughout the area. Thus, a small change in the core of the community can lead to widespread changes.

The theory of "build community capacity first, and economic development will follow" (Kemp 2000, 365) also applies to education, household income, public services, and homeownership rates. Although the community bank cannot directly influence most of these factors, it can help the residents become homeowners and instill an

entrepreneurial spirit in areas where it had previously been suppressed. Investing capital back into the same area can increase the local tax base and possibly urge the local governmental units into increasing tax spending in these communities. In this manner, the local banking institution can influence factors such as education and public services. Viewing the neighborhood and its operations in the realm of system thinking, community leaders, lending institutions, and community groups "come to view their community and its problems as a whole, rather than focus on singular events or conditions" (Kemp 2000, 366). Although many of the issues facing the nation's neighborhoods may seem unrelated, closer study shows that they all share a common denominator; the people that make up the neighborhood. It is their labor, effort, and capital that makes community reinvestment possible.

Chapter III: Methodology

A. The Case Studies

The thesis' evaluation matrix uses the data from nine individual CDCUs that are members of the National Federation of Community Development Credit Unions. Beyond this commonality, the selected case studies are part of a limited geographical region composed of the states of Ohio, Michigan, Indiana, and Pennsylvania. Although this particular study area negotiates only a fraction of the entire nation, it should be noted that the Great Lakes region contains a high concentration of CDCUs. Listed below are each of the nine participating case studies whose data forms the basis for the conclusions later drawn about effective CDCU operation in an urban setting.

- Bethel AME Church Federal Credit Union – Saginaw, MI
- Bethel Baptist Credit Union – Dayton, OH
- Capital Community Credit Union – Lansing, MI
- Citizens East Community Development Federal Credit Union – Pittsburgh, PA
- Community Choice Federal Credit Union – Indianapolis, IN
- Cory Methodist Credit Union – Cleveland, OH
- Faith Community United Credit Union – Cleveland, OH
- Toledo Urban Federal Credit Union – Toledo, OH
- Wright Dunbar Area Credit Union – Dayton, OH

It should be noted, however, that these participants will remain confidential for the duration of the thesis to protect the interests of the involved parties. Herewith, they will be referred to as "Case Study A", Case Study B", etc. and these designations have no correlation to the order that they are listed above.

The following table gives basic demographic data concerning the community that each CDCU serves. The information in Table 1 provides a background for the members of the sample field. Two key trends can be inferred from this information, the first being that as the median household income increases for a study area the percentage of persons below the poverty level decreases. Likewise, a strong correlation (0.91) is found between the community's population size and median household divided by the percentage of minority population. This produces the assumption that in these areas served by the case studies, smaller communities with high minority concentrations have a higher percentage of persons below the poverty level and a generally lower median household income.

Table 1: Selected Demographic Data for Case Studies

Case Study	Population (rounded to nearest thousand)	Percentage of Minority Population	Median Household Income (in dollars)	Percentage of Persons Below Poverty Level
A	37,000	36.7	28,329	18.2
B	400,000	27.4	39,168	13.1
C	97,000	39.3	38,156	12.3
D	22,000	48.6	30,637	16.9
E	18,000	65.5	33,774	20.6
F	54,000	42.5	32,004	15.9
G	190,000	40.9	34,421	17.6
H	40,000	44.2	30,321	17.2
I	8,000	82.1	33,119	19.1

B. The Criteria

Each criterion used in the CDCU evaluation matrix is grouped into one of six main categories, denoted below as the italicized headings. The criteria and their respective categories are weighted as a function of their relative importance in the rating of each case study.[1] Listed below is each with the associated rationale to support the assigned weight. In the matrix, the case study's score for a particular criterion must be weighted. To do so, this score (ranging from 0 to 5) must be multiplied by both the individual criterion's weight and the category's weight. Once all weighted scores are summed across the matrix, a final value will be produced for the overall evaluation of the CDCU.

Community Participation (0.200): The weight of the following group of criteria reflects its importance in how effective a particular CDCU truly is. The organization can have the best intents, the most efficient business plan, and the resources to carry out its mission, but without participation from the community it serves, the CDCU will not survive.

- Number of Residents in Community (0.10): The entire number of residents in the entire community must be considered although not all are participants. Since this is the population that the CDCU serves, the benefits of its operations are thus spread throughout the entire community whether all are direct participants or not.

[1] Upon extensive review of the literature surrounding CDCUs, these weights have been derived as a subjective judgment to order and classify each criterion. The information found in the review was adapted to serve this topic and produce the set of criteria and a general notion of their weighting.

- Percentage of Residents Participating (0.60): A key criterion in evaluating community participation, the percentage of community members who are also participants shows to what degree the CDCU's efforts are being diffused into the community. Therefore, this aspect is highly weighted.

  FORMULA: (P)/(R)*100%
  P = number of participants
  R = number of residents in community

- Percentage of Business Participants (0.30): The ratio of business participants in the community is important in the evaluation of community participation in the CDCU. Since local businesses are a key to the survival of a healthy community, this criterion is held as a rather important one. The percentage is derived from the number of business participants divided by the total number of participants in the CDCU.

  FORMULA: (B)/(P)*100%
  B = number of business participants
  P = number of participants

Loans (0.250): Since the defining characteristic of a CDCU is its ability to collect deposits and issue loans within the same geographical boundary, the loan criteria as a whole are weighted very highly. Deposits reinvested in the community as loans help promote economic strength in the included areas while counteracting redlining and other predatory lending practices.

- Outstanding Loans per Community Income (0.25): This criterion scores the amount of outstanding loans as a function of total community income. The

concept of community income, which will also be used in a later criterion, is arrived at by multiplying the community's per capita income by the number of residents in the coverage area. This value is important to assess loan activity as a function of all residents, whether participants or not.

FORMULA: (OL)/((R)*(PCI))
OL = total value of outstanding loans
R = number of residents in community

- Average Loan Value per Resident (0.40): Dividing the total loan value by the number of community residents produces the value to be evaluated by this criterion. As a function of all members in the community, this value can produce a better judgment of the CDCU's effective loan power.

FORMULA: (OL)/(R)
OL = total value of outstanding loans
R = number of residents in community

- Percentage Value of Business Loans (0.35): The ratio of business loan dollars to total loan dollars is very important in evaluating loan effectiveness. Although these values have been historically low in credit unions compared to traditional lending institutions, higher values in this criterion may show an increase in community-based business activities.

FORMULA: (OBL)/(OL)*100%
OBL = total value of outstanding business loans
OL = total value of outstanding loans

Deposits (0.150): With loan activity being such a large part of CDCU evaluation, the deposits that mostly comprise those loans must be looked at as well. These criteria can also been seen as a function of community participation in that deposits originate directly from participants.

- Deposits per Community Income (0.30): Deposits to the CDCU from its members are vital to the credit union's ongoing operations. The total value of the members' shares as a function of total community income is a key determinant of the CDCU's power to issue loans and provide other services to the corresponding area.

  FORMULA: (D)/((R)*(PCI))
  D = total value of deposits
  R = number of residents in community
  PCI = per capita income of community

- Average Deposit per Participant (0.30): This criterion can be used to compare individual case studies' community wealth and potential spending power. The above value of total deposits can be misleading if not viewed as a function of the number of CDCU accounts. Measuring the deposits without taking into account the number of members would lead to a skewed view of the collective power of these deposits. Therefore, it is important that this figure is looked at in this way.

  FORMULA: (D)/(P)
  D = total value of deposits
  P = number of participants

- Loan-to-Deposit Ratio (0.40): Weighted as the most important criterion in the *deposits* category, the loan-to-deposit ratio is helpful in comparing the case studies. This value is calculated by dividing the total amount of outstanding loans by the total amount of deposits. A higher loan-to-deposit ratio denotes more activity by the CDCU to redistribute these dollars to the community via loans, thus justifying such a high weight for the criterion.

  FORMULA: (OL)/(D)
  OL = total value of outstanding loans
  D = total value of deposits

Services to Community (0.125): Since membership, loan activity, and deposits can be seen as the foundation of a CDCU, this and the following criteria categories will not be weighted as high but do not pass without consideration. The other services , activities, and influences concerning the organization are complimentary to these key factors detailed above.

- Financial Education Programs (0.45): The concepts of personal wealth, homeownership, and financial independence may be relatively foreign to many individuals in the community. The CDCU can play a role in the continuing financial education of community members.

- Local Small Business Support (0.35): Just as the CDCU can serve an educational function to promote financial stability, the organization can also help local businesses to achieve similar success. By providing seminars, literature, or other

business support tools, the CDCU can help to retain and increase commercial activity in its coverage area.

- Miscellaneous /Additional Services (0.20): Each case study may have other ways of bringing needed services to the community beyond basic financial education and small business support. Since data for this criterion can include a variety of responses, there is some freedom in evaluating it.

Social Activities (0.100): CDCU involvement in community issues, programs, and financial service must not go unevaluated. These actions could also be considered as indirect methods of promoting community and economic development, especially because social welfare does play a role in overall community improvement.

- Sponsorship of Community Programs (0.35): Enrichment programs often take place in active communities, but funding may often be hard to find. CDCU sponsorship of community-based activities marks another route that the organization can take to improve the quality of life in its area.

- Availability of Facilities for Community Use (0.20): In some instances, community organizations and neighborhood groups operate in the area, promoting unity, pooling resources, and performing other actions to better enrich the area. An indirect way for a CDCU to support these efforts is to lend their facilities for meetings, presentations, or other beneficial activities.

- Partnerships with Organizations and Businesses (0.45): The CDCU can take a direct role in the community's non-profit organizations and local businesses by forming partnerships with one or more of them. Similar to the *sponsorship of community programs* criterion, this implies a more active role beyond just a financial commitment to a group, alliance, or program.

Outside Influences (0.175): Because they are applied to the achievement of the same goals, outside factors such as grants, funding, and other community improvement programs play a rather significant part in improving the community and therefore enhancing the CDCU's effectiveness. Three criteria have been identified as being particularly relavant.

- Grants and /or Funding for Operation (0.35): Outside funding for the CDCU from sources such as government or the National Federation of Community Development Credit Unions can influence the overall effectiveness of the organization.

- Improvement Programs in Community (0.40): A direct route to improving the community as well as an indirect way to positively impact the CDCU, such programs can be general in nature or focused on a particular aspect regarding housing, business, etc.

- Level of Citizen Participation (0.25): As a pre-existing state of the community, the level of citizen participation can play a role in the effectiveness of an area CDCU. This criterion is taken from the survey without any adaptation, since the respondent is asked to rate citizen participation on a scale of 1 to 5.

C. Experimental Design

The backbone of this study is the data collected from each of the nine cooperating CDCUs. Once an official of the CDCU completes the data collection survey, this vital information is input into the evaluation matrix, which will ultimately produce a final score for each case study. The data collection survey can be seen in Appendix A.

Each response is used to fulfill the entire list of criteria that comprises the evaluation matrix. These criteria are described in detail in the preceding section, *The Criteria.* The quantitative and qualitative data returned via survey must be converted into scores ranging from 0 to 5. This process, since rather detailed, is fully described in the following sections found in the methodology. Once the scores have been translated from the raw data, they are put into the matrix. The matrix will have two levels of weighting and this situation is demonstrated in Table 2. The raw score is multiplied by both the criterion weight and the category weight. This number, the weighted score, is then entered below the raw score for each case study and each individual criterion.

Table 2: Sample Weighting Scheme

Category	Community Participation		
Weight	0.200		
Criterion	Number of Residents in Community	Percentage of Residents Participating	Percentage of Business Participants
Weight	0.15	0.55	0.30
Case Study X	Score: 4 Weighted: 0.1200	Score: 1 Weighted: 0.1100	Score: 2 Weighted: 0.1200

Once all weighted scores have been computed for each case study and all the criteria, they are summed across the evaluation matrix to produce the final score. These final scores provide a basis to compare the CDCUs in the second phase of the study: the analysis. This analysis will attempt to identify trends, commonalities, strengths, and weaknesses. Referring back to the final score arrived at through the matrix, the case studies will be grouped together by their ratings. Higher-scoring CDCUs will be denoted as "more effective" in the scope of the thesis while lower-scoring CDCUs will be labeled "less effective". In the analysis, common characteristics will be sought after between similarly scored cases. Anomalies within the groupings may also bring about key observations and lead to further conclusions. From the analysis process, successful characteristics of effective CDCU operation are inferred from the initial experimental procedure utilizing the evaluation matrix.

D. Construction of Quantitative Criteria Scoring Ranges

In order to work through the evaluation matrix, a uniform system must be constructed that will produce a system of scores ranging from 0 to 5. The ideal application is using proportions to base these intervals on the data values themselves. With this in mind, the proportion shown below will serve as the basis for all quantitative scoring in each criterion:

$$\text{value} / \text{max. value} = \text{SCORE} / 5$$

whereas the following define what each variable represents the following:

value – data value being scored
max. value – largest data value for the criterion
SCORE – dependent variable denoting the score for the data value to be entered into the evaluation matrix

Although the score output obtained from solving through the proportion will be computed to a number beyond the ones digit, a figure of 0, 1, 2, 3, 4, or 5 must be entered into the evaluation matrix. Table 3 defines the limits associated with each matrix entry.

For example, a sample criterion with its corresponding values is shown in Table 4 below. The "max" value is denoted to the far right of the table and the score for each case study is also shown. These scores had been calculated using the formula detailed earlier and would then be subjected to the scoring range conversions shown in Table 3.

Table 3: Scoring Range Conversions

Matrix Score	Included Scoring Range
5	between 4.5 and 5.0
4	between 3.5 to 4.499
3	between 2.5 to 3.499
2	between 1.5 to 2.499
1	between 0 and 1.499
0	0

Table 4: Sample Criterion Scoring Table

	Number of Residents in Community	SCORE	
A	37,000	0.4625	
B	400,000	5	max =
C	96,530	1.206625	400,000
D	22,400	0.28	
E	18,240	0.228	
F	54,338	0.679225	
G	190,224	2.3778	
H	40,360	0.5045	
I	8,332	0.10415	

E. Creation of Qualitative Criteria Scoring Ranges

Though less rigid than the quantitative scoring ranges, those reflecting the qualitative criteria responses will be based solely on comparisons. Similar to the above designations, scores of 0 through 5 will be used to translate the data to the evaluation matrix. With a 0 score denoting a nonexistent factor, increasing scores reflect an increasing positive presence in the individual criteria as compared to the peer case studies.

Chapter IV: Experimental Results

A. Response Analysis

Upon receipt of the completed data collection surveys from the participating CDCUs, the responses were converted to scores and entered into the evaluation matrix. This chapter will analyze the case studies' responses (found in Appendix B) for the individual criteria and organize them for easier utility. High (4 or 5) and low (0 and 1) scores will be noted for each criterion in this section to maintain brevity, omitting discussion of moderate scores.

Upon preliminary analysis prior to final score generation for each CDCU, it would seem likely that those case studies with a larger amount of higher-scored criteria will return higher final scores and vice versa. Likewise, case studies with moderate amounts or nearly equal amounts of low-and high-scoring criteria can be expected to achieve only moderate scores. On the following page, Figure 5 denotes each high-scoring criterion with a + and each low-scoring criterion with a – whereas a blank space represents a moderate return for the criterion.

Judging by a scan of Table 5, it appears as if Case Studies E and G rank highly in more criteria than a low score has been assessed. On the other hand, Case Studies A, B, and H tend to be lower scoring examples since the number of low scoring criteria exceeds the number of highly scored criteria.

Table 5: High- and Low-Scoring Criteria, by Case Study

	Case Studies								
	A	B	C	D	E	F	G	H	I
Number of Residents in Community	-	+	-	-	-	-		-	-
Percentage of Residents Participating	-	-			+		-	-	+
Percentage of Business Participants	-	-	-			-	+		-
Outstanding Loans per Community Income					+			-	
Average Loan Value per Resident					+	-		-	
Percentage Value of Business Loans	-		-			-	+	-	
Deposits per Community Income		-		+	+	+	-		+
Average Deposit per Participant		+			-		+	-	-
Loan-to-Deposit Ratio	+	+	+		+		+	-	
Finanical Education Programs	-	+	+		-			+	+
Local Small Business Support	-			+	+	-	+	-	
Miscellaneous/Additional Services	+	-					-		+
Sponsorship of Community Programs	-			-	-				+
Availability of Facilities for Community Use	-	-	-					+	+
Partnerships with Organizations and Businesses		+				+	+		
Grants and/or Funding for Operation	-	-			+		+	-	-
Improvement Programs in Community	-	+				+	+	-	+
Level of Citizen Participation				+	+		+		+
TOTAL +	2	6	2	3	8	3	9	2	8
TOTAL -	10	6	4	2	4	5	3	10	4

B. Matrix Results

As a result of using the evaluation matrix with the collected data, final scores were produced for each of the nine CDCUs. On page 37, Table 6 lists each of the case studies and its associated final score from the matrix. These scores are used as the basis for comparison in the analysis. Simple statistical calculations produce these two basic conclusions concerning the final scores as a data set:

- The mean score is 2.61. Six of the nine case studies had a final score higher than the mean.
- The median score is 2.63, low score is 1.43, and the high score is 3.42.

With this in mind, the case studies will be divided into three groups; ***high-scoring***, ***above***, and ***below-average***. Because of the categories' simplicity, guidelines for selecting group members are less rigid, allowing for manipulation to produce a better analysis. The following shows the break down of the CDCUs according to these groups:

-- high-scoring: Case Study B (2.93), Case Study E (3.24), and Case Study G (3.42)

-- average: Case Study C (2.69), Case Study D (2.54), Case Study F (2.62), and Case Study I (2.63)

-- below-average: Case Study A (1.43) and Case Study H (1.98)

Table 6: Final Matrix Results for Case Studies

Case Study	Final Score
A	1.43
B	2.93
C	2.69
D	2.54
E	3.24
F	2.62
G	3.42
H	1.98
I	2.63

At the end of section A in this chapter, a preliminary inspection of the survey results was conducted prior to use of the evaluation matrix. Judging just by the amount of criteria that scored well and poorly for each case study, a prediction was made for relative final scores. Case Studies E and G did finish as the highest scoring CDCUs while A and H were received the two lowest scores on the matrix. On the other hand, Case Study B ended up scoring as the third-highest CDCU instead of falling into the anticipated lowest-scoring bracket.

Chapter V: Analysis

A. Strength and Weakness Trend Identification

The first stage in analyzing the data and results is the identification of strengths and weaknesses among the three groups established in the preceding discussion. Table 7 recaps the membership of these categories for easy reference in this chapter.

Within each of these categories, an investigation into the commonalities of shared strengths and weaknesses in the criteria help to create the concept of an effective CDCU. These trends are found in the following analysis where each category is broken down. The key findings and characteristics of effective CDCU operation that form the thesis' conclusion will result from this analysis.

B. The *high-scoring* Case Studies (B, E, G):

Within this group that contains the three highest-scoring case studies, several commonalities immediately present themselves. The following criteria, listed with the case studies' score and group's average for each, are shared strengths in this group:

- Loan-to-Deposit Ratio: [B (5), E (4), G (5); avg. 4.67]
- Local Small Business Support: [B (3), E (5), G (5); avg. 4.33]
- Level of Citizen Participation: [B (3), E (5), G (4); avg. 4.00]

These criteria, all scored as either a 3 or above by each of the three case studies, are definite keys to effective CDCU operation. Each criterion also has an average score of at least 4.00 among these three case studies. By looking at the entire pool of case studies' scores for these criteria, more conclusions are made.

Table 7: Case Study Classification

Classification	Case Study Members (& Score)
high-scoring (2.8 – 3.5)	B (2.93) E (3.24) G (3.42)
Average (2.1 – 2.79)	C (2.69) D (2.54) F (2.62) I (2.63)
below-average (1.4 – 2.09)	A (1.43) H (1.98)

The importance of the loan-to deposit ratio is strengthened when it is noted that all but three of the CDCUs studied scored at least a 3 on this criterion, including three with scores of 5. A strong response to this factor across the board enhances the idea that this ratio reflects the importance of CDCUs redistributing their assets to the community through loan activity. More loan activity/value per dollar of deposit equates to a higher loan-to-deposit ratio, thus maintaining an efficient operation in the loaning of money. Since it is a ratio, this factor does not penalize smaller organizations if they have a limited amount of deposits to loan nor does it overemphasize the loan power of the case studies with much more money to redistribute.

As the second member of these three criteria, local small business support represents a range of services that pertain to the community's businesses. Business lending may be difficult for some organizations, especially if a small lending pool is available for dispersion. From the background study of this thesis, it is known that healthy communities contain a solid economic base that may consist of local small businesses that also aid in strengthening the local economy. According to this study,

local small business support and education programs from a CDCU can help local businesses start up and/or improve operations in the area. Since only one other case study outside the *high-scoring* group scored 3 or above in this criterion, it is evident that support for local businesses is often under-addressed in this context.

The level of citizen participation is also a key factor in effective CDCU operation. Without any scores under 3 returned from each of the case studies and a strong presence among the members of this category, citizen participation has shown strong throughout all CDCUs. Without participation from the surrounding community, these organizations would obviously not be in businesses. The location of CDCUs in communities with a strong sense of citizen involvement may not be coincidental. Community groups such as CDCUs must take advantage of local support, where it can be converted into reciprocal support for that same community.

C. The *below-average* Case Studies (A, H):

There was a significant number of criteria that were marked lowly for the two members of this group. Similar to the strong aspects identified in the *higher-scoring* group, the following list contains criteria that are also important when considering effective CDCU operation:

- Percentage of Residents Participating [A (1), H (1); avg. 1.00]
- Outstanding Loans per Community Income [A (2), H (1); avg. 1.50]
- Average Loan Value per Resident [A (2), H (1); avg. 1.50]
- Percentage Value of Business Loans [A (0), H (0); avg. 0.00]

- Average Deposit per Participant [A (2), H (1); avg. 1.50]
- Local Small Business Support [A (0), H (0); avg. 0.00]
- Grants and/or Funding for Operation [A (1), H (1); avg. 1.00]
- Improvement Programs in Community [A (0), H (1); avg. 0.50]

The length of this list compared to the previous list of criteria for the *higher-scoring* case studies reinforces the deficiency of these case studies, but also identifies several more keys to create the model.

Looking at the number of residents in each community, only one case study scored above a 2 in this aspect. In addition, no criteria averaged more than 1.50 with these CDCUs. This fact perhaps denotes the presence of a skewed criterion. The comparatively large population base of Case Study B to the other CDCUs has eclipsed the relationship among these eight small communities.

The small value of outstanding loans as a function of community income between these two case studies reemphasizes the importance of loan activity in the community. If the total loan amount of the CDCU is of low proportion to the area's total income pool, then it will not have as large of an influence on the residents than less diluted loans. The low scoring on average loan value per resident reflects a similar thought process; a diluted loan pool will affect the community less.

Neither of these examples had recorded any business loan activity as part of its operation and therefore recorded 0's in this area. As mentioned earlier, support of local businesses through loans and/or other programs is important for CDCUs to consider. Likewise, small business support had been neglected by these two case studies and can be

closely linked to a presence, or lack thereof, in local business support programs. Mentioned earlier as a shared strength of the *higher-scoring* case studies, this criterion should definitely be considered as an important factor in the operation of an effective CDCU.

A possible root of the less efficient operation of Case Studies A and H, values of deposits from the community are found to be low when compared to the number of people living in the area. Without strong financial input, it is difficult for an organization to produce a strong, efficient, far-reaching output. This factor may be linked to community participation, since a low percentage of residents participating in the program would naturally drag down the average value of deposits.

Two criteria considered related to outside influences, grants and/or funding for operation and improvement programs in the community, have been found to be deficient in these two case studies. Despite having a moderate display of citizen participation as a whole in the communities, general improvement programs were scored the lowest in this group than in any other CDCU in this study. Along with the lack of outside funding, it is obvious that the success of these organizations is dependent on their surroundings. Without assistance for operation or for the well being of the community, it may be difficult for a CDCU to effectively perform the duties it has set out to accomplish.

D. The *average* Case Studies (C, D, F, I):

The final grouping of case studies may be less conclusive since they are 'middle of the road', but some trends are distinguishable within this group. A consensus of results

from these four CDCUs has been found in several criteria. If not listed below, a criterion has been returned with mixed results for this group making it difficult for trend identification.

- Percentage of Business Participants [C (1), D (2), F (1), I (1); avg. 1.25]
- Percentage Value of Business Loans [C (1), D (2), F (1), I (1); avg. 1.25]
- Deposits per Community Income [C (3), D (4), F (4), I (4); avg. 3.75]
- Financial Education Programs [C (4), D (2), F (3), I (5); avg. 3.50]
- Miscellaneous/Additional Services [C (5), D (3), F (2), I (4); avg. 3.50]
- Partnerships with Organizations and Businesses [C (3), D (3), F (5), I (3); avg. 3.50]
- Improvement Programs in Community [C (3), D (3), F (5), I (4); avg. 3.75]
- Level of Citizen Participation [C (3), D (4), F (3), I (5); avg. 3.75]

This lengthy and diverse list of criteria does not contain significant trends, as was the case with the other groups. However, analysis of the factors within this group and among the entire sample field will add to the previous results.

The area of business participation was a general weakness with this group of CDCUs as well as the other five case studies. Six of the nine scored less than 3 when considering the percentage of business participants, with five of those six scoring a 1. This identifies a trend of low business participation across all cases, which is obviously a result or continuation of the CDCU's historically slight presence in the commercial end of banking services. The low showings concerning the percentage value of business loans reflects this stigma as only seven of the case studies scored above a 3.

The ratio of deposits to the community's income is generally above average in this group, compared to a nearly even distribution of scores among all CDCUs that can be found in Appendix B. This level mixture of scores in the criterion certainly does not offer much in the way of trend identification however.

With the exception of Case Study D, whose score was 2, financial education programs have also been found to be above average for these four case studies. As with the preceding criteria, this aspect did not show a trend for the entire field. On the contrary, the offering of miscellaneous and additional services to the community was above average for two-thirds of all nine CDCUs, with no 0 scores returned by any case studies. This result is strong enough to support the conclusion that these organizations are intent on offering a liberal array of services to its members and residents, reflecting the underlying mission to improve the communities in which they operate.

Partnerships with local businesses and organizations were noteworthy in these case studies, especially with the presence of a 5 being scored by Case Study F. With the exception of only one CDCU, all participating case studies registered at least a 3 in this criterion. This indicates a strong link between the local CDCU, area businesses, and other organizations. Linkages of this type are important in both increasing the effectiveness of the CDCU and its exposure to the community.

Both improvement programs in the community and the level of citizen participation scored well in this group. This trend was actually found throughout the entire case study field, where only three case studies failed to score above a 2 when

considering independent improvement programs. As noted earlier, no CDCU scored less than 3 on citizen participation.

Chapter VI: Conclusions and Commentary

A. Characteristics of Effective CDCU Operation

It should be recognized that all of the criteria considered in this study are important to the daily operation of community organizations such as CDCUs. Therefore, the extraction of certain characteristics from this encompassing list does not serve the purpose of diminishing any of criteria's importance. However, the preceding analysis of trends concerning strengths and weaknesses in the sample field has highlighted the following criteria that can be linked to effective CDCU operation:

- Loan-to-Deposit Ratio
- Local Small Business Support
- Level of Citizen Participation

This narrowed list of criteria represents several different aspects of operating a CDCU; including deposits, loans, additional services to the community, and other outside influences. From this observation, it is evident that the CDCU should focus on reinvestment into the community via loans, help small businesses to start up and grow, and increase exposure to gather the community's participative efforts.

B. Key Findings of Results

In addition to providing specialized concentrations for successful CDCUs, this procedure produced the following list of key findings:

1. The area of citizen participation is generally deficient, especially when looking at the percentage of people participating in the programs. Even more evident, business participation is low in smaller organizations.
2. Business loan activity is weak, but the overall lending services to the resident population of the community are moderate.
3. Deposits into these CDCUs are impressive, especially when compared to the overall value of community income.
4. Financial education for the community is evident in all case studies, and appears to be an important factor in these organizations' operations.
5. Although business lending is rather low, small business support can be an adequate alternative if the funds are unavailable from commercial lenders.

C. Limitations to the Experimental Design

Through the course of designing and using the experimental design in the thesis, several limitations have been recognized. The first concerns the sample size of the case studies. Because the CDCUs have been studied so well in-depth, it is difficult to incorporate many more than the nine used in the thesis. If the sample size was to be increased, the largest benefit would be reducing the impact of outlying data that can skew results. In addition, the case studies could be extracted from other regions of the country and make it possible to compare performance among and between these expanded groups of CDCUs.

All criteria used in this study have proven beneficial to the outcome, but one in particular caused some difficulty in converting values to scores. The *number of residents in community* criterion produced a problematic circumstance. When evaluating this criterion, it is difficult to characterize the size of community in which a CDCU's effectiveness is either limited or diluted. If the area that a CDCU serves is too large, the benefits to the "community" may not be as evident than if the service area was smaller. On the other hand, too small of an area may limit the potential for deposits that will relate to redistribution of those funds and provision of services to the community. Perhaps the identification of an optimal community size would produce a scale that would taper to low scores as the number of residents moved in either direction away from that figure. Unfortunately, this task may necessitate a completely independent study that would supplement this one. In fact, a community size study may encompass a breadth similar to that of this thesis.

D. Final Comments

Overall, this study was successful in both creating an evaluation system for CDCUs and producing a general concept of what characteristics are associated with their effective operation. Other than the suggested improvements mentioned above, there appeared to be one shortcoming in the thesis. Even though the final scores produced from the evaluation matrix did not fall below 1.43, the high end of the range was only 3.42. Obviously, there is plenty of room between 3.42 and 5.00 for case studies to occupy.

Whether this lack of high scores results from the experimental design or the general nature of these organizations.

Otherwise, the tools developed for this thesis have proven to be successes in an area that can be characterized as an emerging topic in the realm of community and economic development. As discussed in the literature review, CDCUs perform several roles and provide benefits to their communities on different levels. The array of criteria alone demonstrates this idea, showing that these organizations work beyond the typical deposits and loans that many consider to be the staples of lending institutions. The key findings exemplify this also, relating issues of financial education and citizen participation to CDCU success. Merging community development and economic services is the crux of CDCU operation, resulting in a multitude of potential benefits for the community.

Although it may be beneficial on its own, the thesis may be even more influential as a platform for other studies in the future. Perhaps providing a breakthrough look at these organizations, it could be integrated into further studies or a more widespread evaluation of CDCUs across the country. There should not be a doubt that looking at these credit unions as vehicles of improvements with respect to their respective communities is an accurate assumption, especially because of their non-profit, services-oriented nature.

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Appendices

Appendix A:
CDCU Data Collection Survey

CDCU Data Collection Survey

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Completed By _____ Date ____/____/____

CDCU Name
Street Add.
City, State, ZIP

Please answer all of the questions below:

Community Participation

1. How many residents live in the area serviced by your CDCU?

2. How many people participate in the CDCU either by depositing money and/or receiving loans?

3. How many businesses participate in the CDCU by depositing money and/or receiving business loans?

Loans

4. What was the total value of outstanding loans? $

5. How many loans are currently outstanding?

6. What was the total value of outstanding business loans? $

7. How many business loans are currently outstanding?

Deposits

8. What is the total value of deposits currently held by the CDCU? $

Please answer the following questions with as much detail as possible:

Services to Community

9. What kind of financial education programs do you offer to community members? How often are they conducted?

10. What types of local business support do you offer?

11. Are there any other services that you provide your members and/or the community?

Social Activities

12. Do you currently sponsor any community programs? If so, which ones do you support and how?

13. Do you make your facilities available for community use? If so, how?

14. Do you currently have any partnerships or affiliations with area organizations and/or businesses? If so, which organizations and/or businesses?

Outside Influences

15. Do you currently receive any grants or other funding for CDCU operation? If so, please explain with as much detail as possible below.

16. Are you aware of any general improvement programs or efforts in the community? If so, please list and briefly explain.

17. Circle what you feel to believe the level of citizen participation in your community, then explain briefly why you selected that answer.

1	2	3	4	5
Low	Somewhat Existant	Moderate	Somewhat Strong	Very Strong

Appendix B:
Case Study Responses

		Case Studies								
		A	B	C	D	E	F	G	H	I
Number of Residents in Community	VALUE	37,000	400,000	96,530	22,400	18,240	54,338	190,224	40,360	8,332
	SCORE	1	5	1	1	1	1	2	1	1
Percentage of Residents Participating	VALUE	4.14	1.25	6.67	8.81	15.85	6.32	2.1	3.84	18.22
	SCORE	1	1	2	2	4	2	1	1	5
Percentage of Business Participants	VALUE	1.63	0.52	1.19	2.21	4.21	0.96	6.19	4.11	1.12
	SCORE	1	1	1	2	3	1	5	3	1
Oustanding Loans per Community Income	VALUE	0.00094	0.00069	0.00132	0.00133	0.00225	0.00070	0.00133	0.00021	0.00074
	SCORE	2	2	3	3	5	2	3	1	2
Average Loan Value per Resident	VALUE	11.56	11.70	21.96	17.77	33.05	9.81	19.92	2.80	10.59
	SCORE	2	2	3	3	5	1	3	1	2
Percentage Value of Business Loans	VALUE	0.00	13.30	3.11	6.68	9.22	0.13	19.54	0.00	1.16
	SCORE	0	3	1	2	2	1	5	0	1
Deposits per Community Income	VALUE	0.00158	0.00100	0.00208	0.00305	0.00374	0.00272	0.00021	0.00115	0.00329
	SCORE	2	1	3	4	5	4	1	2	4
Average Deposit per Participant	VALUE	470.15	1363.61	517.54	461.74	346.71	529.76	1503.08	394.24	260.34
	SCORE	2	5	2	2	1	2	5	1	1
Loan-to-Deposit Ratio	VALUE	0.59	0.69	0.64	0.44	0.60	0.26	6.31	0.18	0.22
	SCORE	4	5	5	3	4	2	5	1	2

		A	B	C	D	E	F	G	H	I
Financial Education Programs	SCORE	1	4	4	2	1	3	2	4	5
Local Small Business Support	SCORE	0	3	2	4	5	0	5	0	2
Miscellaneous/ Additional Services	SCORE	4	1	5	3	3	2	1	3	4
Sponsorship of Community Programs	SCORE	0	2	4	1	1	3	2	3	4
Availability of Facilities for Community Use	SCORE	0	0	0	2	3	2	3	4	5
Partnerships with Orgs. and Businesses	SCORE	3	4	3	3	2	5	4	3	3
Grants and/or Funding for Operation	SCORE	1	0	5	2	4	2	5	1	0
Improvement Programs in Community	SCORE	0	4	3	3	2	5	4	1	4
Level of Citizen Participation	SCORE	3	3	3	4	5	3	4	3	5

Appendix C:
CDCU Evaluation Matrix

Category Weight	Community Participation			Loans			Deposits		
	0.200			0.250			0.150		
Criterion Weight	Number of Residents in Community	Percentage of Residents Participating	Percentage of Business Participants	Outstanding Loans per Community Inc.	Average Loan Value per Resident	Percentage Value of Business Loans	Deposits per Community Income	Average Deposit per Participant	Loan-to-Deposit Ratio
	0.20	0.50	0.30	0.25	0.40	0.35	0.30	0.30	0.40
Case Study A	Score: 1 Weighted: 0.0400	Score: 1 Weighted: 0.1000	Score: 1 Weighted: 0.0600	Score: 2 Weighted: 0.1250	Score: 2 Weighted: 0.2000	Score: 0 Weighted: 0	Score: 2 Weighted: 0.0900	Score: 2 Weighted: 0.0900	Score: 4 Weighted: 0.2400
Case Study B	Score: 5 Weighted: 0.2000	Score: 1 Weighted: 0.1000	Score: 1 Weighted: 0.0600	Score: 2 Weighted: 0.1250	Score: 2 Weighted: 0.2000	Score: 3 Weighted: 0.2625	Score: 1 Weighted: 0.4500	Score: 5 Weighted: 0.2250	Score: 5 Weighted: 0.3000
Case Study C	Score: 1 Weighted: 0.0400	Score: 2 Weighted: 0.2000	Score: 1 Weighted: 0.0600	Score: 3 Weighted: 0.1875	Score: 3 Weighted: 0.3000	Score: 1 Weighted: 0.0875	Score: 3 Weighted: 0.1350	Score: 2 Weighted: 0.0900	Score: 5 Weighted: 0.3000
Case Study D	Score: 1 Weighted: 0.0400	Score: 2 Weighted: 0.2000	Score: 2 Weighted:0.1200	Score: 3 Weighted: 0.1875	Score: 3 Weighted: 0.3000	Score: 2 Weighted: 0.1750	Score: 4 Weighted: 0.1800	Score: 2 Weighted: 0.0900	Score: 3 Weighted: 0.1800
Case Study E	Score: 1 Weighted: 0.0400	Score: 4 Weighted: 0.4000	Score: 3 Weighted: 0.1800	Score: 5 Weighted: 0.3125	Score: 5 Weighted: 0.5000	Score: 2 Weighted: 0.1750	Score: 5 Weighted: 0.2250	Score: 1 Weighted: 0.0450	Score: 4 Weighted: 0.2400
Case Study F	Score: 1 Weighted: 0.0400	Score: 2 Weighted: 0.2000	Score: 1 Weighted: 0.0600	Score: 2 Weighted: 0.1250	Score: 1 Weighted: 0.1000	Score: 1 Weighted: 0.0875	Score: 4 Weighted: 0.1800	Score: 2 Weighted: 0.0900	Score: 2 Weighted: 0.1200
Case Study G	Score: 2 Weighted: 0.0800	Score: 1 Weighted: 0.1000	Score: 5 Weighted: 0.3000	Score: 3 Weighted: 0.1875	Score: 3 Weighted: 0.3000	Score: 5 Weighted: 0.4375	Score: 1 Weighted: 0.0450	Score: 5 Weighted: 0.2250	Score: 5 Weighted: 0.3000
Case Study H	Score: 1 Weighted: 0.0400	Score: 1 Weighted: 0.1000	Score: 3 Weighted: 0.1800	Score: 1 Weighted: 0.0625	Score: 1 Weighted: 0.1000	Score: 0 Weighted: 0	Score: 2 Weighted: 0.0900	Score: 1 Weighted: 0.0450	Score: 1 Weighted: 0.0600
Case Study I	Score: 1 Weighted: 0.0400	Score: 5 Weighted: 0.5000	Score: 1 Weighted: 0.0600	Score: 2 Weighted: 0.1250	Score: 2 Weighted: 0.2000	Score: 1 Weighted: 0.0875	Score: 4 Weighted: 0.1800	Score: 1 Weighted: 0.0450	Score: 2 Weighted: 0.1200

Services to Community			Social Activities			Outside Influences			
0.125			0.100			0.175			Weight: 1.0
Financial Education Programs	Local Small Business Support	Miscellaneous/ Additional Services	Sponsorship of Community Programs	Availability of Facilities for Community Use	Partnerships with Orgs. and Businesses	Grants and/or Funding for Operation	Improvement Programs in Community	Level of Citizen Participation	TOTAL
0.45	0.35	0.20	0.35	0.20	0.45	0.35	0.40	0.25	
Score: 1 Weighted: 0.05625	Score: 0 Weighted: 0	Score: 4 Weighted: 0.1000	Score: 0 Weighted: 0	Score: 0 Weighted: 0	Score: 3 Weighted: 0.1350	Score: 1 Weighted: 0.06125	Score: 0 Weighted: 0	Score: 3 Weighted: 0.13125	A 1.43
Score : 4 Weighted: 0.2250	Score: 3 Weighted: 0.13125	Score: 1 Weighted: 0.0250	Score: 2 Weighted: 0.0350	Score: 0 Weighted: 0	Score: 4 Weighted: 0.1800	Score: 0 Weighted: 0	Score: 4 Weighted: 0.2800	Score: 3 Weighted: 0.13125	B 2.93
Score: 4 Weighted: 0.2250	Score: 2 Weighted: 0.0875	Score: 5 Weighted: 0.1250	Score: 4 Weighted: 0.0700	Score: 0 Weighted: 0	Score: 3 Weighted: 0.1350	Score: 5 Weighted: 0.30625	Score: 3 Weighted: 0.2100	Score: 3 Weighted: 0.13125	C 2.69
Score: 2 Weighted: 0.1125	Score: 4 Weighted: 0.1750	Score: 3 Weighted: 0.0750	Score: 1 Weighted: 0.0175	Score: 2 Weighted: 0.0400	Score: 3 Weighted: 0.1 350	Score: 2 Weighted: 0.1225	Score: 3 Weighted: 0.2100	Score: 4 Weighted: 0.1750	D 2.54
Score: 1 Weighted: 0.05625	Score: 5 Weighted: 0.21875	Score: 3 Weighted: 0.0750	Score: 1 Weighted: 0.0175	Score: 3 Weighted: 0.0600	Score: 2 Weighted: 0.0900	Score: 4 Weighted: 0.2450	Score: 2 Weighted: 0.1400	Score: 5 Weighted: 0.21875	E 3.24
Score: 3 Weighted: 0.16875	Score: 0 Weighted: 0	Score: 2 Weighted: 0.0500	Score: 3 Weighted: 0.5250	Score: 2 Weighted: 0.0400	Score: 5 Weighted: 0.2250	Score: 2 Weighted: 0.1225	Score: 5 Weighted: 0.3500	Score: 3 Weighted: 0.13125	F 2.62
Score: 2 Weighted: 0.1125	Score: 5 Weighted: 0.21875	Score: 1 Weighted: 0.0250	Score: 2 Weighted: 0.0350	Score: 3 Weighted: 0.0600	Score: 4 Weighted: 0.1800	Score: 5 Weighted: 0.30625	Score: 4 Weighted: 0.2800	Score: 4 Weighted: 0.1750	G 3.42
Score: 4 Weighted: 0.2250	Score: 0 Weighted: 0	Score: 3 Weighted: 0.0750	Score: 3 Weighted: 0.5250	Score: 4 Weighted: 0.0800	Score: 3 Weighted: 0.1350	Score: 1 Weighted: 0.06125	Score: 1 Weighted: 0.0700	Score: 3 Weighted: 0.13125	H 1.98
Score: 5 Weighted: 0.28125	Score: 2 Weighted: 0.0875	Score: 4 Weighted: 0.1000	Score: 4 Weighted: 0.0700	Score: 5 Weighted: 0.1000	Score: 3 Weighted: 0.1350	Score: 0 Weighted: 0	Score: 4 Weighted: 0.2800	Score: 5 Weighted: 0.21875	I 2.63

Vita

Justin Scott Evans was born in Xenia, Ohio on February 21, 1978. Raised in Dayton, Ohio, he completed grade school and junior high at Our Lady of the Immaculate Conception School and then graduated from Carroll High School in 1996. From there, he went on to graduate from Ohio University in 2001 with a B.S. in Geography with a specialization in Urban and Regional Planning.

Currently, Justin is pursuing a Master of Science in Planning in the Department of Urban and Regional Planning at the University of Tennessee, Knoxville with intentions to graduate in May 2003.

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