

# Outstanding Service to the Underserved: Chartier's Income Gap Focus

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Kathy Chartier runs a small credit union in one of the nation's richest counties.

The wealth is concentrated, leaving low-paid service workers struggling to make ends meet because housing costs are so high. And in that space, Members Credit Union (\$28.7 million in assets, 3,016 members) of Cos Cob, Conn., has found a mission, serving low- to middle-income households, many of them undocumented immigrants.

Members CU was chosen to receive this year's Trailblazer Award for Outstanding Service to the Underserved. Its eight full-time and two part-time employees are dedicated to trying to help members overcome some of the economic challenges by focusing on affordable used auto loans and small-balance, unsecured loans.

The credit union suffered a severe blow after the recession, but last year Members CU was the first credit union in Connecticut to earn a Juntos Avanzamos ("Together We Advance") designation from the National Federation of Community Development Credit Unions.

The Juntos Avanzamos credit unions are part of the federation's mission to help people of modest means avoid predatory lenders and achieve financial independence.

Jorge L. Perez, who came to the United States as a child in 1971 from Cuba and has served as Connecticut's banking commissioner since 2015, said Chartier's work has improved the lives of the credit union's members, particularly in the Latino community.

"Kathy embodies the mission of credit unions by helping to raise the quality of life for its members, promoting volunteerism and helping to advance the communities where they live and work," Perez said. "Through her participation in global initiatives, she continues to create and expand credit union services providing more opportunities for people in other countries."

While minorities comprise 30% of all U.S. households, they hold only 13.4% of deposits, 7.5% of retirement investments and 10% of total wealth in the country, according to the Filene Research Institute.

In Connecticut, the situation is compounded by its wealth disparity. Connecticut's top 1% earned \$2.7 million per household in 2015, compared to an average of \$52,000 for the rest of all taxpayers. And disparities are even greater in Fairfield County, a bedroom community for Wall Street.

Starting pay for public teachers is about \$60,000 a year, and teachers with a few years' experience make \$100,000 or a little more. Still, real estate costs can overwhelm what might be a comfortable income elsewhere. An 1,800-square-foot home in Greenwich, Conn., can cost \$750,000 to \$1 million.

"In Greenwich, if you make \$60,000, you can't very well buy a \$100,000 home," she said. "It's a totally different market. It's very upscale."

Fairfield County has created jobs for babysitters, landscapers and house cleaners to work at the large houses. Many are immigrants.

Members CU reflects the demographic change. Founded in 1935 as Greenwich Connecticut Teachers Federal Credit Union, today only about a third of its members are teachers or were born in the U.S. The rest came from the Caribbean, Central America or South America, often to take low-paying service jobs.

“Forty-nine percent of new members last year were Hispanic. That group as a whole is growing quite a bit,” she said.

Chartier, who has always lived in Connecticut, began her credit union career in 1984 working 10 hours a week at the newly-formed Consolidated Controls Federal Credit Union of Bethel, Conn. It had \$113,000 in assets (it now has \$1.1 million in assets and 238 members).

While at Consolidated Controls, she took classes through the credit union league and was encouraged to move up to a larger institution. She was hired as president/CEO of what was then called the Greenwich Connecticut Teachers FCU in 1987.

“I was their first full-time employee,” she said. “It was run by volunteers for years and years.”

It was open 10 a.m. to 2 p.m. Mondays through Fridays, and had \$7.5 million in assets and 1,800 members. In 2001 it changed its name to Members CU, converted to a state charter, and established community membership for residents of Fairfield County. It ended the year with \$19.6 million in assets, 3,328 members and eight full-time employees.

Members CU began reaching out to the growing Hispanic community in the late 1990s by recruiting school custodians and cafeteria workers. With its new community charter it decided the credit union “could do a whole lot more.”

In 2002, Members CU opened a branch in Stamford, Conn., its first office outside Cos Cob. By 2006 it had grown to \$26.1 million in assets and 4,460 members. The credit union’s net worth ratio was about 10% as the recession began in 2007 and it would need all of those reserves to withstand the blow.

“None of the other recessions had really hit us before, but because this was a Wall Street recession, and we’re tied to Wall Street, it hit us really hard,” she said. “People lost their jobs, people lost their houses. They couldn’t keep up with their mortgages. It put such a fear in everybody. Through those years, we really declined.”

Members CU's net worth ratio fell below the 7% threshold for "well capitalized" in 2012 and was in the "adequately capitalized" zone for four years. Overhead costs forced it to close its Stamford branch in 2014, leading to the loss of more than 1,000 members from 2014 to 2017. But the lower overhead has allowed it to recover more net worth, last year rising 20% to \$2.3 million. Its ratio ended the year at 8.1%.

"So we have our capital. We feel really good again. It will continue to grow," Chartier said.

In recent years, the credit union has been making more non-citizen loans, marketing them mostly through word of mouth and leveraging the Spanish language skills of its staff.

The credit union worked closely with Filene to launch a model program, instituting strong policies and procedures to avoid unnecessary risks. For example, income verification often depends on letters of employment. A housekeeper might bring in five or six letters from families.

"That business is growing like crazy," Chartier said. "We're growing that business without really advertising because word of mouth is amazing. We tell one person, and they tell three more."

Members CU expected greater loan losses with this focus on small loans to lower-income households, but Chartier said the surprise has been how many new members have sterling credit histories.

One Hispanic immigrant refinanced a car loan from a dealer that was 16.99%. When Members CU looked at his numbers, they found he had a 780 credit score. Members CU refinanced the loan into its lowest rate for that class of loan, 2.49%, saving him \$6,000 over the life of the loan.

"We're not making much money on that loan, but we're making a huge difference in that man's life," Chartier said.

The credit union's loan performance is strong. It ended 2017 with \$40,315 in loans that were at least 60 days delinquent, or 0.2% of total loans. Net charge-offs were \$5,154. "You can help the community and still have really good numbers," Chartier noted.

Chartier, who served as chair of the Connecticut Credit Union League from 2002 to 2011, said small credit unions like Members CU depend on dedicated staff who subscribe to the ideals of a not-for-profit cooperative.

“There’s definitely a cultural element,” Chartier said. “If we keep bringing leaders in from outside the credit union industry, if they don’t get the proper perspective as to what the movement is, we’re going to lose it.”