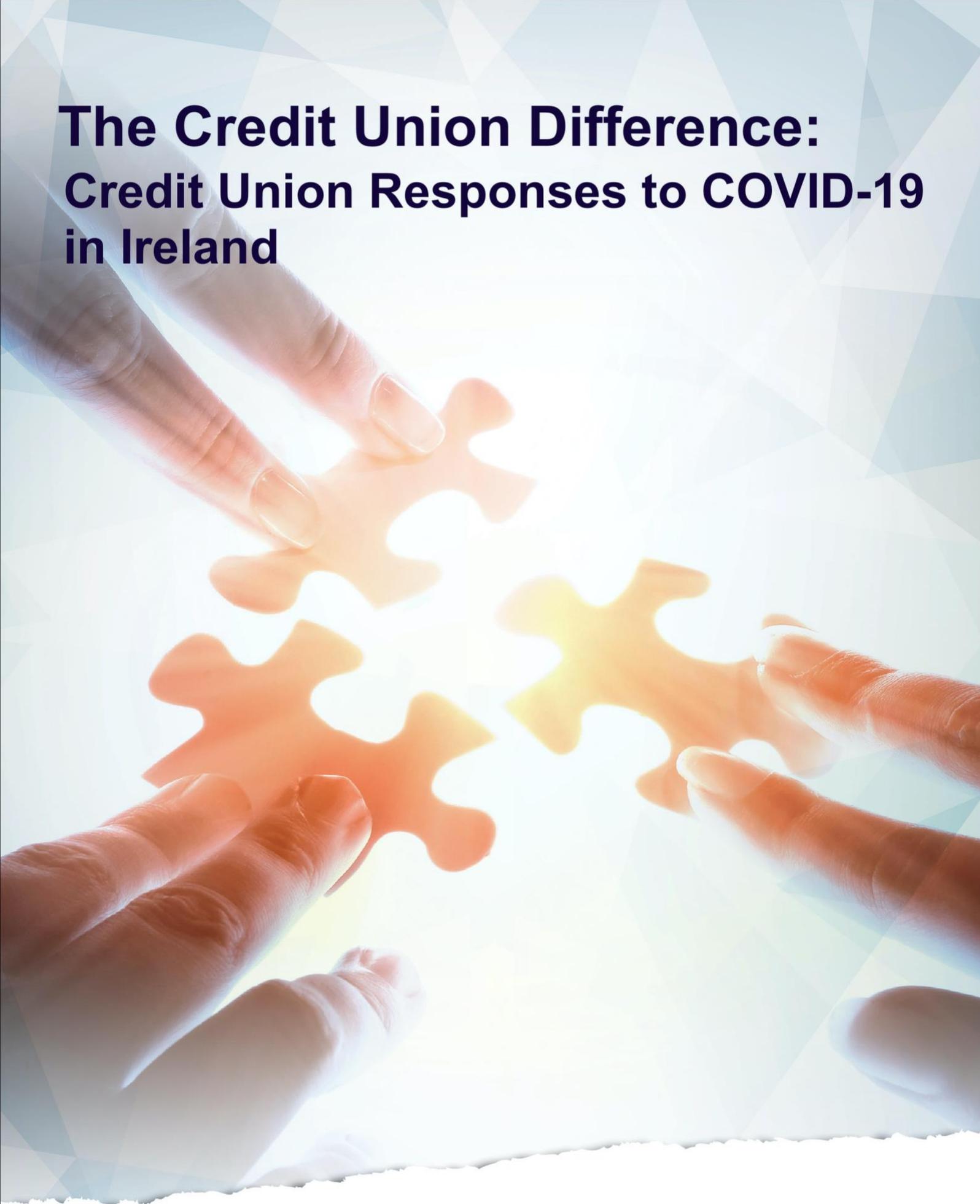


The Credit Union Difference: Credit Union Responses to COVID-19 in Ireland



**The Credit Union Difference:
Responses to COVID-19 in Ireland**

By Nick Money and Declan Mooney

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CFCFE is rooted in values of co-operation, participation, social and financial inclusion, transparency, integrity, and excellence. Much of its work is done in collaboration with Liverpool John Moores University.

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Table of Contents

1. Introduction	2
2. Delivering basic services	2
3. Collaboration amongst credit unions	5
4. Financial performance and risk	5
5. Lending products and forbearance.....	7
6. Current accounts and electronic funds transfer	8
7. Communicating with members	9
8. Crisis support to more vulnerable members.....	10
9. Commitment to the wider community	10
10. Conclusions	11
Membership of the Centre for Community Finance Europe	13

1. Introduction

This briefing paper summarises the immediate actions taken by 28 Irish credit unions and support organisations to help credit union members, staff and communities in response to the COVID-19 crisis in March and April 2020. These actions demonstrate and exemplify the 'credit union difference'. The COVID-19 health crisis has meant extraordinary operational and commercial challenges to credit unions.

This report refers solely to credit unions in the Republic of Ireland; CFCFE has published separately on the actions taken by British credit unions.¹

The report does not cover except by implication the issues arising for the general public from the COVID-19 pandemic, nor does it look at governmental interventions.

This is not a comprehensive or detailed documentation of Ireland's credit unions, but a snapshot of the responses from credit unions throughout Ireland. Credit unions and other community finance providers may find ideas in this paper to help their own members, customers or clients. The credit union movement can be proud of the demonstration of its values described here.

2. Delivering basic services

Credit unions in Ireland have moved swiftly to ensure they can continue 'normal' services for members as far as possible, and most have kept open some or all of their branches. Managing access to cash has been a key challenge for some. Making online and telephone-based services available and encouraging members to make best use of them has been a priority for all credit unions with these capabilities.

2.1. Branches

This section describes some of the varying approaches to keeping branches open for credit unions with memberships for whom office outlets are an important part of the credit union's service offering.

Dundalk Credit Union introduced a queuing system which follows social distancing guidelines, counters have safety glass for both staff and members, there is hand sanitiser on entry and exit, and there are limits on the number of members allowed in at any one time. St. Anthony's & Claddagh Credit Union (in Galway) has done likewise. Mullingar Credit Union changed its front office layouts to allow continued service in a safe manner.

Dundalk Credit Union is now encouraging all members to use telephone and online services rather than branches. Public Service Credit Union, serving employees of Government departments and bodies, believes that having a physical presence in the office allows it to respond quickly to requests for web PINs, paper loan applications, cheque requests etc.

¹ Jones, Money and Swoboda, " The Credit Union Difference: Responses to COVID-19 in Great Britain" Centre for Community Finance Europe, May 2020.

Mullingar Credit Union considered reducing opening hours but decided against this when local Bank of Ireland branches closed in two of the towns in which the credit union operates. The credit union felt it should maintain a banking service for people in these communities. St. Anthony's in Galway moved up the opening time for one of its branches to 7 a.m., to better serve front-line workers who needed to get to essential jobs in the community by 8 a.m.

Early in the crisis, Blanchardstown & District Credit Union (in Dublin 15), Cara Credit Union (in Co. Kerry), Drogheda Credit Union and Dundalk Credit Union offered specific opening times for elderly and more vulnerable members. Community Credit Union (in Dublin 7) started opening one of its branches earlier for this group. This credit union (and others) are now reverting to normal hours following Government guidance on such people 'cocooning' at home.

Core Credit Union (in Co. Dublin) has introduced limited hours at three of its eight branches due to staffing shortages. Kilrush Credit Union has implemented a reduction of half an hour morning and evening (weekdays) to allow staff to sanitise the premises more thoroughly, inside and out, before and after business hours.

2.2. Cash

Remote delivery. If a member can't get to Core Credit Union to withdraw cash because they are self-isolating, they can phone or email and receive a withdrawal of up to €200 dropped off at their home. Dungarvan Credit Union is also offering to visit members to enable lodgements and withdrawals.

Reciprocal Services. Donore Credit Union (in Dublin 8) has an agreement with three neighbouring community credit unions to offer share withdrawals to each other's members if the member's usual branch is closed because of COVID-19. The participating credit unions balance the net amounts between them at the end of each day. Donore Credit Union's CEO comments that it is a straightforward process but needed up-front clarity and agreement. Access Credit Union (in Co. Cork) has a similar approach in its region, as does Community Credit Union in Dublin 7.

2.3. Telephony

Availability. Comhar Linn INTO Credit Union serves members of the Irish National Teachers' Organisation and has adopted the theme of 'Putting our members at the heart of every decision we take'. The credit union remains open for queries by phone and reports that members have been delighted to be able to talk to a person. Cara Credit Union has extended its telephone-based opening hours beyond previous branch standard hours in order to offer more convenience to members, and it has a dedicated phone line for people who may be experiencing financial difficulties.

Call volumes - Donore Credit Union has found its phone systems to be exceptionally busy, notably for payments, but they have stood up to the extra demand. Bray Credit Union has seen not only an increase in the number of calls but also in the amount of time required for each call, since members wish to talk for longer – possibly due to feeling anxious or isolated.

2.4. Digitisation and members

Mullingar Credit Union put a big effort into advising members of its range of remote access capabilities, noting that, like many credit unions, it already had a good range of online and telephone services of which many members remained unaware. Mullingar sought to make these services quicker and more user-friendly, such as by issuing online access PINs using SMS text rather than sending by post, while implementing the necessary internal processes to protect member security. As the result of its success in moving members from branch to electronic services, the credit union had to reassign a number of front-line staff into the back office to handle increased volumes there.

For members without phone or online services, Mullingar Credit Union has worked with a local community forum and the Civil Defence² to put in place a service whereby the Civil Defence visits the member's home to complete the transaction.

Cara Credit Union has introduced full online membership applications, and current accounts can be opened online too. Cara has also given members in financial difficulty greater convenience for obtaining loan repayment flexibility. Like the members of Blanchardstown & District and Drogheda Credit Unions, Cara members can now use an online request form as an alternative to the phone or in person.

Community Credit Union is in process of introducing electronic signatures, initially for the loan application and issuance process. Dungarvan Credit Union is finalising a remote document signature facility, which will enable members to complete the entire loan process online and have the proceeds moved to a designated account by electronic funds transfer.

2.5. Work from home core IT systems

The predominant core banking systems used by Irish credit unions are configurable for staff to use from home while maintaining an appropriate level of security and data protection. Since several of the Irish industrial credit unions with nationwide common bonds already did almost all their business by Internet, phone, post and email, they could readily close their public offices and move staff to stay-at-home conditions without materially compromising member service.

Other credit unions, which chose to maintain in-person service, could still provide greater social distancing and safety for staff by allowing back-office employees to continue using their automated systems from home. For example, at-home users of Fern Software could transition to remote access to that core processor in minutes.

2.6. Staff Well-being

Kilrush Credit Union split staff into two teams to maintain opening hours. This also had the effect of reducing the social proximity of staff during their working day. Lunches and breaks are taken individually and not as a group. Dundalk Credit Union commissioned a health and well-being coach to conduct a well-being workshop for

² Civil Defence is a statutory volunteer-based organisation in Ireland, established in the 1950s

its staff.

Black Raven Credit Union, serving the staff of local government in Co. Dublin, entered into an agreement with a neighbouring credit union to provide services, facilities or staff should either credit union need support during the crisis. Thurles, Donore and Templemore Credit Unions have a similar arrangement.

Back office staff at St. Anthony's & Claddagh Credit Union alternate working at the credit union with working from home, and all staff meetings are now by videoconference.

3. Collaboration amongst credit unions

Meitheal groups. Early in the crisis, the leadership of the Credit Union Managers' Association organised a process of daily local teleconferences amongst member CEOs in 22 geographic areas across the country. The purpose was to share ideas and to organise collective responses, and they chose for these informal groups the name 'meitheal' (pronounced MEH-ell). That is the Irish word for a traditional form of co-operation amongst neighbours, who form work teams to help each other in times of natural disaster or seasonally for heavy tasks, such as harvesting crops.

The meitheal groups conduct daily (or every other day) conference calls of their CEO members for real time sharing of experiences and ideas and to organise agreed initiatives. An example of the latter is the planned creation in Dublin of a joint advertising campaign to make sure the public knows that credit unions are open for business and ready to meet their members' needs. The nominated chair of each meitheal group liaises with the chairs of the others to further spread new ideas, contacts, templates, and so on throughout Ireland.

CUSOs. In addition to the collaborative work within other credit union-owned service companies described in this paper, credit unions in the Metamo group (a CFCFE member) have standardised policies for loan forbearance and are receiving expert advice on best HR practices and business continuity planning and execution.

4. Financial performance and risk

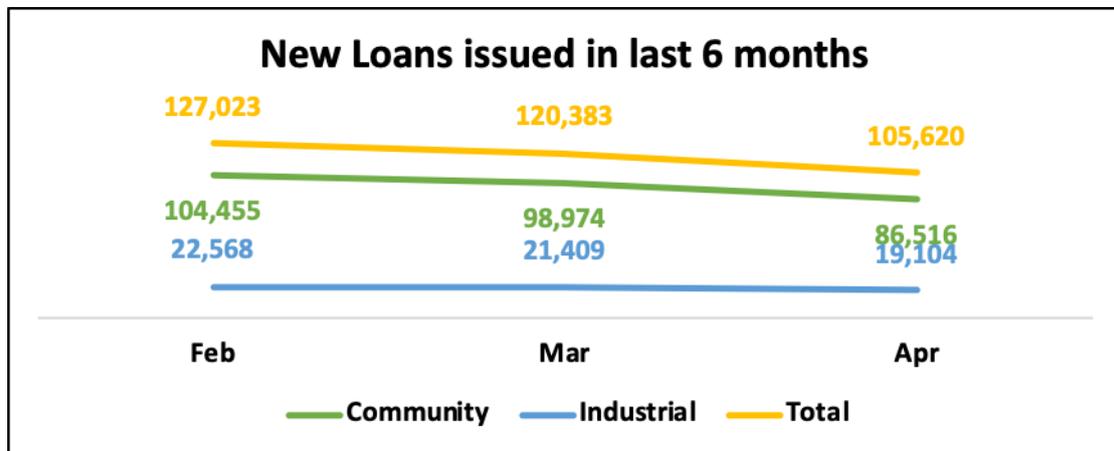
In contrast to the experience of many British credit unions,³ the biggest challenge to the financial wellbeing of credit unions in Ireland has been a recession-typical influx of member savings (on which current investment returns are zero or less) coupled with a significant drop in demand for new loans.

The following observations are based on the experience of 58 Irish credit unions that use the risk analytics software provided by CUFA Ltd. As of 30 April, those 49 community and nine industrial credit unions had 348,754 loans in total, with gross

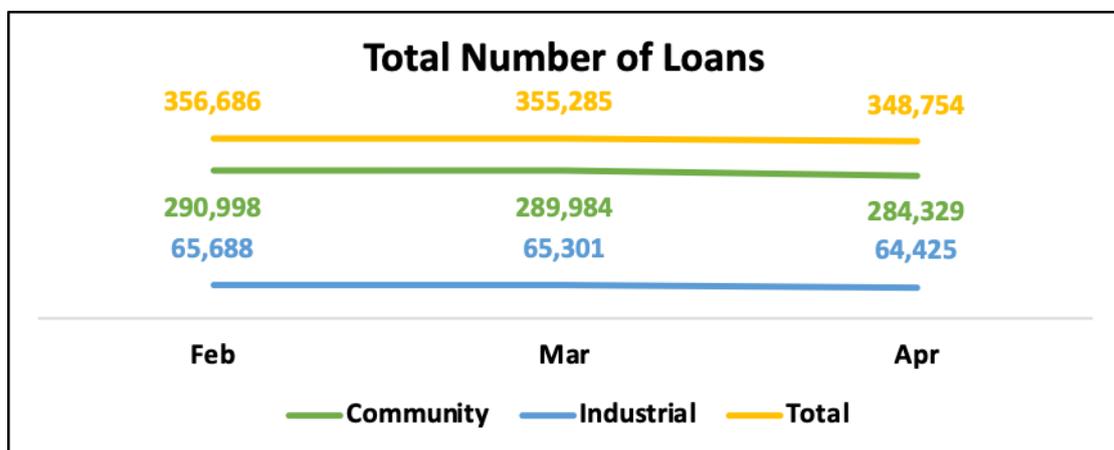
³ Jones, Money and Swoboda, *ibid.*

outstanding balances on that date of €2,653,857,542. This represents over 55 per cent of total credit union lending in Ireland and, for credit unions with more than €80 million in total assets, an estimated 80 per cent of their total lending.

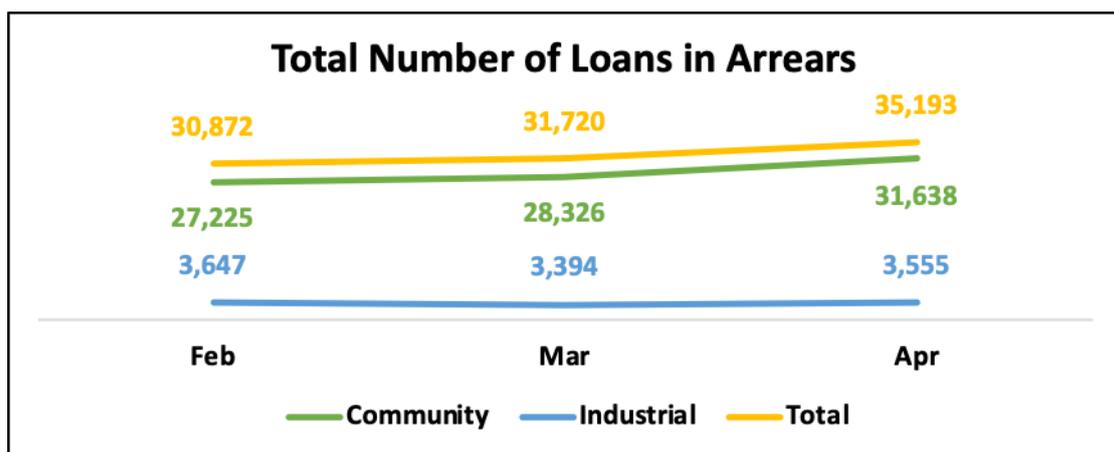
February 2020 was the most recent non-COVID-19 month. Since then, CUFA's data show a 16.8 per cent aggregate fall off in new lending activity.



As a consequence, there is also a reduction in total loans outstanding, but this, of course, has been much more gradual given the number of legacy loans.



More important is the increase in arrears experience, as illustrated below.



CUFA's software computes the expected lifetime loss for every loan in its clients' portfolios. Prior to the COVID-19 crisis, as of 29 February, CUFA's aggregate loss forecast stood at 4.17 per cent of total net at-risk balances⁴ and had been stable for some time. During March it moved up only slightly to 4.18 per cent, but in April it rose to 4.52 per cent. This represents an 8.25 per cent increase in the loss forecast amount across those three month ends.

With the blessing of their prudential regulator, the Central Bank of Ireland, credit unions are offering various forms of forbearance to borrowers affected by COVID-19 conditions in the economy. Depending on the core IT provider and the form of forbearance offered, the true arrears situation is not expected to manifest until August 2020 when some of the '3-month repayment holidays' come to an end.

All the same, based on contacts with its clients, CUFA estimates that only four to five per cent of their borrowers have availed of a forbearance arrangement, and many of those are not taking full advantage of it but are continuing to repay their loans as best as they can.

CUFA is piloting a Peer Group Comparison Report with a Dublin-based meitheal group with a view to facilitating an informed exchange of experience amongst its members. CUFA intends to offer this service to other meitheal groups in the coming weeks.

5. Lending products and forbearance

Although new lending has fallen off substantially since the end of February, Irish credit unions, like those in Britain, have gone the extra mile in helping to meet the new credit needs of members during the crisis. As in Britain, they have done so by offering forbearance to borrowers in financial distress and by introducing new loan products tailored to these very different times.

5.1. Forbearance and temporary arrangements

Forbearance. The credit unions that provided information for this paper are all working with borrowers who are experiencing financial difficulty due to the pandemic. The credit unions are doing so by offering reduced loan repayment schedules, repayment holidays and interest-only payments on loans. As noted above, many have introduced online tools to more safely facilitate forbearance requests from stay-at-home borrowers, while protecting staff through reduced face-to-face dealings wherever possible.

Automation. The Solution Centre, a credit union owned CUSO (and CFCFE founding member) has created a digital form for its clients' borrowers that enable them to

⁴ "Net at-risk balance" is the amount by which the current outstanding balance of a loan exceeds the amount of borrower's savings that are attached or pledged to secure it.

request loan forbearance options online. This automation has helped credit unions manage the sudden influx of such requests, and borrowers receive an automatic email response confirming their application. The response provides the reassurance that credit union staff will soon be in touch to discuss the request, eliminating the need to go into a branch in person.

Analytics. CUFA Ltd. has rolled out, at no additional charge, a new COVID-19 module to all the Irish, British and North American credit unions using CUFA's lending risk analytics software. The module provides an early warning of borrowers potentially affected by the virus, to whom the credit union can proactively reach out to explore the need for a payment holiday or other temporary arrangement. The module also enables credit unions to continually update and upload a file to CUFA, so they can track and quantify, using CUFA's other analytics, the risk presented by borrowers whom they have identified as being affected by the virus.

5.2. New products and features changes

Financial difficulty. Credit unions have introduced a range of emergency loans, such as Community Credit Union's 'Helping Hand Loan' for loans from €1,000-€3,000, Black Raven Credit Union's same-day 'Emergency Loan' for up to €2,000, Health Services Staffs Credit Union's 'Stay at Home Loan' for up to €3,000 at 5 per cent APR, and Public Service Credit Union's 'Helping Hand Loan' with a rate of 5.9 per cent APR and a maximum loan amount of €3,000.

SME lending. Drogheda Credit Union launched an Emergency Business Loan with an interest only repayment option for six months, to support SMEs. Ballinasloe Credit Union is introducing a 'Reactivate Loan' for local small business members, such as hairdressers, who will be reopening under the Government's phased plan and may need to re-stock. Access Credit Union also has a specific loan for borrowing up to €5,000 by its small business members.

Clonmel Credit Union is working, in partnership with a group of other credit unions, on a full support package to boost micro SMEs as they relaunch their businesses. This comprehensive proposition will include credit products such as working capital, but also mentoring, business clinics and business guides. The group will partner with a recognised national body to deliver some of the components.

6. Current accounts and electronic funds transfer

Transaction growth. Payac, a credit union owned current account provider and CFCFE member, experienced considerable growth in activity through the crisis, as credit unions sought to increase the ability of members to access their money remotely. In March and April, Payac's 34 credit unions (with 160 branches) saw an uplift of 35 per cent in new current account openings, and Payac's MasterCard contactless debit card spending was up 63 per cent (even before the increase in the limit for contactless payments from €30 to €50). Contactless transactions now account for 43 per cent of all Payac-cleared payments.

Payac e-commerce transactions accounted for 30 per cent of transactions in March and April combined, with this trend likely to increase further as people continue to

buy groceries and other non-discretionary purchases online. ATM transaction volumes declined 28 per cent in March and April combined, as people moved away from cash handling. In the same period electronic funds transfers rose 24 per cent, with the value of electronic transactions increasing by 32 per cent, reflecting that members are transferring larger sums of money during the pandemic. This also points to an increase in the use of digital channels by members seeking to conduct business with their credit union in a non-contact manner.

Digital banking fees. Altura Credit Union, operating in Counties Wexford and Wicklow, is waiving current account fees this quarter. Core Credit Union is also refunding fees and has suggested to members whose income has not been affected to donate the refund to a COVID-19 charity.

St Dominic Credit Union (in Waterford) is opening free current accounts for older members who are being turned away by banks. The Solution Centre has made online COVID-19 loan applications free of charge for its members for the duration of the emergency.

7. Communicating with members

Credit unions have deployed a variety of communications with members to provide information, reassurance and support during the pandemic.

Explaining. Donore Credit Union has been working with members on a case-by-case basis, asking them to consider carefully the financial impacts of the current environment so they can see what they have really lost, so the credit union can then offer pragmatic support. This has helped many members to more calmly assess their situation and put an arrangement put in place that will not jeopardise them over the longer term.

Using the post. Like most credit unions, Public Service Credit Union communicates with members mainly using email, social media, website messaging and SMS. All the same, the credit union (like others the authors have learned of) sent a physical letter to its 2,500 members over age 65, since they might be less orientated to electronic channels. The response was very encouraging. It would seem, notwithstanding the movement to online and mobile, that during lockdown isolated and bored individuals are now opening and reading their 'junk mail'.

Feedback. Blanchardstown & District Credit Union conducted a sentiment survey of over 1,400 members, to investigate what more the credit union could do to support them better.

Buildings. Donore Credit Union has put new signage on the front of its branch with the simple message "This will pass". The credit union aims to show the community that the credit union offers hope in all circumstances.

Deceased members. Bray Credit Union has seen a significant need to support the relatives of deceased members who may find it difficult to get to the credit union to process a savings insurance claim. Relatives can nominate someone to represent

them and the credit union attempts to make it as easy as possible. The relative also appreciates a subsequent follow-up phone call.

8. Crisis support to more vulnerable members

Donore Credit Union is systematically contacting more vulnerable members to ask how they are coping, whether anyone has checked in on them and whether they have supplies. If staff identify a risk they will move to assist. The aim is at least to take away member worries on credit union payments and provide an outlet to talk.

Health Services Staffs Credit Union identified elderly and more vulnerable members from their weekly transaction listings and rang those members to check on their well-being. Black Raven Credit Union contacted all members over 70 years old by text message to let them know the credit union was there to assist.

Kilcloon Credit Union is enabling more vulnerable members to immediately authorise a family member, relative, close friend (none of whom have to be members) to transact business on their account on their behalf, subject to formal confirmation from the members and proof of ID from the third party. Access Credit Union and Dungarvan Credit Union are offering a similar service.

9. Commitment to the wider community

During the COVID-19 crisis, credit unions have demonstrated, in a creative variety of ways, a commitment to their communities beyond their membership.

Dundalk Credit Union has launched the COVID-19 Community Response Fund, jointly with Cúchullain Credit Union (also based in Co. Louth), to offer financial assistance to those community organisations and groups that are putting the needs of others ahead of their own in response to the impact of COVID-19. The initiative has been very well received by members, the public in general and the state agencies involved in fighting COVID-19. Substantial donations have already been made to local health and mental health charities.

Blanchardstown & District Credit Union is launching an awareness campaign called “Stay Local, Borrow Local, Spend Local” to support the wider local community and small businesses.

Ballinsloe Credit Union delivered bottled water and (real) coffee machines to the local hospital for the staff and patients.

St Dominic Credit Union purchased and donated PPE supplies to a local nursing home which was in desperate need of protective equipment.

Access Credit Union is producing short videos for local businesses to help them promote their business re-openings via the credit union’s online channel. This free service is designed to help members advertise products and services.

10. Conclusions

The picture that emerges from these examples of Irish credit union action, even as significant commercial challenges are navigated, is well summarised by the CEO of Donore Credit Union as “keeping both staff and members safe while seeking as much continuity as possible.”

Credit unions have taken swift action to make their branches available even as many other firms are closing outlets down, and in some cases credit union staff are even going out to members’ homes to deliver cash and documents.

The investments many credit unions have made (and others are now accelerating) in deploying online and mobile services have shown their worth in a way that was never anticipated. Take-up suggests that the nature of interactions between credit unions and their members may be irreversibly changing, as people come to understand the convenience and security these new channels provide.

While new lending has been hit hard, Irish credit unions have not chosen to simply ‘hunker down’; they have shown innovation in the development of new products and the flexing of old ones to meet member needs in these new circumstances.

CFCFE will be working with its members and other credit unions to understand better and document the long-term changes the COVID-19 emergency has wrought on the operations of credit unions and the needs and behaviours of their members. We plan to research and publish a paper on this later this year.

The bottom line is that (no surprise) the pandemic has brought a response from Irish credit unions that demonstrates this worldwide movement’s fundamental commitment to ‘people helping people’.

Membership of the Centre for Community Finance Europe

* Denotes Founding Member - these organisations supported the inauguration of CFCFE in 2017

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