

Blossoming Enterprise

Latin America's
Largest Credit Union
Grows through Cooperation

By Jennifer Brink



In the past six years, Caja Popular Mexicana has grown by nearly 600,000 members and US\$864 million in assets to become the largest credit union in Latin America.

MARIA DEL CARMEN MORENO

Mexico



Guadalupe Fuentes is one among more than a million Caja Popular Mexicana (CPM) members whose life wouldn't be the same without a trusted financial institution watching her back. Affordable loans have enabled her to build her roadside business and finance her family's first home. Today, her entire family saves at CPM, and she has nothing but praise for her credit union. Fuentes' experience is among many success stories in an institution that has spent the past decade transforming itself to better serve its members.

Twelve years ago, 62 credit unions, state federations and a national federation merged to form CPM, now the largest credit union in Latin America. The newly formed credit union struggled with inefficiency and a debilitating lack of cohesion among its branches. Today, thanks to the dedication of CPM staff, support from its credit union league partners in California and Texas and technical assistance from a World Council of Credit Unions (WOCCU) program funded by the United States Agency for International Development (USAID), CPM has increased assets nearly four-fold, slashed loan delinquency rates to 5% from 19%, and is growing at a rate of 14,000 new members per month.

Cultivating Sustainable Growth

At the core of CPM's transformation have been its varied efforts to unify a fragmented network of branches. The first step was to get everyone speaking the same financial language.

WOCCU introduced its PEARLS financial performance monitoring system to CPM at the start of the technical assistance program in 2002. CPM implemented the software at each of its 325 branch offices. The new reporting system enabled credit union officials to assess each branch's performance and make more informed strategic decisions.

CPM next turned its focus to creating a central platform for communications, since the different branches were operating various systems, software and hardware. Imperative to the credit union's success was the installation of a standard information technology (IT) system.

CPM officials visited partner credit unions in California and Texas, as well as Truliant Federal Credit Union in



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This all-women's *semilla cooperativa* group in the mountains of Coatepec, Mexico meets with its CPM field officer (far right) twice a month at the restaurant above to access loans as working capital for their farms, restaurants and small businesses, and to deposit a minimum of US\$10 per month as agreed upon by the group.

Nuturing the Cooperative Seed

The *semilla cooperativa* [cooperative seed] approach to rural outreach was developed by the WOCCU program in Veracruz state, one of Mexico's poorest regions. The Mexican Ministry of Agriculture, Livestock, Rural Development, Fishing and Food (SAGARPA) financed the program, and three CPM branches are among the credit unions adopting the methodology.

The Philosophy

Access to loans in rural areas of Mexico is often accompanied by interest rates of more than 100%. Credit unions offer much more affordable loans, accompanied by a range of other financial services. In a country where the relative cost and time of travel can empty a person's pocketbook, *semilla cooperativa* offers a cost-effective and convenient way for credit unions to deliver financial services to the underserved in remote rural areas.

How it Works

Credit union field officers travel to area villages up to 30 kilometers (about 19 miles) from branch offices to introduce the credit union's full range of financial services to community leaders. The credit union then introduces itself and the *semilla cooperativa* group delivery methodology in a community meeting. Those interested in joining the credit union form groups of 10-30 people that decide how often to meet, with the usual frequency being one meeting per month. The group elects a president, secretary and treasurer. The three leaders help the credit union verify loan application information and collect payments and savings deposits.

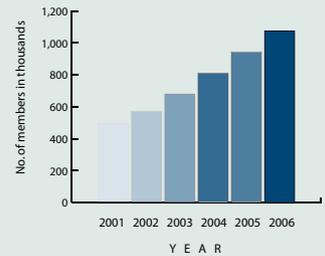
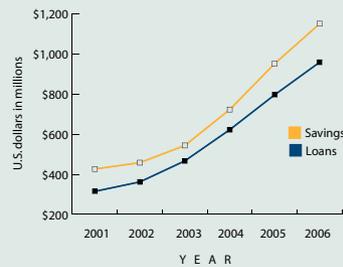
How it Differs

While non-governmental organizations and loan sharks offer microcredit with rigid requirements and high interest rates, *semilla cooperativa* provides sustainable financial services to rural members through offering efficient and non-compulsory financial education meetings, affordable rates and the security of belonging to a regulated financial institution. One credit union has even adapted the methodology to capture youth savings, aptly naming it *semillita cooperativa* [little cooperative seed].

-Jennifer Brink

Growth

Savings, Loans and Members



North Carolina, to analyze IT system options. CPM then formed a 45-person committee of staff members from across the organization and undertook a rigorous process to select the new IT platform.

With the ensuing buy-in from its branches and resulting standardization, CPM is now operating as an integrated financial institution. Since selecting the Fiserv IT system and migrating to the new platform last year, CPM's branches have increasingly streamlined operations and, subsequently, improved member services. Branches now submit their data daily to CPM's headquarters. The credit union has plans to develop an ATM network and is fully integrating its remittance distribution using the new system.

Delinquency Declines, Capital Levels Rise

Another challenge CPM faced following the merger was that each branch manager used different criteria to analyze credit applications and adhered to different rules on loan collection. As a result, the credit union's delinquency rate had risen to a crippling 19% by 2002.

With all branches using PEARLS and a standard IT system, CPM worked to streamline loan application assessment and approval and to implement more stringent collection policies. As a result, CPM has reduced the delinquency rate to 5% and was able to bring its institutional capital to a healthier level, paving the way for new product and service development and stable growth.

With its capital levels rising, a new IT platform and credit standards in place, CPM began expanding its line of credit offerings. One innovative product was a no-interest loan allowing members to purchase each other's goods or services, such as furniture or dental work, on display or advertised at the CPM branch. Entrepreneurial members selling the goods or services pay the credit union a commission on each loan in exchange for the lobby exposure. CPM also began offering revolving lines of credit for members who have established good credit history, such as eight-year member Guadalupe Fuentes.

In 2003, CPM began offering remittance services to members and non-members through WOCCU's International Remittance Network (IRnet®). Not only does the service draw new members in, but remittances are now considered part of member income in loan applications.



(Left) Entrepreneurial CPM members pay the credit union a commission to display their goods or advertise their services at the branches. Interested members can apply for interest-free loans to purchase the products and services. (Center) Guadalupe Fuentes, a mother of four and an eight-year CPM member, bought land, built her first home and grew her small business with help from CPM. (Right) CPM's branding is unmistakable across Mexico.

The innovative recognition of remittances as steady income has enabled members to make more productive use of the money they receive from family members working abroad.

CPM centralized its national marketing strategy last year to establish consistent branding. Headquarters staff now oversees publicity and promotion initiatives and disburses marketing materials to the now nearly 350 branches.

Today, travelers can't pass through many parts of Mexico without seeing billboards beckoning them to CPM. The credit union's green stamp is unmistakable. Every branch, every sign, every passbook, every employee and even the CPM-sponsored soccer team, *Club Deportivo León*, carry the same look.

While attracting new members, CPM has also strengthened its capacity to respond to them. The credit union redesigned its website, expanded branch hours to nights and weekends, created a toll-free number and established a call center. Convenient locations, accessibility, security and an incentive program have also led to a very effective word-of-mouth campaign among CPM members.

Amid solid growth, CPM streamlined the institution's decision-making while maintaining democratic input from its constituents. Definitive tiers of leadership now represent various branches and regions. Some communities hold meetings prior to CPM's annual general meeting, attracting up to 60% of the membership, especially in rural areas where members have a strong commitment to their credit union.

Looking Forward

So what's next? The 3,500 people working at CPM have a very clear idea of where they're headed in the next five years. They're all focused on driving sustainable growth. The consistent vision is a great accomplishment in and of itself.

Electronic Payment Services. CPM is currently awaiting a license that would authorize it to offer members electronic payment services and long-term loans. This would make CPM the first credit union in Mexico to offer such services as online banking and credit cards.

Faster Credit Delivery. Though its credit delivery system has become more significantly more efficient, CPM recognizes it still has room for improvement. Currently,

when a member applies for a first-time loan, the wait time is approximately five days, a long time for someone in need of immediate financing.

CPM is exploring ways to streamline credit approval without losing the level of control and risk management it has achieved. Currently, one individual in each branch sells credit products, analyzes applications and collects loans. CPM recognizes the potential conflict of interest and is considering splitting the duties among three people. CPM is also exploring the use of credit scoring, a new tool for credit unions in Mexico.

Improved Human Resources Management. CPM understands that as the credit union grows, it must continue to invest in its people. CPM expects to hire 1,500 more employees by 2012 and is implementing a number of initiatives to build skills sets and morale.

CPM is developing staff training and mentoring programs and has adapted a performance evaluation tool provided by WOCCU for obtaining and giving employee feedback. The credit union is also instituting *Gente CPM*, a program designed to create a positive working environment and foster pride among staff.

Challenges Ahead

CPM has advanced far from where it was at the start of the WOCCU program six years ago. CEO Ramón Imperial Zúñiga recognizes that the overarching challenge now is adapting to the new regulatory standards for credit unions in Mexico and staying competitive in the financial services sector while remaining accessible to people from all walks of life.

CPM has transformed itself into a robust financial institution, but maintaining equilibrium between regulatory adherence and service to the poor may prove to be its greatest challenge yet. Thanks to years of hard work and dedication, CPM is equipped with talented visionaries who now have the tools they need to carry the credit union forward and continue serving more people like Guadalupe Fuentes and her family. ■

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