

# CREDIT UNION Service to the community

## Credit union plows profits into lending

By GUY LASNIER  
Sentinel staff writer

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SANTA CRUZ — When Karen Zelin was hired by the Santa Cruz Community Credit Union 12 years ago, the fledgling institution conducted business on a card table and kept its cash in a cigar box.

Assets were about \$300,000. Tellers were volunteers.

Today, the credit union owns its headquarters, has \$18.5 million in assets and a staff of 30. It has loaned about \$50 million to local businesses and individuals since it began in 1977. With 6,600 members it is one of the top three community development credit unions in the nation.

It is also losing Zelin, its chief executive officer since 1984. Zelin, 37, has been in the credit union business for 16 years. It is time to take a break, she said, although she plans to continue working with other community development credit unions as a consultant.

Community development credit unions are usually found in low-income urban communities abandoned by banks. Created during the war-on-poverty days, the credit unions emphasize using financial resources to develop the surrounding community.

At age 21, Zelin began a four-year stint as manager of Feminist Federal, a women's credit union in Detroit.

She started in Santa Cruz as general manager after visiting the West Coast. "I saw the credit union, walked in and said I could help," she remembers.

"She turned up and said she was available and we hired her," said longtime board member John Isbister, who is heading the effort to replace her. A successor is expected to be in place early next year.

"She has always had a tremendous business sense and came with a sense of commitment to social change," he said.

"She has done an amazing job of succeeding from a shoestring operation to a very substantial financial institution," commented Arnie Fischman, a friend and credit union board member who has worked closely with Zelin for a decade.

The community credit union to-



Shmuel Thaler/Sentinel

After 12 years, Santa Cruz Community Credit Union CEO Karen Zelin is taking a break.

day is a full-service financial institution with checking accounts, an automatic teller machine, and even Visa cards.

The credit cards are different from most in that a portion of revenues goes to community groups such as Planned Parenthood, Hospice and Save Our Shores.

"It has grown not only in asset size but in sophistication," said Jeff Wells, a member since the beginning and the acting CEO. "She really is the catalyst that made that happen. She was our leader during all that growth."

Zelin said she feels all right about leaving now because "the leadership in the organization has been spread around. The vision is carried in so many people's work," she said.

That vision, one Zelin describes as "so compelling," is "directing community money to community good."

She is particularly proud of a \$40,000 revolving loan fund for child-care facilities and a \$300,000 housing fund.

Currently, the credit union has about \$11.5 million in loans. Its default rate is less than 1 percent, a

low figure for financial institutions.

Nationally, credit unions are healthy, especially when compared with the oft-maligned savings and loans and commercial banks. The credit union insurance fund, made up entirely of credit union money, not taxpayers', is the largest in the financial industry.

Credit unions have done well because they don't make risky loans, said Ken Burns, president and chief executive officer of Bay Federal Credit Union, Santa Cruz County's largest with 22,000 members and \$75 million in assets. "We provide service to the community, the risk is much less. We're not lending funds to Donald Trump or to nations overseas."

Bay Federal and Santa Cruz Community cooperate with each other in marketing campaigns and investment strategies as do other credit unions.

"We've always looked upon them as a neighbor," said Burns. "It's a bit different than in the banking industry."

Zelin "has certainly done an excellent job," Burns said. She was instrumental in directing the credit union after the earthquake when its offices were closed and getting services to small businesses.

Although credit unions are under increased regulatory pressures because of problems with banks and S&Ls, Zelin predicts they will remain strong. And she predicts growth for the community credit union.

"The reason is the philosophy that drives the business," she said, "service to members rather than bottom line profit." But she added quickly, "service to members mean you have to be profitable."