

# From Cradle to Grave

## Peru-Vermont Partnership Benefits Both Systems

By Victor Miguel Corro

**D**iscussions about the development of a partnership between credit unions in Vermont and Peru were already underway when Joe Bergeron, president of the Association of Vermont Credit Unions (AVCU), heard about the plan. Although newly minted, partnerships between the association and its Peruvian counterpart have already established a standard of mutual benefit for all parties involved.

“Peru has five times the number of credit unions as Vermont, but in some ways Peru’s system is similar to what the U.S. system was like in the 1970s,” said Bergeron. “A lot of us have lived through that time and a lot of what we think they need to do are things we’ve already experienced.”

The partnership idea was first discussed during a World Council of Credit Unions (WOCCU) board

meeting two years ago. At the time, WOCCU board members Ron Hance, president and CEO of Heritage Family Credit Union in Rutland, Vt., and Manuel Rabines, president of National Federation of Credit Unions of Peru (FENACREP), had seen the benefits that international partnerships brought to credit union systems worldwide. That realization stimulated an interest in forming a partnership between the two



Association of Vermont Credit Union delegates meet with the Finance Committee of Peru’s Congress.



Vermont visitors are welcomed by Finantel Credit Union.



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*Association of Vermont Credit Unions President Joe Bergeron interacts with a street merchant in Cusco.*

*“Credit unions in Peru are much more cognizant of their social mission than we are...they take care of their members from birth to death, even to the point of providing maternity loans and owning cemeteries.”*

*-Joe Bergeron*



*Ron Hance, CEO of Heritage Family Credit Union, seated, and Rocio Miyashiro Kiyan, CEO of Cooperativa de Ahorro y Crédito ABACO, sign the partnership agreement between their two credit unions.*

MATT LEVANDOWSKI/HERITAGE FAMILY CREDIT UNION

geographically distant and culturally diverse allies.

A visit in November 2006 by representatives from FENACREP and Peruvian credit unions to AVCU headquarters in Burlington, Vt., helped cement the partnership. The interactions with the association, local credit unions, the Vermont regulator and the system’s corporate credit union helped the partners to identify several areas of cooperation.

On May 23, 2007, credit union systems in Vermont and Peru signed a partnership agreement. Visits to Peru and an evaluation of the country’s needs gave officials from Vermont credit unions and AVCU ideas on various ways the two systems could cooperate in making credit unions in both countries more effective in serving members, Bergeron said. Initial ideas to help Peru’s credit unions thrive included protecting the institutions through share insurance, expanding member services through shared branching, creating a central financing facility to handle cash liquidity and introducing state-of-the-art technology.

### **Disaster Delays Critical Progress**

But as the partner systems were about to undertake an ambitious work plan, disaster struck the South American country. On Aug. 15, 2007, a 7.9-magnitude earthquake shook Peru, bringing chaos, death and destruction to the country. Within hours of the disaster, Bergeron contacted WOCCU seeking ways to help. AVCU proved instrumental in rallying U.S. credit union system members and raising funds to directly assist credit union staff, members and communities in Peru.

Several months after the tragedy, as the country was still recovering, partnership members began to rethink the objectives, focusing on the most pressing needs. As with other partnerships, WOCCU assisted in identifying where cooperation would be the most critical. Vermont and Peru are now working closely together in the creation of a private deposit guarantee fund for credit unions in Peru. The goal is to have some form of fund in place by the end of 2008.

“We re-evaluated our options and, as a result, will work very



*FENACREP President Manuel Rabines delivers relief packages following Peru’s August earthquake.*

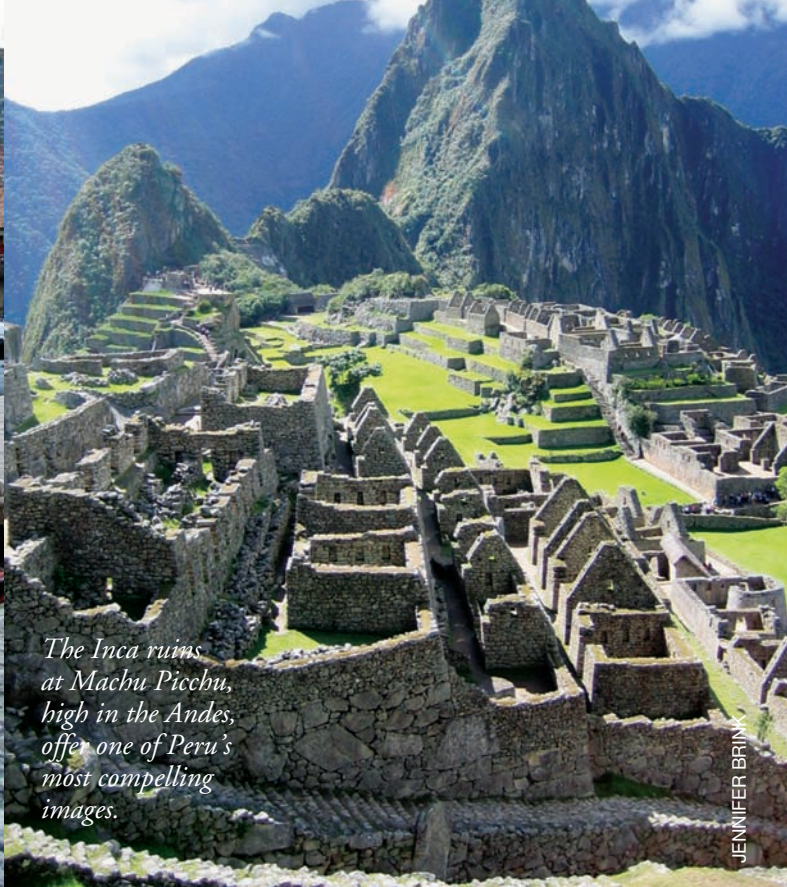


*The Vermont delegation visits with officials of San Hilarion Credit Union in the suburbs of Lima.*



Local women observe the day's events from an archway in Cuzco, Peru.

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The Inca ruins at Machu Picchu, high in the Andes, offer one of Peru's most compelling images.

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closely with Vermont and WOCCU to bring a safer environment for credit union members in Peru,” said Rabines.

Bergeron agreed: “We can work to help credit unions become part of their country’s bank deposit insurance fund, something that Peruvian banks don’t want to happen. We can help start our own deposit insurance program, or we can create a stabilization fund to protect credit unions encountering liquidity problems. That’s what the U.S. credit union system did prior to the establishment of the National Credit Union Share Insurance Fund.”

The relationship between Vermont and Peru doesn’t stop with their respective trade associations. As a way to quickly assure a “best-practices” knowledge transfer, the partnership developed a direct credit union-to-credit union alliance. On Dec. 11, 2007, Cooperativa de Ahorro y Crédito ABACO, Peru’s largest credit union, signed a partnership agreement with Heritage Family Federal Credit Union in Rutland, Vt. As Heritage Family CEO, Hance signed an agreement with Rocio Miyashiro Kiyam, ABACO CEO, pledging mutual support and agreement.

“We believe the partnership agreement should benefit both parties,” Hance said. “ABACO can benefit from our past experience in Vermont, and we can benefit from the unique way in which they approach their membership.”

The arrangement also will serve as the model for other credit unions. An employee-exchange program involving staff from both Vermont and Peru credit unions will be a central part of the program, Hance said. The value each country brings to the partnerships has not been lost on any of the participants.

“Credit unions in Peru are much more cognizant of their social mission than we are in the U.S.,” Bergeron said. “They take care of their members from birth to death, even to the point of providing maternity loans and owning cemeteries.

“We could learn from that approach,” he added. 🌐

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## Peru's Financial System and Credit Unions

There are 13 banks in Peru, all but one foreign-based. Of the 160 Peruvian credit unions, the three largest are Japanese-owned and each has about US\$75 million in assets. The fourth-largest drops to US\$20 million in assets, and they get smaller from there. Vermont’s 31 credit unions have about five times the assets of Peru’s 160 cooperatives.

Interest rates on deposits are in the 12% range, 36% for loans. Loans focus heavily on micro-business lending, due largely to residents’ low income levels. Some credit unions perform “cradle-to-grave” member service, ranging from maternity coverage to funeral arrangements. Most are very community-oriented.

There is no deposit insurance, but all credit unions have security guards at locked entrances, and nobody enters or exits without guard approval. There are no corporate credit unions, so each institution is on its own for investments. 🌐

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