CU Management

APRIL 2016

Charting a New Direction

Six key assumptions about officers that your board should challenge.

Meet Jimese Harkley

2015 CUES Next Top Credit Union Exec

All in for Omnichannel

Members want a seamless experience across touchpoints

Special Report: CUSOs

5 ways credit union service organizations help CUs reach their goals

CU Management

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WEB-ONLY BONUS

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Assessing Job Candidates

(bonus from "A Technological Assist," p. 16)

How Firstmark Credit Union uses avatars for hiring.

cues.org/0316assessing

Lessons From a Satisfied Credit Union

(bonus from "Employee Engagement & Satisfaction Done Right," p. 20)

Consumers CU scores very high in three areas on its employee satisfaction and engagement surveys.

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Case Study: First Tech Federal Credit Union's Omnichannel Strategies

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How marketing supports omnichannel by interpreting and responding to members' 'digital body language.'

cues.org/0316casestudy

App-Only Content

Omnichannel Best Practices

Because omnichannel delivery is a relatively new approach, best practices are still being defined. Here are some starting points.

Download the myCUES App (*cues.org/mycues*) to read this article under "Spotlight."

Online-Only Columns

CFO Focus: Longer Deposits and Rising Rates

Certificates with a rate change feature can help both CUs and their members.

cues.org/0316cfofocus

NextGen Know-How: Read to Lead

Why reading is an important leadership habit.

cues.org/0316nextgen

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WINNER 2015 APEX AWARDS FOR PUBLICATION EXCELLENCE

There's a CUSO for That!

Our "Special Report: CUSOs," p. 31, salutes the credit union service organization—and explores some of the many ways these for-profit subsidiaries and collaborative multi-owner corporations have changed how credit unions get things done.

In a world where scale is increasingly required to support new product and service offerings, CUSOs can often spread the financial investment, broaden market demand and distribute the risk. CUSOs can also help contain overhead costs when this cooperative model is used to share collection services, core processing or mortgage servicing, for example.

Whatever the need, it seems, there's a CUSO for that. In fact, a look at the National Association of Credit Union Service Organizations' NACUSO Marketplace (*www.nacuso.org/nacusomatch*) yields purveyors of everything from accounting services to Web design.

And while many modern CUSOs are so large and established as to be mistaken for for-profit firms, single-owner CUSOs still exist to deliver services not allowed by a credit union's (or corporate's) charter and/or to serve non-members.

Along the same lines are league service corporations, which often provide wide-ranging services ancillary to the leagues' main missions of advocacy and education.

You'll find most of these models in our eight-page report, with additional examples sprinkled liberally, though coincidentally, throughout the issue.

"Mortgage Tech for Every Step," p. 40, is a great example. Two CUSOs, CU Realty Services (*www.curealty.com*) and TruHome Solutions, LLC (*www.truhomemortgage.com*), figure prominently in the article about moving from being a mere lender (involved at the end of the home-buying process) to being a home-buying coach (involved from house hunt to closing).

Thanks to technology, the hunt more often than not starts online these days, rather than with a real estate agent. So CU Realty's HomeAdvantage offers a Zillow-like portal to the multiple listing services. Successful engagement with home-buyers at this point sets credit unions on the path to more loans, says Director of Marketing Tandy Vincent, noting home-buyers tend not to rate-shop but to work with the lender they know and trust to guide them through to closing.

Along the way, the buyers may need a real estate agent, one of the steps TruHome can help with, says Jeff Vossen, SVP/mortgage originations and operations. "We have a referral partner that will set them up with an agent .... Then, if that loan actually moves forward ..., that loan will stay with us."

Mary Arnold

Mary Auestad Arnold
Editor and Publisher

Accounts 'Grow Up' With Kids

Just as children's interests and preferences evolve with each passing year, the new Discovery Youth Accounts launched by First Service Credit Union (*www.fscu.com*) are designed to offer progressive themes, features and options as young members grow up.

The youth accounts are offered in three tiers: Adventurer for children through age 10, Voyager for ages 11 to 14, and Navigator for ages 15 to 18. Accountholders "level up" automatically. All accounts offer free online and mobile access so children and teens, rather than their parents, can set their own savings goals and make deposits.

A new feature to be added this year will give Voyager accountholders the option to set up webpages to seek contributions for savings goals from family and friends. And Navigator members have the option to open a checking account with a debit card, with special safeguards that prohibit overdrafts.

The $600 million/56,000-member Houston credit union previously sponsored a youth savings program with online content from a vendor offering rewards in the form of prizes. First Service CU decided to design its own program to more effectively appeal to young members across the age spectrum and incentivize behaviors that could make a positive difference in their futures rather than just awarding movie tickets after a certain number of deposits, says CUES member Mike McWethy, executive vice president of the CU.

The decision to reward young members for earning good grades with deposits to their accounts has been a hit with both kids and parents, McWethy notes. "We know that getting good grades benefits everyone, and this focus encourages discussions between parents and children about the importance of education," he adds.

Other account features will also encourage family conversations, including the decision of teenagers to open a checking account with their parents' permission and the option for Voyager accountholders to set up funding requests. "They're going to have to think it through and work for it, and the CU will be part of that discussion," McWethy says.

First Service CU's marketing department conducted research to help design the tiered program, gathering input from children across the age spectrum from member families and their own family and friends.

"This program is an investment in sustainability for long-term member relationships," McWethy says. "We want to be the CU that gave them their first debit card and, down the road, their first credit card, their first auto loan, and their first mortgage."

"Every single person within an organization has influence. Some use it for good. Others don't. … Leaders—whether they have a title or not—rally the team around positivity and invest in pushing them forward."

Matt Monge, speaker, coach and consultant, in "10 Ways You Can Show Leadership Without a Title" on The Mojo Blog at *http://tinyurl.com/leadwithouttitle.*

Align Culture & Success Drivers

Jamie Notter (*www.jamienotter.com*) defines culture as the collection of words, actions, thoughts and "stuff" that clarify and reinforce what is truly valued inside your organization. A strong culture is one that aligns what is valued with what drives the success of the enterprise, he told attendees at CUES Symposium: A CEO Chairman Exchange (*cues.org/symp*).

To make progress toward creating a strong culture at your CU, you must:

1. Know where you are now. Gather data, conduct research, ask questions, read reviews. You need a system that is constantly monitoring itself, Notter said.

2. Know where you need to be. Define what drives your organization's success and get clear on what's important to drive future success. "It's a deep and complicated answer," he warned. "Don't look at what you believe to be obvious."

3. Know how you will move from here to there skillfully. "To do this you need to do these two things: Make it real. Make it permanent. Choose to make changes to concrete processes that everyone sees," Notter advised.

Meetings are Notter's favorite recommendation for a visible process to change right away. He challenged attendees to make a change to get the impact they're after: transparency, efficiency, engagement, etc. This could mean changing the meeting structure, shifting the location or altering the number of people in the meeting—whatever is needed to make the desired cultural impact.

Letters to the Editor

Setting CD Rates

"CFO Focus: Spotlight on Certificate Specials" (*cues.org/1215cfofocus)* poses some interesting points. That said, money is only being valued in economic benefit in funding a loan. There is MUCH more in CDs. ... CDs drive traffic and if the sales team is worth their weight it often transitions into longer relationships. I was surprised not to see CD rates tied to primary checking/direct deposit etc. These build the cooperative and reward members who give more in terms of business ... and drive new faces in to cross-sell relationships.

CUES member Todd Link
SVP/Risk Management/Remote
$1.29 billion Dupaco Community CU (*www.dupaco.com*)
Dubuque, Iowa

Author response:
I agree with every point. ... Indeed, the customized maturity accounts described in the article offer advantageous pricing typically available only to members who have or are establishing a broader relationship. ... We also advocate timing and defining specials to attract depositor attention without the excessive cost of perpetual promotions. If you really want to drive new faces, offer to refinance deposits as interest rates rise. Every time-deposit customer is interested in escaping low yielding accounts.

Neil Stanley
CEO/Founder
The CorePoint (*www.bank-ps.com*)

Interest Rates on the Rise

I was interested to read the January issue article, "Lending Outlook for 2016" (*cues.org/0116Lending*).

Credit unions are consumer lenders. In most cases they have more rate-sensitive liabilities than rate-sensitive assets. In addition, the duration of their RSAs is typically longer than the duration of their RSLs. Liability-sensitive credit unions would experience a decline in interest income and potentially net income when interest rates rise, not an increase as the article suggests. Credit unions should use their ALM models to determine the effect a rise in interest rates would have on them.

William J. (Bill) Rissel
Retired CUES member
(formerly president/CEO of Fort Knox FCU)
Punta Gorda, Fla.

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Corrections

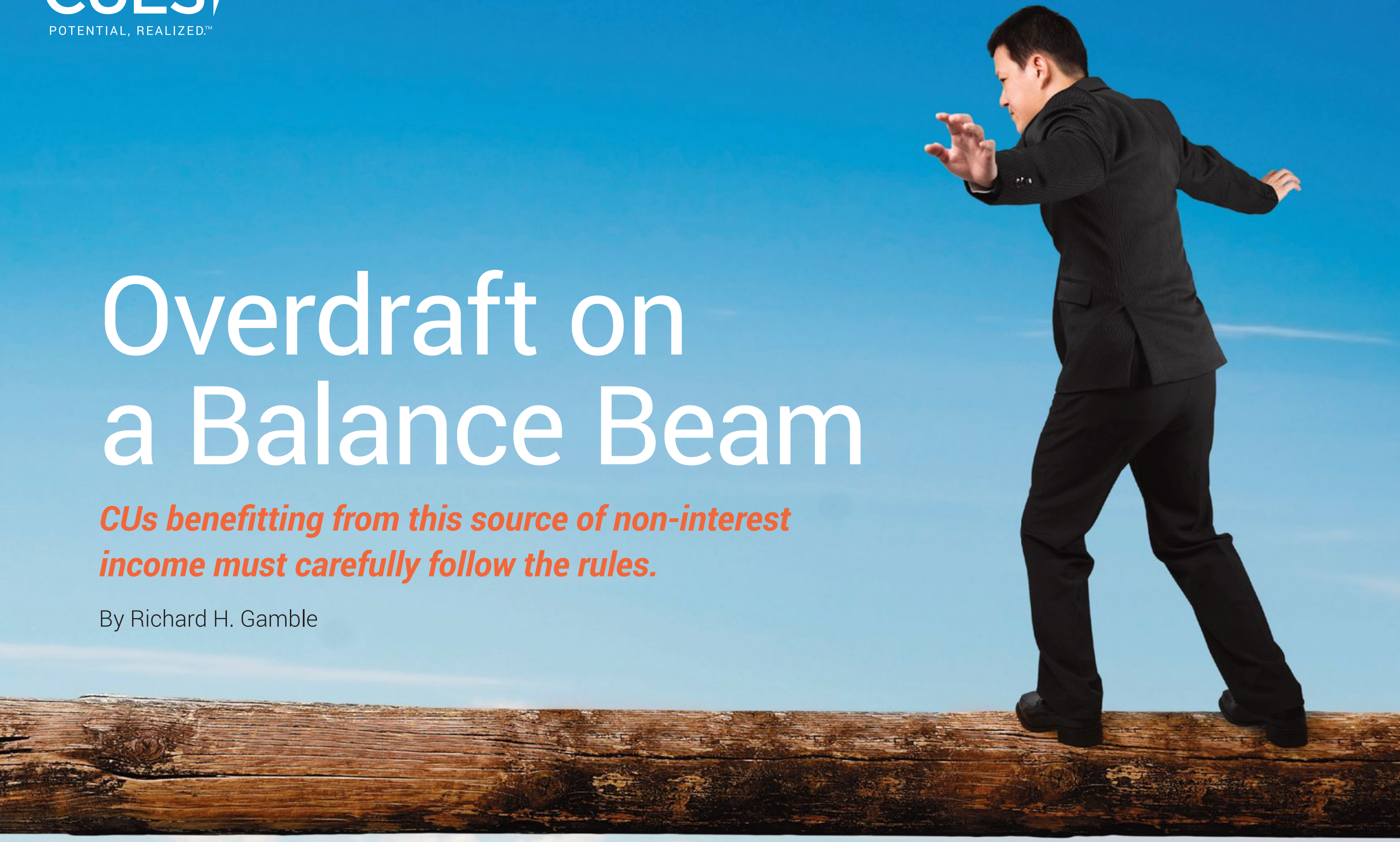
In our March issue article, "Verifying Online IDs" (*cues.org/0316verifying*), online account opening solution OpenAnyware and its provider, Bluepoint Solutions (*www.bluepointsolutions.com*), a CUES Supplier member based in Hendersen, Nev., were incorrectly identified. CUES regrets the error.

In another March article "The Right Questions," (*cues.org/0316rightquestions*) we incorrectly referred to the Customer Contact Council as the author of a study, when it should have been CEB (*www.cebglobal.com*).

Insights

"The industry has figured out how to transact across multiple channels—by branch, by ATM, by online and mobile banking solutions. The struggle that many credit unions and banks have right now is how to converse and market across multiple channels."

Sam Kilmer, senior director with CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*), in "All in for Omnichannel," p. 24.



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Overdraft on a Balance Beam

CUs benefitting from this source of non-interest income must carefully follow the rules.

By Richard H. Gamble

Overdraft protection may need some protecting. CU managers see overdraft fees as an important source of income and a member service. At the same time, the Consumer Financial Protection Bureau is looking at overdraft programs more closely.

CFPB (*www.cfpb.gov*) is considering new regulations aimed at identifying overly aggressive overdraft fees and programs. What's more, a small but growing number of CUs are being sued over overdraft services.

Because of aggressive consumer protection initiatives, overdraft practices at financial institutions have become a legal and regulatory minefield, reports Brian Witt, a partner in the Portland, Ore., law firm Farleigh Wada Witt (*www.fwwlaw.com*), who advises CUs on how to stay out of trouble and defends them when they are sued. Those lawsuits are growing, he says, and CU managers need to think defensively on two fronts: pending regulation from the CFPB and potential litigation.

CFPB has been investigating overdraft protection practices for several years and postponed new regulations that were expected last fall, Witt reports. "We don't know what the new CFPB regulations will say, but we know that they are looking at five practice areas." These are opt-in features; limits on daily and aggregate fees; posting order; how fees are calculated; and involuntary account closures.

There are no safe harbors, but there are best practices that can offer some degree of protection, Witt adds. He recommends that CUs perform a full risk assessment of their overdraft programs to identify any potential legal and regulatory problems, then update all documentation to be consistent and address litigation trigger points.

He doesn't say so, but the implication is clear: It's dangerous to set fees as high as possible and levy them as often as you can. What he does say is that it's also dangerous to have reasonable fees, but not communicate them clearly.

Coming off meetings with CFPB staff in Washington, D.C., G. Michael Moebs, CPA, economist and CEO of Moebs $ervices (*www.moebs.com*), Lake Forest, Ill., reports that reform rhetoric has been toned down as political rhetoric has heated up; he doesn't expect action before the election. Moreover, complaints to the CFPB about CU overdraft practices are rare.

However, in February, CFPB Director Richard Cordray sent a letter to the 25 largest retail banks (*http://tinyurl.com/cfpbodrltr*), urging them to provide accounts that can't be overdrawn.

What CFPB is most concerned about, Moebs says, is providing services for the unbanked, and here CUs are well positioned to shine with reloadable prepaid cards with no overdraft features. Such cards are currently offered by 26.8 percent of CUs, compared to 16 percent of banks.

Witt characterizes most of the litigation against CUs as "attorneys trolling for consumers to seek monetary settlements based on technicalities." More than a dozen CUs have been sued and many more threatened, he notes.

Good Guys

If regulators and litigators are looking for bad guys, they won't find them at $66 million Tuscaloosa Credit Union (*www.tuscaloosacu.org*) in Tuscaloosa, Ala. Members there have two options for overdraft protection if they write a check or authorize a debit that exceeds their balance. The credit union will lend them up to $500 at 18 percent interest to cover the shortfall. Or they can get "courtesy pay," where the CU pays the check or debit, allows the overdraft on the books for up to 45 days, and charges the member $25 per occurrence.

Members are automatically eligible for courtesy pay after 45 days, and many opt in, reports CEO Tommy Cobb, a CUES member. Courtesy pay overdrafts are limited to a total of $500.

Courtesy pay is by far the more popular option, according to Cobb, and that's fine with him because the interest the CU earns on the small overdraft loans doesn't cover the cost of carrying them. "We need to charge a fee to at least cover our cost, and we're looking into that," he says.

Tuscaloosa CU members use overdraft protection two ways: A small group uses it to cover emergency expenses, a timing surprise or a clerical error. The other, much larger group uses it regularly, in ordinary situations, to stretch their spending to the next paycheck or benefit deposit.

And that poses a dilemma for Cobb and for many CU policymakers. Overdraft protection is a valuable service for which banks and CUs charge a fee. It's certainly possible with smart management to maximize the fee income and improve profitability. But the fees the CU collects mostly come out of the pockets of its poorest, least sophisticated members. What's good for the CU may be bad for a vulnerable segment of its members and attract regulatory scrutiny.

Compassionate Cobb and Tuscaloosa CU go to the other extreme. He was moved by the plight of one woman who years ago wrote a check to Pizza Hut for $25 that she didn't have in her account. The check bounced twice, and she ended up being charged $100 in fees by Pizza Hut and the CU and came to the CU to plead for mercy. "That was too much punishment for one bad decision," Cobb says. "We have to take care of people like that." So he introduced courtesy pay, and now the penalty, on the credit union side at least, would be capped at $25.

The situation is getting worse, Cobb reports. Chronic overdrafters get in too deep and move on, sticking CUs with charge-offs. That's why Tuscaloosa CU is about to link account opening to a screening process where they find out up front if a prospective member has a trail of bad credit. "If they have a bad record, we'll let them open an account," Cobb says, "but we'll deny them overdraft protection, at least for a while. Overdraft protection is a good product, but it's badly used by some people.

Efficient Credit

But that's not all, urges consultant Richard Crone (*www.croneconsulting.com*), San Carlos, Calif. Overdraft protection is not just about poor people struggling to make ends meet. It's particularly useful to very small businesses—maybe a single practitioner with one office or a home office, a growing segment coveted by many CUs.

"Often these members don't want the complications of a business line of credit. Overdrafts are the simplest, most efficient way for them to meet short-term credit needs. It's a transaction-level loan. It's exactly what they want, and they're happy to pay the fees." His point is logical, but may be irrelevant at some CUs. Cobb, for example, doesn't see members like that at Tuscaloosa CU.

Crone puts protected overdrafts in the context of P2P lending, in which members of a social network lend to each other, he explains. It's unregulated and a competitive challenge to CUs. Permitting overdrafts for a fee is a valid way for CUs to compete, offering something ultra-convenient and often economical, he argues. Allowing overdrafts and charging a fair price for them is entirely compatible with the values of the credit union movement, he suggests.

In spite of his efforts to help members avoid overdraft fees, Cobb is a strong advocate of using vendors to support ongoing overdraft strategy. Like most of the CUs we talked to, he uses CUES Supplier member John M. Floyd & Associates (JMFA, *www.jmfa.com*), Baytown, Texas. He gives the firm a lot of the credit for increasing Tuscaloosa CU's income from overdrafts tenfold.

"They're the most aggressive partner I have," he observes. "They're always pointing out ratios I should notice and challenging me to fix things. If all our vendors were this attentive, we'd be more profitable."

JMFA brings to Tuscaloosa CU more than profitability coaching. "You could do this yourself, but it's really best to engage a third party," Cobb says, "because they really keep up with all the regulations and trends. It's becoming a complex business."

When Cobb joined the CU in 1991, it had $8 million in assets, and overdrafts were managed by putting the handful of names and amounts on a wallboard. "We knew the members personally," he says, "and could make informed decisions about which ones to pay. Now it takes policies and programming."

Compliance Advice

Not everyone thinks vendors who get paid for increasing overdraft fee income are the best source of compliance advice. "Vendors and consultants are offering CUs programs to increase fee income," Witt observes. "They are out to maximize profit, not improve service. Compliance is secondary to them. They don't deal with it well—not even close," he warns. "A CU needs to put its trust in compliance and legal experts."

Lisa Burroughs, CME, CCE, CIE, disagrees. She's chief operations officer of *LEVERAGE*, the for-profit service corporation of the League of Southeastern Credit Unions & Affiliates (*www.lscu.coop*), a CUES Supplier member based in Tallahassee, Fla., which resells the JMFA product to credit unions in Florida and Alabama. "It helps them increase fee income, improve operating efficiency and achieve regulatory compliance," she explains. "JMFA is in tight communication with the CFPB. They make sure their clients are compliant."

LSCU and the Credit Union National Association (*www.cuna.org*), Madison, Wis., also keep in touch with CFPB sources, Burroughs says. "They don't want to kill the service, but they want full and clear disclosure. They are the voice of the consumer. We are the voice of the credit unions. We talk to them about unintended consequences that could choke off the product. They are listening."

Like Cobb, Burroughs thinks today's overdraft protection management is a job for a third party. "When I worked at a CU before, we had a courtesy pay program. It was a great offering, but it was hard to keep up with. Bringing in a third party assures that you will stay aware of evolving best practices and new regulations. You can do it yourself, and many CUs do, but they may miss opportunities that way."

$150 million Dane County Credit Union (*www.dccu.us*), Madison, Wis., was happy to use a vendor—JMFA—to upgrade its in-house program. "We signed with JMFA 10 years ago and renewed our contract again last October," reports CUES member Shay Santos, chief financial officer.

"We started for compliance reasons, but it has also expanded the range of our product. We now cover debit card transactions. JMFA made a lot of recommendations, and we've followed most of them. Clear communication with members has been a big part of the improvements. It's also helped our retention."

Building fee income has been part of Dane County CU's success. "We've focused on increasing non-interest income for the past several years, and overdraft programs have helped," Santos says. "The JMFA people asked for our numbers, analyzed them, made recommendations and it has worked as advertised. We charge for some things that we didn't before, like offline and below-floor-limit debit card transactions. We had a floor limit before of $50. If a member needed $200, they would attempt four $50 transactions to avoid overdraft fees. Now a $30 overdraft fee is assessed on each transaction—no more sliding under the fence."

Ratios and Analysis

And now the program is actively managed. "We send JMFA our numbers every month, and they analyze them and show us ratios and how we perform compared to our baseline," Santos explains. "They point out the consequences of what we are doing and what should happen if we did it differently. Then we decide. Under our contract, we pay them a percent of the increased noninterest income we get from following their recommendations. It was a big list at first."

The increased fee income from overdraft protection—roughly 20 percent more per year—"lets us do other things that benefit members," Santos says. "It helps to offset the cost of our debit card program—all that overhead and fraud." As regulatory attention to fee practices increases, he is concerned about new regulation, but not about compliance. "JMFA helps us take care of that by providing guidance and periodic reviews of our entire process," he says.

One major change in the Dane County CU policy was to standardize practices. "We had tiers before. Now it's uniform for all members," Santos reports. The overdraft cap is $800. "We considered $1,000, but our vendor was uncomfortable with that, so we avoided hassles by sticking with $800."

Looking forward, there's a cloud over overdraft practices, but it's not funnel shaped. Witt has warned that growing regulation and litigation could "strangle" overdraft programs and cause financial institutions to abandon them. He now says that such programs are still viable for CUs and valuable for consumers.

The alternative—bouncing all those payments—would cost consumers more, disrupt services and not benefit financial institutions. "The regulators are in a tough spot," he observes. "They're trying to protect consumers but if they over-regulate, they know they could leave consumers worse off than they are now."

Richard H. Gamble *is a freelance writer based in Colorado.*

Overdraft Program Parameters

CU practices vary, but most will have a savings-to-checking transfer service as the first line of defense against bounced checks or debits, according to Lisa Burroughs, CME, CCE, CIE, chief operations officer of LEVERAGE. LEVERAGE is the for-profit service corporation of CUES Supplier member League of Southeastern Credit Unions & Affiliates (*www.lscu.coop*), Tallahassee, Fla., which resells the overdraft protection product from CUES Supplier member John M. Floyd & Associates (JMFA, www.jmfa.com), Baytown, Texas, to credit unions in Florida and Alabama. CUs will often also offer a line of credit link to make up the shortfall or a courtesy pay service or both, she explains. If members don't opt in for these services, they could face a non-sufficient-funds event and charges from both the CU and the merchant payee.

Burroughs sees good reason to set the overdraft protection limit high enough. "A member could have insufficient funds to cover an important mortgage payment," she says. "But it's a risk decision that's up to each CU."

Another variable is how long to allow the overdraft, if it's not covered by a line-of-credit draw or transfer from savings. Most CUs limit the number of times a month an overdraft can be covered. Some set a consistent policy for all members; others tie it to relationships. The absolutely most important thing, Burroughs emphasizes, is to clearly communicate your policies to members. They have to be clearly informed ahead of time about how an overdraft will affect them.

Resources

Read "On Compliance: The Strangling of Overdraft Protection" by Brian Witt at *cues.org/062515oncompliance.* Also read "On Compliance: 'Cutting Off' Overspending Members" at *cues.org/072513oncompliance.*

On the CUES Skybox blog at *cues.org/021316skybox*, you may also be interested in "Prepaid Debit Cards Aid Responsible Refund Spending."

Research shows that to maximize member profitability and competitive advantage, CUs must analyze every member touch point. Overdraft protection is a piece of this critical puzzle, which will be the focus of CUES School of Member Experience™ (*cues.org/some*), slated for Sept. 26-27 in Charleston, S.C.

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CO-OP FINANCIAL SERVICES

Strategic Philanthropist

CUES Next Top Credit Union Exec Jimese Harkley, CUDE, pulls together her CU's team to enhance its impact.

By Diane Franklin


Jimese Harkley, CUDE, is named CUES Next Top Credit Union Exec.

The most successful credit union executives have lots in common. They are all strong leaders. Many are also great communicators and excellent motivators. CUES member Jimese Harkley, CUDE, who is poised to join their ranks one day, identifies another key trait of top-echelon executives: their tireless efforts in engaging with the community and making a difference in the lives of others.

Harkley's commitment to community was on full display at CUES' CEO/Executive Team Network™, which culminated in her selection as the 2015 CUES Next Top Credit Union Exec.

Making her presentation to attendees at the multi-day conference in Scottsdale, Ariz., Harkley explained how she developed a highly successful philanthropic campaign for $1.3 billion America's First Federal Credit Union (*www.amfirst.org*), Birmingham, Ala. Philanthropy and community relations manager, Harkley spearheaded the "Community First" campaign, which raised more than $63,000 for three non-profit organizations and demonstrated the effectiveness of the strategic philanthropy model.

"The Community First campaign ... has allowed America's First to increase our corporate giving and our volunteer time with local organizations," Harkley explains. "It also has allowed us to engage in financial literacy workshops for members and non-members in the communities we serve."

Harkley says the campaign has been an effective way to increase employee buy-in to the CU's philanthropic efforts. "It's a way for us to connect and do the things that we as a credit union are charged to do."

Deploying the Program

Formally defined, strategic philanthropy is a plan for deploying a range of organizational resources, including its employees, toward meeting a specific goal.

"Most institutions don't have a strategy for giving," Harkley elaborates. "They set aside money in their marketing budget for charitable donations, but it's often on a first-come, first-served basis. If an organization asks you for money at the right time, you say, 'Yes, we can do it.' But not many institutions recognize corporate giving as a branding opportunity."

Strategic philanthropy emphasizes gaining employee engagement to boost the impact of corporate giving on the community.

"Many of us recognize that we need to do more, but the key question is, "how?'" Harkley says. "What are the things we need to do to get engagement from our employees, rather than just write a check?"

By answering these questions strategically, America's First FCU was able to achieve phenomenal growth with its Community First campaign over the last two years. In 2014, the campaign reached its $50,000 goal, but America's First FCU made a $4,000 donation to make that possible.

In 2015, employee engagement propelled the campaign past its $50,000 goal by $13,341 through sale of T-shirts, barbeque, cookies, sheet sets and soft drinks. Community engagement activities included a skeet-shooting tournament, an "all-bacon" cook-off, and a golf outing. Donations also were taken at all of the CU's branches.

America's First CU made United Cerebral Palsy of Greater Birmingham, The Bell Center for Early Intervention and the Alabama Kidney Foundation beneficiaries of the campaign.

"Most people think that philanthropy is about money, but it's more than that," says Harkley. "It's also about time and what you give of yourself to the community."

From Teller to Leader

Harkley joined America's First FCU after receiving a degree in communications from Jacksonville State University in 2005. Though her desired job in the marketing department had been filled, she accepted an offer to come on board as a teller with a strong prospect for advancement.

"In the meantime I would have the opportunity to serve in the front line and work with our membership face to face," she says.

As it turned out, she did advance quickly, being named a branch specialist just four months later. In this role, she interacted with marketing by volunteering to serve in booths at community events. She also spent time visiting select employee groups.

When the position of community relations liaison came open in 2012, Harkley was the logical person to fill it. Three years later, she was promoted to philanthropy and community relations manager. The first person to hold this title at America's First FCU, Harkley has defined the job on her own terms and has done so in a way that truly sparks community involvement, reports President/CEO Bill Connor, CCE.

"Jimese believes that our community charter is far more than a way to define our field of membership," says Connor, a CUES member. "It's a responsibility that means more than just being visible. It means being involved."

Connor praises Harkley for the passion and energy she brings to her position. "She is one of those people who doesn't seem to have an 'off' switch."

Harkley is positioning herself to have even more impact going forward She has completed her juris doctorate from the Birmingham School of Law, participated in the National Credit Union Foundation's Credit Union Development Educator program (*http://tinyurl.com/creditunionde*) and "crashed" CUNA's Governmental Affair Conference in Washington, D.C., with other young professionals.

As the 2015 CUES Next Top Credit Union Exec, Harkley receives a $20,000 prize that includes registration and travel for two years of CUES' CEO Institute (*cues.org/institutes*).

Harkley values the coaching she and the five other finalists received from CUES strategic provider and challenge sponsor DDJ Myers Ltd. (*www.ddjmyers.com*), Phoenix.

The experience "took me from the mindset of a doer to a leader," she enthuses. "It opened up my mind on how to go from a tactical perspective of solving everyday problems to being more strategic."

All these accomplishments are even more remarkable considering she and husband Alfred are actively involved in the lives of their two children, 13-year-old Zion and 9-year-old Sunni.

Certainly the future is an exciting destination for Harkley, with opportunities for leadership ahead. "I am open to growing," she observes. "I put myself in front of all of these opportunities with growing in mind."

Diane Franklin *is a freelance writer based in Missouri.*

Resources

Learn more about CUES awards programs at *cues.org/recognition*.

Learn about the 2016 CUES Next Top Credit Union Exec challenge, sponsored by CUES Supplier member and strategic provider DDJ Myers and in partnership with Currency (*www.currencymarketing.ca*), at *www.ntcue.com.*

Sign up for a $99 CUES NextGen membership (for CU professionals age 35 or under) at *cues.org/membership.*

Learn more about CEO Institute—and other CUES institutes—at *cues.org/institutes*.

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A Technological Assist

As credit union HR departments ponder how to accomplish more with less, many are turning to software tools to help them deliver to expectations.

By Pamela Mills-Senn

VA Desert Pacific Federal Credit Union (*www.vadpfcu.org*) is a pretty lean organization. Headquartered in Long Beach, Calif., with a second branch in Los Angeles, the credit union has 5,410 members, $61 million in assets and 15 employees total.

The CU's culture is all about working effectively and encouraging staff to make the best use of their time, says CUES member Shareta Caldwell, VP/human resources. She also embraces this mindset when it comes to her position.

HR technology provides Caldwell with an essential assist in this effort. Her tools include a free benefits-management program from Zenefits (*www.zenefits.com*), onboarded during the last quarter of 2015. Caldwell is using this to manage records and data related to hiring, termination, medical and disability benefits, and more. The program also tracks paid time off and sick time.

Prior to deploying this software, Caldwell had to log on to the various provider websites to handle all the components involved in benefits. Now, she just goes to the Zenefits website to get the job done.

"It's not just the number of employees that matter, it's what you have to do for each one that can be so time-consuming," Caldwell says. "This program has freed up my time and allowed me to work on other areas of HR."

Under Pressure

Like VA Desert Pacific FCU, credit unions across the board, regardless of their size, are faced with having to maximize their efficiencies, reduce paperwork (becoming greener in the process), and run more profitably. Saving time, and therefore money, is a big motivator and why many credit unions are turning to HR tech tools, agrees Joseph T. Sefcik Jr., president of Employment Technologies Corporation (*www.etc-easy.com*). Located in Winter Park, Fla., the company develops simulation-based talent prediction/hiring systems. Avoiding costly mistakes is another important motivator, he adds.

"In real estate, it's all about location, location, location," Sefcik explains. "In screening and hiring, it's about accuracy, accuracy, accuracy. Screening and qualifying talent isn't easy

because applicants intentionally want you to see only their best side. [Plus] we all have our own experiences and blind spots that can negatively influence our decisions."

Technology takes the subjectivity out of the hiring process, resulting in a more objective and consistent experience for both applicants and interviewers. This not only ups the likelihood of identifying the best prospect and making a better hire, it can also help credit unions avoid legal problems, for example incurring accusations of discriminatory hiring practices.

Another advantage of the simulation software is that it gives credit unions a more effective way to tell their story and define their brand to applicants, providing a more accurate and comprehensive picture of what it's like to work for that particular organization, says Sefcik.

Technology also makes staying in compliance with the various regulations affecting HR operations easier and likelier, protecting credit unions from incurring violations, says Jessica Hoffman, VP/communications for Zenefits, San Francisco.

"Today, like many others in HR, CU HR professionals are responsible for complying with dozens of regulations, and the penalties for not doing so can be costly. And the challenge has continued to grow with laws like the Affordable Care Act," Hoffman says.

Eileen Westbrook, EVP/business development for CUES Supplier member CU People, Inc. (*www.cupeople.com*), Sugar Land, Texas, is seeing more credit unions moving to Web-based systems, particularly when organizations increase in size, making it much harder—and riskier—to manage employee data on spreadsheets.

"Now, with the ACA, systems like these are no longer nice to have; they are must-haves," she says. "Trying to track ACA manually is nearly impossible, especially if a credit union has variable-hour employees."

Perhaps one of the most significant pressures facing many CUs is the push to grow their membership and hold onto their members, both of which depend heavily on delivering a high-quality customer experience. This in turn requires that employees receive appropriate and effective training.

Evaluating learning and training programs, as well as employee competencies, can prove challenging, but it's critical if organizations are going to be successful, says Mike Rustici, CEO of Nashville-based Watershed Systems, Inc. (*www.watershedlrs.com*), CUES' partner in CUES Learning Tracker (*cues.org/clt*), which is a CUES member benefit. The company provides a reporting tool that allows CUs to monitor employee education.

"HR software can benefit CUs by helping advance the professional growth of employees," Rustici explains. "More CUs are investing in [these systems] and in related learning programs as a way to improve the service level they offer and to also improve *employee* retention and satisfaction."

Finding the Fit

There is certainly no dearth of HR technology solution options. In fact, says Hoffman, they're so abundant that deciding upon a tool can feel overwhelming. But at the same time, finding the right HR tool is critical because if the fit is wrong, even the best technology will fall short of expectations.

And don't overlook vendor fit; this is crucial to success as well. To ensure the best possible outcomes, CUs must put on their detective hats and put tool and vendor under (gentle) interrogation. Of course, some of the questions CUs should be certain to pose will vary depending on the technology under consideration.

"When a CU is considering a new HR technology vendor it is important to ask targeted questions related to the provider's qualifications, the quality of the product, its accuracy and reliability, legal defensibility, time and cost savings," says Sefcik. "Also ask how many mistakes it will help the CU avoid."

He suggests credit unions exploring a talent prediction/hiring software solution ask how the tool's selection process prepares job candidates to interact with the organization's members and if a plan for onboarding and performance coaching is provided.

Other questions to ask, or factors to take into account, include:

- Rustici: Is the system under consideration compatible with other major HR programs and is it compatible with the HR software already in place?
- Westbrook: Is the solution Web-based/hosted? Does it integrate with payroll? Can benefit elections and changes be sent directly to the carriers? Does the vendor offer full HRIS and is this a single system or different systems? Also ask if ACA is part of the product offering.
- Hoffman: What HR functions does the software help with; for example, onboarding, off-boarding, IRS filings, health insurance and benefits, etc.? Does it offer compliance tools? Does it include payroll? What data protections are in place? What are the costs? Will we need to sign a contract? Can you provide customer references or case studies to validate the software's efficacy?

Before purchasing any HR technology, Rustici says credit unions should identify who will be using the technology and determine how much time the users will be able to dedicate to the program. "If a program appears too complex or that no one will be able to use it, there's no point in purchasing it," he explains. Then, build a strategy, identify goals, establish metrics and specify the desired outcomes.

Westbrook says it is important to consult with all employees about their specific needs before moving forward with a decision. "Often the software is chosen by one person without consideration for other users," she explains. "Also, consider whether or not the technology is a scalable solution that encompasses future needs and covers the entire employee lifecycle."

Credit unions should also know exactly what they're paying for, and evaluate if the technology could be giving them more than they need, says Caldwell. For example, she says, when it comes to payroll software, it's common to pay for an array of services that end up not being used, especially if the credit union has fewer than 50 employees.

Pamela Mills-Senn *is a freelance writer based in Long Beach, Calif.*

HR Tech Resources

CU People, Inc.: Provides customized human resource solutions for the financial services industry. CU People's InfinityHR software solution, which automates benefits enrollment and benefits administration, enables credit unions to handle employee lifecycles—from hire to retire. The Web-based HR management system provides online benefits enrollment and supports other HR functions as needed; allows employees to enroll in and change benefits information on their own; centralizes HR and benefits data into a single system; and more. Visit *www.cupeople.com.*

Employment Technologies Corp.: Provides simulation-based talent prediction systems designed to replace traditional employment tests. Products are offered under the EASy Simulations brand name. The company offers a suite of products for all phases of the HR process, such as employment branding, company and job previews, virtual online interviews, structured employment interviews, and job practice/rehearsal simulations. Visit *www.etc-easy.com.*

Watershed Systems, Inc.: Watershed (*www.watershedlrs.com*), the company behind Learning Tracker, is tailored for evaluating learning programs, aggregating data from different systems, providing a complete view of learners. CUES members can collect different types of learning data, analyzing it in one place. CUs can create profiles for each employee, attaining a holistic perspective of their professional learning and ensuring their investment in learning is used for the greatest impact. CUES Learning Tracker also automatically tracks *cues.org* activity, allows for self-reporting of learning activities outside of *cues.org*, and more. Visit: *cues.org/clt*.

Zenefits: Provides a free cloud-based HR automation platform—Zenefits Management Software—that connects with (or helps users set up) payroll, benefits and other HR systems, enabling credit unions to manage their disparate HR systems all in one place. In addition to the HR management tool, the company recently added Zenefits Payroll and Zenefits ACA Compliance Automation. Both are also free (though the payroll service does include a paid option). Zenefits keeps its services (mostly) free because it serves as a benefits broker, collecting fees from multiple benefits providers. Visit: *www.zenefits.com.*

Additional Resources:

Achievers: Provides cloud-based employee recognition software.
Visit: *www.achievers.com.*

Hubbub Health: Offers technology-driven wellness solutions.
Visit: *www.hubbubhealth.com.*

Hyland Software: Offers OnBase, an enterprise content management system.
Visit: *www.onbase.com.*

Resources

Read Web-only bonus coverage at *cues.org/0316assessing*. And read "Personalized Learning" at *cues.org/1015learning.*

Learn more about CUES Learning Tracker at *cues.org/clt.*

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Employee Engagement & Satisfaction Done Right

How Consumers Credit Union keeps staff happy.

By Kerry Liberman

"I love working at Consumers Credit Union. We hire extremely talented individuals and have great team synergy in every office and department. Members love us and trust us. It's great coming to work every day when your co-workers and members love you!"

That is just one of the many positive comments echoed by employees at $650 million/69,000-member Consumers Credit Union (*www.consumerscu.org*), with 240 employees in Kalamazoo, Mich., on its 2015 employee engagement and satisfaction survey, conducted by my company, People Perspectives. The CU had the highest employee satisfaction average and the highest employee engagement average of all of our clients last year!

"We survey our employees because we understand how vital their satisfaction is to delivering exceptional member service," says CUES member Shawn Premer, chief human resources officer at the CU. "If we see a problem forming or a trend that we find bothersome in the survey results, we address it immediately."

The value that employee engagement and satisfaction surveys bring to the table is substantial. Experts who study employee engagement and satisfaction have found that both have a direct impact on several critical and costly variables, such as employee turnover, employee absenteeism, member satisfaction, member loyalty, product penetration and sales, employee productivity, employee safety, and overall company performance and financial gain (*www.gallup.com*).

At Consumers CU, the benefits and impact are striking. "Employee turnover has averaged less than 10 percent for the past several years," says Premer. "Our net membership has seen double digit growth each year for the past 30 years. Over 98 percent of members report either being satisfied or highly satisfied, with 88 percent reporting that they are highly satisfied."

This year People Perspectives decided to recognize the credit unions that have done exceedingly well on their surveys, and Consumers CU was named our first Distinguished Credit Union of the Year!

The CU had especially high averages on three survey dimensions: organizational satisfaction, salary and benefits satisfaction, and department satisfaction. Let's take a look at the practices that have contributed to such high engagement and satisfaction levels across these particular areas as reported by the CU's staff.

Organizational Satisfaction

Studies have shown that company communication and cooperation are predictors of employee engagement levels. Companies that have ineffective communication and cooperation strategies typically have less teamwork across the company, have groups with less knowledge of what other groups do, and have a more isolated view of their own group.

Consumers CU puts a great deal of emphasis on communication and cooperation with its employees. For starters, employees have many opportunities to express their opinions to management through such resources as focus groups, employee committees and an online forum for submitting ideas to management.

On the other side, management emphasizes communication with employees by being as transparent as possible. Each month, Consumers CU's CEO, CUES member Kit Snyder, CCE, has global calls with all employees, in which Snyder provides an update on progress and shares important CU-related information.

Additionally, management reports to employees at least monthly on how the CU is performing, how the CU is progressing on its strategic plan, and areas in which the CU is striving to improve. This information is posted monthly on the CU's intranet. Moreover, updates and results are provided during monthly managers' meetings so managers, in turn, can share this information with their teams. Minutes from the managers' meetings are also posted on the intranet for all staff to view.

Cooperation across the credit union is also very important. In fact, the CU has a strategic plan item focused on department cross-training. Consumers CU aims to have employees cross-trained in various areas of the CU through internal internships, job shadowing and interdepartmental job sharing. Currently, more than 10 percent of employees are participating.

Consumers CU has an individual development plan for each employee. It is from the IDPs that management determines who will be cross-trained.

In addition, when new committees are formed (examples include wellness, charitable, sustainability, and innovation committees), the CU makes sure employees from different departments are selected. This ensures each business area is represented when implementing something new.

Salary and Benefits Satisfaction

Communication is also a big contributor to employee satisfaction with the compensation. With respect to salaries, Premer notes, "Every other year, we do market and CU compensation comparisons and adjust our ranges accordingly. We share with employees their pay range, where they fall in the range, and we are transparent with our compensation strategy. Our employees know that our goal is to have them paid at the mid-point of the range within three to five years of being in the job.

"With their bonus, 401(k) match and benefits, their total compensation is at 75-90 percent of max pay in the market, using pay surveys as well as credit union-specific surveys for benchmarking," she says.

Consumers CU matches 100 percent of employee 401(k) contributions up to 10 percent of salary and pays 80-90 percent of health insurance premiums for employees, depending on the plan.

"We keep our benefit plan at a low cost and keep our copays/deductibles and co-insurances low," notes Premer. "We are transparent with our employees about our benefits and their costs, so even when we have to make plan changes or increase premiums, they understand why."

Consumers CU has made a strategic decision to offer above-market staff compensation. As Premer notes, "We know that in order to recruit and retain the best talent, we need to pay people enough so they can focus on things other than pay."

Many studies have consistently shown that compensation is an important factor in employee satisfaction. According to Aon Hewitt (*www.aon.com*), for example, compensation ranks among the top five drivers of satisfaction (but is not the top driver). Compensation is not considered to impact employee engagement, however, as it is more of a "maintenance factor" to avoid dissatisfaction, according to *Deloitte Review (http://tinyurl.com/z9tr5mv)*.

Shawn Premer, chief human resources officer, and Kit Snyder, president/CEO at Consumers CU, accept the People Perspectives Distinguished Credit Union of the Year award.

Department Satisfaction

Managers at Consumers CU go through an extensive in-house leadership program to help them lead their teams. They are held accountable for meeting with their teams every month and giving them solid feedback for development. Moreover, managers are directly accountable for keeping their teams happy and engaged. Consumers CU measures this through the employee engagement and satisfaction survey as well as through "stay" interviews (*cues.org/1115stay*) conducted by HR and senior managers. This helps the CU identify areas of improvement, usually before there is an issue.

One of the foundational values for Consumers CU is "servant leadership." Employees are held accountable to this value and are expected to "lead themselves and others well," regardless of their hierarchal level in the credit union. There is also a great emphasis on teamwork throughout the credit union, which is substantiated by Snyder. As he has said, "The best way to lose our job in this credit union is to speak about someone as if they are not in the room."

Consumers CU strives to uphold this 100 percent of the time. Employees are expected to bring any concerns they have about a teammate directly to that person and give them the opportunity to work on it. If the teammate doesn't respond, they then go to the manager.

According to the Society for Human Resources Management (*www.shrm.org*), both an employee's relationship with his/her supervisor and relationship with department co-workers are top 10 contributors to employee satisfaction. Many studies have shown that employees' relationship with their manager is also a top predictor of employee engagement. Moreover, Avatar Solutions (*www.avatar-solutions.com*) has found that if employees like the people they work with and generally get along with them, they are much more likely to be engaged.

Employee Selections & Indoctrination

Premer points out that selecting the right candidates is also instrumental in fostering high engagement and satisfaction among staff. Given co-workers' impact on an employee's satisfaction, hiring the right people is very important. As Premer notes, "We hire for culture first. We will very often leave positions unfilled instead of hiring someone who doesn't fit our culture."

As one recent example, the CU had 16 positions to fill by Feb. 1, but found only nine people who fit the credit union's culture. Managers decided to leave the remaining positions unfilled until their April hiring window. Their teams decided they would rather work together to get the work done than hire the wrong people.

Consumers CU's hiring process is also quite lengthy. It consists of an initial phone interview, followed by a "2 on 1" interview and a cultural interview. With these interviews, Consumers CU has roughly 10 staff members (made up of senior managers, managers, supervisors and employees) who are trained and certified in house as "talent magnets." Before each new hire group, the two-person interview teams are chosen, and they participate in each interview stage of the selection process. (To ensure consistency, the same talent magnet team is used for the whole interview process for an open position.)

Successful candidates then go through a two- to four-hour job shadow, which provides a realistic view of the job. Only after a candidate successfully completes every phase is he or she offered a position.

Premer says the CU has five values that they hire for (and use to make termination decisions). "The talent magnets are using behaviorally-based questions that identify how the candidates align with those values. We are also asking skill-based questions, such as problem solving and analytical skills, and are assessing such basics as communication skills and professionalism."

Once a candidate joins Consumers CU, he or she goes through an in-depth orientation that actively involves the executive team.

"Our executive team is committed to forming relationships with our staff," explains Premer. "The first one and a half hours of every person's first day is spent with the executive team. From there, the executive team strives to regularly spend time in each location/branch and makes every effort to get to know the teams in each location."

After working on Consumers CU's employee engagement and satisfaction surveys for the past several years, it is evident to me that Premer lives and breathes these practices. She came to Consumers CU in 2011 after working in the public accounting industry. As she explains, "Consumers CU has become home for me. It also is amazing to lead HR in an organization led by a CEO (Snyder) who 'gets it,' meaning, he understands that when you invest in employee engagement, the business results follow."

In subsequent *CU Management* articles, I will highlight the best practices of our other Top 5 Distinguished Credit Unions for Employee Satisfaction & Engagement. Stay tuned!

Kerry Liberman *is president of People Perspectives LLC (*www.peopleperspectives.com*), a consulting firm that conducts employee engagement and satisfaction surveys for CUs. She can be reached at* kliberman@peopleperspectives.com *or 206.451.4218. Follow People Perspectives on Facebook at* www.facebook.com/peopleperspectives.

Resources

Read Web-only bonus at *cues.org/0316lessons*.

Read more articles by Kerry Liberman at *cues.org/kerryliberman.*

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It's a Money Thing is a collection of effective and affordable financial education content

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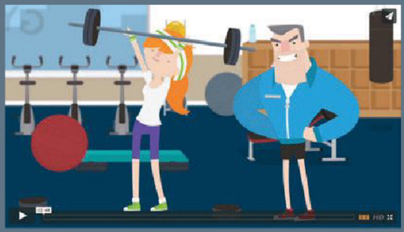

We recently showed a number of our educational videos to more than 200 young adults between the ages of 15 and 25. Here's some of the glowing feedback that we received.

"For someone who did not know a lot about anything financial, I felt like I learned something!"

"I particularly liked the humor. Helped retain interest and attention to the subject matter."

"I think they do a really good job of keeping the information short and easy to understand."

"I wish I would have seen these videos in high school personal finance class."

"Keep making more videos! I love the length, not too long and not too short!"

"The videos were very concise and easy for the viewer to understand."

If attracting and helping young adults is a priority at your credit union, please visit **currencymarketing.ca/money-thing** to learn more.

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All in for Omnichannel

Marketers join IT, operations colleagues to enhance member connections across touchpoints.

By Karen Bankston

Full-fledged omnichannel delivery has arrived at a few credit unions. For others, it is just around the bend. For still others, it remains a distant vision. For all credit unions that aim to serve members seamlessly across remote and person-to-person touchpoints, marketers are working alongside technology and operations colleagues to develop and implement supporting strategies.

At $943 million/65,000-member Xceed Financial Credit Union (*www.xfcu.org*), for example, Chief Marketing Officer Paris Chevalier says, “Marketing plays a key role in every aspect of the member experience, beginning at the conceptual stage all the way through to design and strategy, and then member outreach and education when we roll out new capabilities or features. We also lead the ongoing process of gathering and sharing member feedback about how we’re doing and what we can do better.”

Collaboration among marketing, IT, e-strategy, and member engagement professionals has been instrumental “in bringing multichannel innovations to our members quickly and efficiently,” says Chevalier, a CUES member, of the El Segundo, Calif., credit union.

What is Omnichannel?

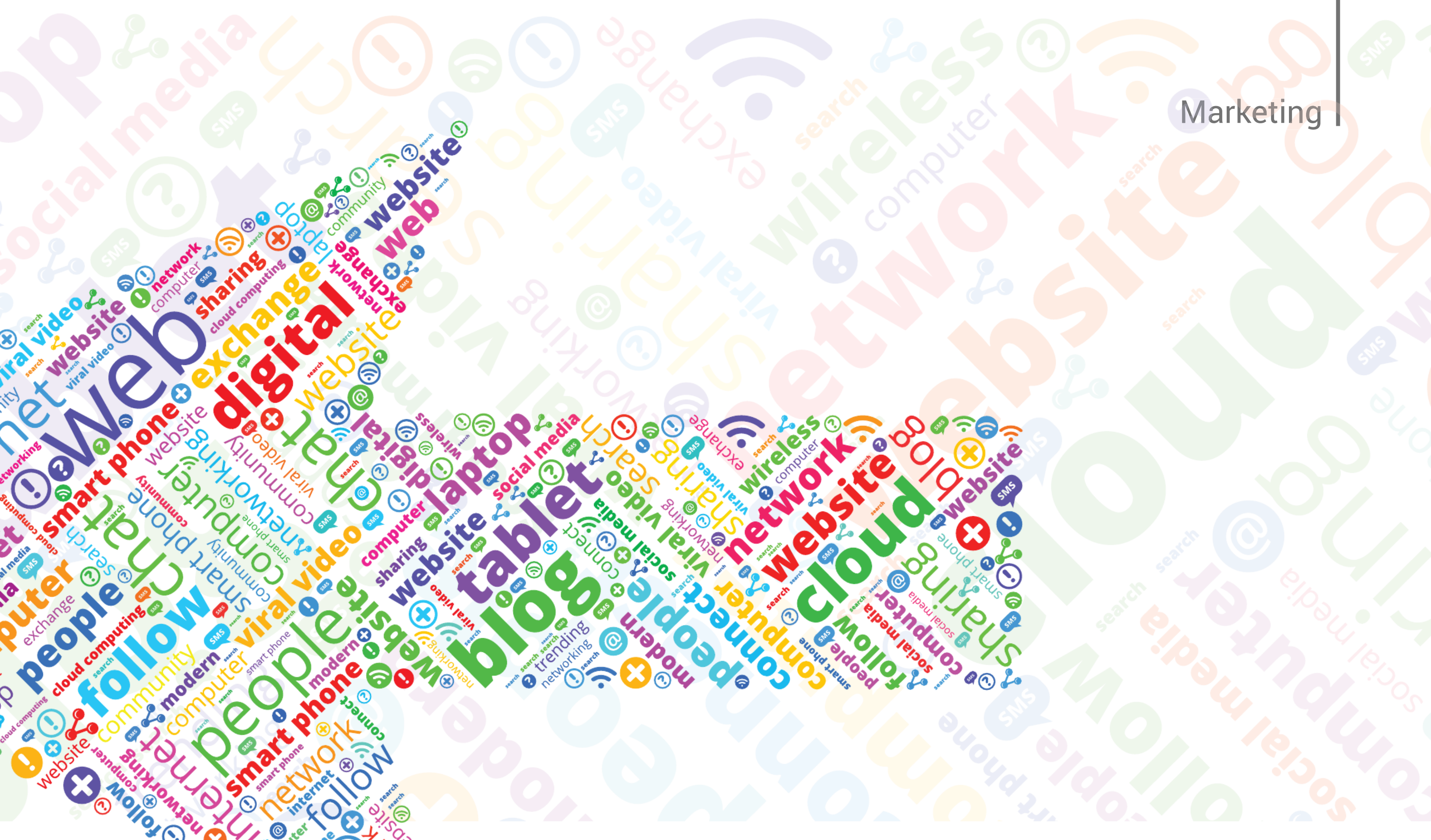
Defining what omnichannel delivery means for your credit union may be the first in a long line of challenges in developing and implementing this strategy. Sam Kilmer, senior director with CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz., notes that this term has reached buzzword status, touted by vendors and research firms oriented toward banking giants. Because *omni* means “all,” the term may default to “go focus on everything,” which is not all that useful or doable.

“I think the new focus might be ‘How do we recognize that people move across these channels?’” Kilmer suggests. “People might start their interaction with the credit union using their mobile phone, searching ‘Where is the nearest branch?’ or ‘Where is a good place to get a loan?’ Then they may start a mobile or online conversation and complete that conversation in a branch, or vice versa.”

Developing and implementing an omnichannel approach requires all hands on deck.

“Historically, you wouldn’t have both the person who is driving a lot of mobile and online expertise and the person overseeing marketing expertise in the same conversations,” Kilmer says. “The industry has figured out how to *transact* across multiple channels—by branch, by ATM, by online and mobile banking solutions. The struggle that many credit unions and banks have right now is how to *converse* and *market* across multiple channels.”

The end goal is a “tailored experience within a multichannel world,” says Steve Shaw, VP/strategic marketing for digital channels and electronic payments with CUES Supplier member Fiserv (*www.fiserv.com*), Brookfield, Wis. “Consumers’ expectations change



based on the task they are doing and on the way they want to interact with their CU.

"Trying to deliver the exact same type of experience and same content across all these different channels may actually confuse members," Shaw says. "They don't want all kinds of details on their mobile device. They just want to get in, make a transaction, and get on with their lives. They expect an entirely different experience when they're conducting research on their tablet, using an ATM, or interacting with the CU in person."

In short, a central challenge is about "the optimization of the member experience based on method of engagement," suggests Tim Daley, a director with Cornerstone Advisors. "How do I make these engagements positive regardless of how you choose to engage with me?"

It's not just about making sure usability and navigation are right for each device, but designing the verification process and level of information requested for each channel. As just one example, member service reps taking a loan application may ask more and different questions than a smartphone application would require, Daley notes.

At Xceed Financial CU, a central aim of the omnichannel approach "is broadening member access to their accounts at all touchpoints," Chevalier says. Toward that end, the credit union launched its Xperience Center—the option to initiate a video chat—as a means for members to connect quickly with an associate via mobile, online or other remote access. "We're adding Xperience Centers, along with ATMs, onsite at some key SEG locations," she notes. (Read more about this in "Mobile Movers and Shakers" at *cues.org/0316mobilemovers*.)

The Medium and the Message

For marketers, omnichannel delivery is the latest evolutionary step in using data "to drive the right message about the right product through the right channel at the right time," says Kevin O'Connor, SVP/chief financial officer with CUES Supplier member CU Solutions Group (*www.cusolutionsgroup.com*), Livonia, Mich.

Many marketers already rely on technology to identify members' product and channel preferences through demographic, geographic and psychographic data analytics. The next level is applying that business intelligence across all the channels members may select.

"We need to use data to be the medium, the seer into the future, on how they want to engage with us, where they want to engage with us, and when they want to engage with us," O'Connor suggests.

A crucial tool to accomplish that aim is a system for tracking member interactions across channels so, for instance, branch employees can suggest a product or offer assistance on completing an application based on an inquiry or transaction a member has made via a remote channel, says Mike Eckstein, director of business insights for FocusIQ, a targeted marketing/data program from CU Solutions Group. Thus, optimizing omnichannel delivery entails not only providing superior service across channels but also the ability to track and support those interactions.

"Orchestrating the data, the messaging, and the delivery systems is no small task, and I would say most CUs don't have the resources or expertise to execute across all these strategies," O'Connor says. "Managing all the data on how members prefer to do business and developing strategies based on that information is a pretty big task."

A tandem challenge for marketers is applying brand consistency and aligning key messaging across channels so members receive personalized communications without feeling under siege from repetitive offers, he adds.

Eckstein concurs. "Omnichannel marketing, by definition, is a very responsive endeavor," he says. "If members are interested in a certain product or service, we need to communicate through the best channels to assist them in their decision-making process. From a marketing standpoint, the messaging and communications opportunities via omnichannel can enable a much more effective way to close the loop on sales."

Leveraging data and technology to understand how individual members prefer to interact with the CU and which products and services to offer via their preferred channels has the potential to be more efficient than mass marketing, Shaw says.

"Members don't want to see a banner ad on their mobile device that gets in the way when they're checking their balance," he notes. "But if they're paying a bill on their smartphone, they may appreciate a relevant offer from a merchant available through the mobile channel. If they're making a loan payment to another institution, they may want an offer for a better rate. Understanding where members want to get those offers and how they want them presented is very much a marketing responsibility."

Daley agrees. "Marketing has a key role to play in building the omnichannel experience because it can provide that brand value and member experience filter for the rest of the organization."

Better Together

Technology systems and partners are available to help credit unions collect and analyze the data and develop the content, timing and delivery of marketing messages across channels. However, "fully integrating and implementing to the fullest extent of what omnichannel could be poses a considerable technological challenge in terms of integrating the front-end and back-end systems for a credit union," Eckstein cautions. "There are some things you can implement for front-end marketing, but full integration of the back-end systems tends to be the more difficult piece of the puzzle."

Optimally, omnichannel access is delivered through a single uniform platform, which simultaneously provides seamless access for members and allows the credit union "to track, report, and measure any member interactions in any channel," says Tiffani Montez, VP/operations with Terafina (*terafinainc.com*), San Francisco.

Putting that infrastructure in place may require extensive planning to consolidate back-end systems and processes and to communicate with members via channels and offers that reflect their preferences.

But the return on that investment in consolidating systems and streamlining member-facing processes can be significant, Montez says. For example, one CU Terafina worked with found that 17 percent of its members added a second product to their shopping cart, such as a credit card or auto loan refinance in addition to a checking account, when given the opportunity to complete multiple transactions with a single application.

> "Marketing has a key role to play in building the omnichannel experience because it can provide that brand value and member experience filter for the rest of the organization."
>
> Tim Daley

More Than Technology

Integration is tough at CUs that have "bolted on" different delivery systems for products and services, such as credit card processing and online and mobile banking through the years, O'Connor cautions. Marketing, operations and IT specialists need to collaborate on systems and data analytics integration across channels.

In 2013, $300 million/46,000-member SunWest Federal Credit Union's management team took a long look at organizational philosophy in the light of members' evolving preferences for remote access. While acknowledging that technology would play a larger role in member service, "we still wanted to remain a people-first CU," says Jeff Morrow, director of marketing at the Phoenix CU (*www.mysunwest.com*). "We looked for partners to make banking easier and simpler, while keeping the member relationship top and center."

To accomplish those intertwined goals, SunWest FCU decided to consolidate its website and online banking and launch a mobile app through a single provider, Fiserv. Planning and implementation was led by a cross-functional work group of marketing, IT, operations, call center and training specialists. At the same time, the credit union also expanded its ATM network and remodeled branches to underscore its omnichannel commitment.

Even after the new online and mobile channels were introduced in June 2014, the group has stayed in business, continuing to spearhead new initiatives, including an overhaul of the website planned for this year.

Omnichannel conversations "almost always start with 'What technology do I need to buy?'" Kilmer says. "Generally speaking, for every amount of effort or resource you put into a new technology, several multiples of more effort are required to figure out all the processes that work across them to connect systems and get people working better together."

As one step toward integration, Kilmer suggests eliminating from your vocabulary the word "department," which implies a separation and segmentation of responsibilities.

"The people who do marketing—which is a lot of people in the credit union, not just people in the marketing department—work throughout the organization," he insists. "Sales, service and delivery are converging into an integrated user experience."

Karen Bankston *is a long-time contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Middleton, Wis.*

Resources

Read online-only bonus about First Tech FCU's omnichannel strategies at *cues.org/0316casestudy* and another bonus article about measuring omnichannel results at *cues.org/0316measuring.*

Read app-only bonus coverage when you download myCUES (*cues.org/mycues*) and look in the Spotlight section. Or preview the article at *cues.org/0316omnichannel.*

Also read *"Tech Time: Omnichannel Delivery"* at *cues.org/072215techtime.*

Participants in CUES School of Strategic Marketing I (*cues.org/sosm*) and II (*cues.org/sosm2*) will discuss many of these topics this summer in Seattle.

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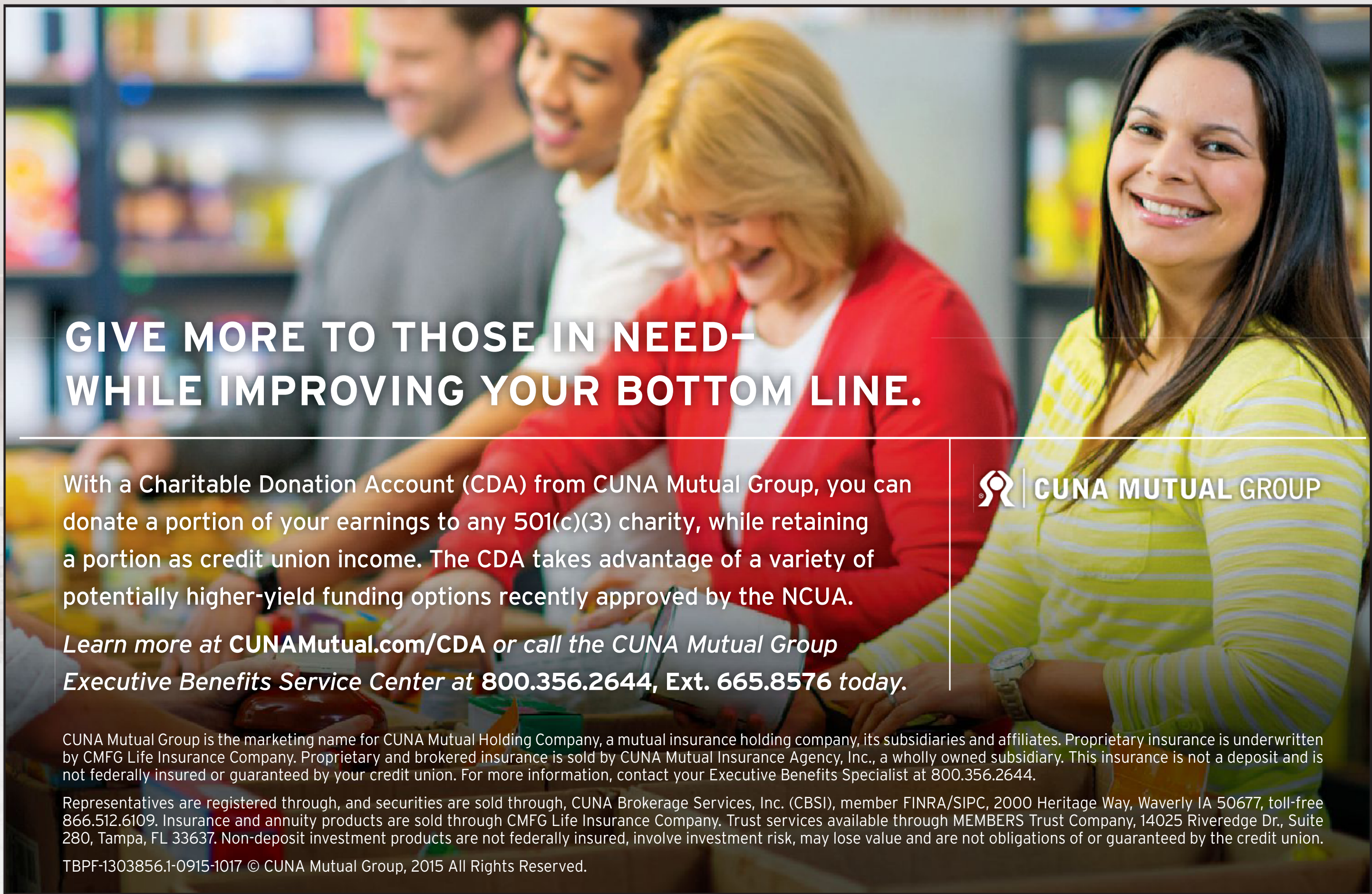

Marketing at the Top

Are strategic marketing and brand leadership mission-critical to your credit union?

By Mark Weber

Today's credit union marketing faces a vast array of competitive financial industry challenges from both banks and non-bank fintech disruptors, including brands like Simple (*www.simple.com*), Kickstarter (*www.kickstarter.com*), and Quicken Loan's new Rocket Mortgage (*www.rocket.quickenloans.com*). A dynamically changing (and fickle) younger consumer fed up with traditional banking and hungry for more time- and cost-saving new technologies is spawning new competitors.

Achieving marketing success requires a level of strategic expertise, sophisticated skill sets, and brand and consumer behavior knowledge that even seasoned marketing leaders rarely possess, but that senior management still expects and demands.

From market segmentation, to brand strategy development, omnichannel knowledge, millennial loan acquisition tactics, and database profit marketing programs, the pressure for savvy marketing with clear results has never been greater.

Sadly, many marketing departments are not well-positioned or integrated within their own CU, or with member-facing staff whose support marketing needs to execute successfully. Once siloed, marketing faces an uphill reputation battle your CU can't afford.

Executive Question: On a scale of 1-10, how would you rank your marketing department today in meeting the demands of helping drive new member growth; increasing lending and wallet share; positively engaging your internal culture and evolving your brand experiences, channels and marketing strategies?

It's easy for CU executives to blame weak marketing or unclear results on their current legacy manager ("old ideas"), or recent college graduate ("sharp but too green").

But that myopic view can undervalue a more compelling question: Are *you* truly committed to strategic marketing as a holistic and integrated part of your entire organization's shared responsibility to drive growth, member and staff satisfaction, earnings and your brand reputation? Or are you satisfied simply funding a lower-cost stream of tactical, sometimes hit-and-miss campaigns and projects?

Strategy + Marketing = Leadership

Leaders who really want strategic marketing (and brand leadership) need a clearly defined role for marketing, realistic funding to support it and strategic objectives (that marketing can help support) for their CU.

Is your marketing at a strategic and enterprise-wide level, with a seat at the management table? Or is it at a lesser, tactical, functional level? The latter non-strategic focus is not always the fault of marketers with limited experience, who lack strategy expertise, or leadership skills. But it's a common complaint of senior leaders wondering if their marketing budget is paying off.

Portland, Ore.-based OnPoint Community Credit Union explored those questions as part of a name/brand change several years ago. "Marketing wasn't just marketing anymore. It's culture," CUES member Kelly Schrader, SVP/chief operations and risk officer, told attendees of CUES School of Strategic Marketing™. "Marketing took a hiatus and we became an institution that was built on brand, culture and communication."

The CU sent all employees to brand camp to develop a memorable internal slogan to support its strategic goals (*cues.org/0213managementnetwork*); developed employee elevator speeches (*cues.org/0113managementnetwork*); and continues to put out high-level, high-impact marketing (*http://tinyurl.com/onpointCU*).

"For OnPoint, marketing has become fully integrated to help drive our profitability, our culture and our brand reputation," adds Schrader.

Mark Weber *is CEO of CUES Supplier member Weber Marketing Group* (www.webermarketing.com)*, Seattle, and the lead faculty at CUES School of Strategic Marketing™ I and II. Weber has over 30 years of strategic marketing and brand consulting experience in high-tech and financial services. He advises some of the largest CUs and community banks in the U.S. and Canada.*

Resources

Discuss these questions when you attend CUES School of Strategic Marketing I (*cues.org/sosm*) and II (*cues.org/sosm2*) .

Read more articles by Mark Weber at *cues.org/markweber.*

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Collaboration and Versatility

5 ways credit union service organizations help CUs reach their goals.

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- Strength in Numbers at Work

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CUSOs: Collaboration and Versatility

5 ways credit union service organizations help CUs reach their goals.

By Karen Bankston

Adapting a famous line from President John F. Kennedy, credit union service organizations ask not what their credit union owner-clients can do for them. CUSOs ask what they can do for credit unions—and have found some versatile ways to deliver in these key areas:

1. Keep pace with new and ongoing challenges.

"The credit union movement continues to experience rapid and unprecedented evolution, and your CUSO can be a great copilot to help you navigate the updrafts and shifting winds of change," says CUES member Dean Young, SVP/industry engagement for CUES Supplier member PSCU (*www.pscu.com*), St. Petersburg, Fla. "Whether your credit union is feeling the challenges of compliance reporting, executing a strategy to effectively serve your members through multiple channels (phone, branch, and digital) or trying to drive interest and non-interest income, there likely is a CUSO that can help you reach your destination successfully."

2. Parlay cooperative commitment into competitive advantage.

Branch operations represent a frustrating reality about financial services, suggests Sarah Canepa Bang: Though many consumers have embraced remote access channels, they still expect their financial institution to maintain a physical presence in their community. The shared branch network administered by CO-OP Financial Services (*www.co-opfs.org*) gives credit unions the option to close low-traffic facilities while referring members to a shared branch in their vicinity, says Bang, EVP/corporate relations for CO-OP Financial Services, a CUES Supplier member based in Rancho Cucamonga, Calif., and formerly chief strategy officer for the CUSO's CO-OP Shared Branching business unit.

Continues on p. 38.

Strength in Numbers at Work

PSCU
Forward.

CUSOs empower credit unions to compete against larger players.

By Brian Caldarelli

A credit union service organization is a true cooperative partner that adds value to enable the success of both the CUSO and its credit union owners. A CUSO delivers incremental benefits to its owners through scale in buying power, partnerships with industry leaders, and direct access to the services credit unions need to compete with banks and other financial services providers.

CUSOs are founded, built and governed by credit unions for the purpose of helping their owners access best-in-class products and services at competitive prices. The cooperative's owners contribute a collectively unique perspective on their strategic needs, which ensures the focus of the cooperative addresses the highest priority needs of its membership.

Between a CUSO and its owners, there is a mutual understanding of what is truly important. Credit union owners should expect their CUSO partner to help lift their performance across nearly all business disciplines and operations. In the payments arena, this includes a full spectrum of products and services that allow PSCU's owners to excel:

Owners have the same ***tools and technologies*** that big banks have at their disposal, and use the same data processing platforms. They can compete head on in areas including loyalty programs, digital payments, risk management expertise and more.

Access to ***industry-leading partners*** gives PSCU's owners the opportunity for early adoption of new payment technologies. EMV chip cards and digital wallets like Apple Pay, Android Pay and Samsung Pay are examples of sophisticated technologies that involve the coordination of many moving parts—and multiple partners—that are being successfully delivered to credit unions. This relieves owners of the burden of managing dozens of endpoints, as well as provides access to services and expertise at far less cost than they would incur by hiring individual experts.

Analytics enables credit unions to know how many transactions its premium cardholders are conducting compared to other cardholders, or determine which age groups have the highest likelihood of usage. PSCU's Member Insight suite of analytics applications uncovers information and data that credit unions need to understand the performance, profitability and opportunities in their credit, debit and ATM portfolios.

Protecting the organization and identifying risk falls on an enterprise risk management practice. A CUSO's comprehensive and integrated ***ERM practices*** and processes can effectively assist in the management of risk within tolerance thresholds and tightly align with owners' strategic objectives. In true cooperative fashion, a CUSO acts as an extension of an owner's own staff through its commitment to delivering outstanding member service support.

The cooperative ownership structure serves as a significant differentiator, as the profits of a cooperative are paid to its owners through ***annual cash dividends*** and equity investments in the CUSO. Since 1994, PSCU has distributed $435 million in patronage dividends to its owners.

Many CUSOs are governed by a board structure made up of their members. The PSCU cooperative is governed by a board of directors composed of select CEOs of its owner credit unions who answer to the cooperative's credit unions, not to the short-term demands of the stock market. In the cooperative CUSO model, owners are both shareholders with a stake in the company, as well as the cooperative's client.

Today, partnerships with CUSOs empower credit unions everywhere to offer competitively priced and innovative products and services that can make a real difference in members' lives at those critical moments when their members' needs for help are the greatest. The fabric of the industry was built on serving the underserved, and on bonding the financial institution to members with a passionate sharing of values and relationships. The real value of the CUSO goes beyond the dollars and is defined by the success of its owners.

And that is strength in numbers at work.

Brian Caldarelli *leads PSCU's corporate support services team, which includes finance, legal and enterprise risk management. For nearly 40 years, CUES Supplier member PSCU, St. Petersburg, Fla., has strived to deliver an exceptional and memorable service experience at every credit union and member touch point. Strategic investments in transaction processing, fraud prevention, digital payments, loyalty rewards, data analytics programs and call center support give all owners the competitive edge needed to excel in their markets.*

There is a safe way to give teenagers a bit of financial freedom

Independence.

It's what most teens want. Freedom to make decisions about what they wear, who they hang out with, and what they buy. The ability to make decisions on their own, without having to run every single thing past mom and dad. These are important first steps on the path to adulthood.

The freedom to spend on their own can be a really big deal for many teens. Teenagers don't want their parents tagging along when they go shopping with their friends. Truth be told, mom and dad don't want to be there either – it may be surprising to learn dads don't really enjoy sitting on a bench in the mall listening to the piano player's show tune medley. However, as parents, we want to know our kids can make smart decisions before giving them more independence when it comes to spending.

Instead of handing them a credit card or a handful of cash, which is really not safe, there is another alternative. More and more credit unions are offering prepaid debit cards for younger consumers. They serve a dual purpose as they're a much safer alternative to turning a teen loose in the mall with a credit card, and they're a teaching tool for financial responsibility as well.

Cards like the NewGen® prepaid Visa debit card from LSC® give teens* the freedom to spend, while giving parents peace of mind. NewGen® was specifically designed to introduce teenagers to the safety and convenience of a debit card, while teaching them to spend responsibly, within a budget. The card is purchased and loaded by a parent, so it isn't attached to a deposit account, and it cannot be overdrawn. It even has their name on it so teens can really feel ownership over their spending choices.

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Continued from page 32.

CUs in the network also have opportunities to generate income through guest member transactions and reduce expenses by installing automated kiosks, Bang notes.

"Through its client credit unions, CO-OP is providing the one and only channel that no other financial institution will ever have—the shared branch network," she says. "At 5,400 branches and 1,700 retail self-serve kiosks, its importance is undeniable. It is tangible and meaningful industry cooperation for the benefit of members. The power of cooperation through CO-OP keeps it a reality."

3. Sustain cooperative principles.

As a cooperative serving cooperatives, CU*Answers (*www.cuanswers.com*) aims to "create competitive advantage where our customer-owners see the need—to be designers in sync as cooperative entrepreneurs," says Randy Karnes, CEO of the Grand Rapids, Mich., technology CUSO.

Toward that end, CU*Answers considers three questions in deciding whether to pursue a new venture on behalf of its member-owner credit unions: 1) Will it drive disruptive pricing into the marketplace? 2) Will it expand access to key solutions that our network needs? 3) Will it create shared resources for execution?

CUSOs can help CUs tackle both the tactical realities of business execution in a fiercely competitive industry and the need to stay true to their cooperative principles. The latter is "why we're in business," Karnes says simply.

That balancing act is complicated by requirements to comply with a regulatory barrage and debates over how to compete with banks and new financial services entrants. Karnes insists CUs and their service organizations must hold fast to "the heart of who we are."

"We don't have the right not to work on those principles of cooperative ownership by just saying, 'That doesn't work in banking today,'" he contends. "It's not easy, but as business leaders, we must stay intellectually honest to those ideals. We have to attend to our day-to-day business, but in the cooperative spirit."

4. Put forward new solutions, new models.

New payment forms may transform the way consumers buy goods and services, and a CUSO formed in 2013 aims to give CUs a way to play. Even before the likes of Chase and Capital One announced their branded e-payment products, CU Wallet (*www.cuwallet.com*) had launched its digital wallet solution, which streamlines electronic payments and offers members special merchant discounts, says Paul Fiore, CEO of the Woodland Hills, Calif., CUSO.

In developing its solution, CU Wallet looked not only to innovations in financial services but also to disruptive models in the retail (Amazon) and transportation (Uber) sectors, Fiore notes.

CU Wallet aims to apply some of these same elements on behalf of credit unions, cutting out some of the intermediaries in the payment process; maintaining credit unions' exclusive hold on valuable data about members' purchase histories and intent; and forging relationships with retailers, restaurants, and other points of sale.

To support its business mission, the CUSO was structured to ensure that CUs across the range of asset sizes could participate, with larger CUs investing more in research and development and smaller organizations having the opportunity to sign up through participating state leagues, Fiore explains.

About 100 CUs are involved in CU Wallet, including 38 as investors. As of January, about 10 were in the process of launching the CUSO's virtual wallet for members.

CU Wallet's organization also combines the cooperative model with the structure of a venture-based start-up: Its CU investors hold a 60 percent stake in the company, and its founders and employees own 40 percent.

"We wanted to see if there's a way to use the CUSO model of collaborating and combining resources along with an element of employee ownership to attract a best-of-breed team and another form of incentive that permeates the most innovative tech communities," Fiore says. "Our aim is to blend the cooperative nature of credit unions with the economic realities that drive people's instincts to win."

5. Collaborate to become a force in the marketplace.

One way CUSOs provide competitive advantage is in delivering back-office basics efficiently so credit unions can devote more of their human and financial resources to enhance front-line service, suggests Kirk Drake, president/CEO of Ongoing Operations (*www.ongoingoperations.com*), Hagerstown, Md.

Ongoing Operations aims to take care of the nuts and bolts of IT operations and security so its client credit unions can refocus their technology specialists on improving the member experience and meeting ever-evolving expectations for mobile access and new payment solutions, he notes.

On a wider scale, Drake sees the potential for CUSOs "to bring awareness and discipline to the industry to leverage its competitive advantage, which is nominally the willingness of individual credit unions to collaborate, into a force that allows it to significantly move the dial on market share."

CUSOs have already produced several models of this dynamic in action—with shared branching and card and payment processing, to name two examples—and organizations like CU Wallet are poised to keep the momentum flowing. Drake, who at age 38 already has spent more than half his life in the credit union movement, keeps both eyes out for the next big thing in financial services.

"I already have 10 or 12 ideas for future CUSO opportunities," he says.

Karen Bankston *is a long-time contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Middleton, Wis.*

Resources

Read Web-only bonus about the growth of credit union service organizations at *cues.org/0316cusos*.

Also, teach your new directors about CUSOs with the bonus article at *cues.org/0316ccubecusos*. If your board is not yet a member of the Center of Credit Union Board Excellence, simply email *cues@cues.org* for a free, 30-day trial.

Read more about how CUs leverage CUSOs for success in the free *Credit Union Management* magazine article at *cues.org/0815wildcard*.

And read about how CUs are working together to develop common technology integration standards at *cues.org/0116techtime*.

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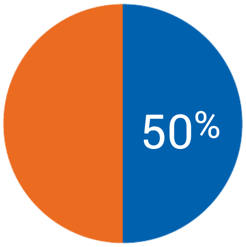

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Mortgage Tech for Every Step

To close more home loans, CUs must be more than mere lenders.

By Jamie Swedberg

Purchasing a home is a long process that involves multiple stages, many players, and a lot of worry and indecision.

Historically, credit unions involved themselves in this process only as lenders; if they were ambitious and hoped to expand their mortgage programs, they sometimes formed partnerships with local real estate agents in hopes of getting referrals.

But the process has changed, thanks to technology. Prospective home buyers may idly surf for homes on the Internet for ages before actually committing to the process. They may happen upon the home they love before ever meeting an agent or talking to anyone in person at all.

Credit unions are positioned to help, but many are stuck in the old mentality of being mere lenders. That's not a winning strategy anymore. It's difficult to appeal to consumers by advertising the best rates and the fewest points. What consumers need is a savvy home-buying coach who will stick with them from start to finish.

On some level, credit union members understand this. Tandy Vincent, director of marketing at CU Realty Services (*www.curealty.com*), a Scottsdale, Ariz.-based real estate services credit union service organization, saw it with her own eyes when one of her company's partner credit unions tried to market its implementation of CU Realty's HomeAdvantage program, a cloud-based, software-as-a-service that gives members direct access to research the market and search for homes online.

"Los Angeles Police Federal Credit Union did an email that said, 'Save thousands with LAPFCU's new HomeAdvantage program,'" she recalls. "We expected about 125 to 150 registrations, but they only got about 20. So I said, 'You know, people are jaded about rates and dollars. You're a financial institution, and they expect you to save them money, so when you tell them you're going to save them money, they're going to ignore you. Let's change the subject line and make it about the home-buying experience instead."

The $841 million CU (*www.lapfcu.org*, Los Angeles) sent out a new email with the subject line "Start your home search with LAPFCU's HomeAdvantage program," and within three days, about 80 more members registered. It just goes to show, Vincent says, that members want a real estate advisor, not just a loan advisor.

"You have to think outside the box if you want to close more loans," Vincent says. "They don't shop around, they don't rate shop, they don't understand rates. They want to know that somebody's an advocate for them and can help them through the process. You'll get way more attention that way."

Offering this kind of holistic attention can be expensive, says Jeff Vossen, SVP/mortgage originations and operations at TruHome Solutions, LLC (*www.truhomemortgage.*

com), a mortgage company based in Lenexa, Kan. The holistic approach often involves multiple systems. For example, such email marketing systems as Constant Contact (*www.constantcontact.com*) or lead management systems like Velocify LeadManager (*www.velocify.com*). For smaller institutions, working with a CUSO can often improve affordability because CUSOs can buy software in bulk and create their own credit-union-ready solutions to share.

"We've developed technology on credit unions' behalf so that they can cultivate their membership to penetrate it as much as they possibly can from a mortgage lending perspective," Vossen says. "If they were to do this all on their own, it would be ... well, for the volume that they bring in on a monthly basis, they wouldn't be able to afford it. It wouldn't be cost-effective."

Step 1: Exploring

In the past, says Vincent, credit unions would engage with buyers only in the few months before they were ready to buy a home, when they needed to get prequalified. But CUs can close a lot more mortgages by seeking out connections much earlier. Real estate agents aren't the gatekeepers anymore; the real gatekeepers are the purveyors of online home listings. Responding to this, CU Realty's HomeAdvantage solution gives credit unions a platform through which to offer online home listings—sort of a Zillow.com or Realtor.com for CUs.

"Credit unions were once reliant on real estate agents to send them leads," she says. "But more than half of all home buyers start looking for a home online first. So if credit unions put themselves in that position (of offering a portal to the multiple listing service), they can become better advocates for their members. They are helping them find a home, they're helping them find an agent, they're helping them get educated, they're helping them do the research they need to do. And then, ultimately, if they're there through those steps, then they're also there when [members are] ready to talk about financing."

If the CU is engaged with potential buyers from the earliest moments of home-buying ideation, they're ideally positioned to become the lender later on. Vincent says multiple studies show that home buyers don't shop for mortgage rates. Most of them use the first lender they go to, or one that was recommended to them. They don't understand the terminology or the calculations, and they don't believe there's much variation from one lender to another; so their tendency is to stick with a source that feels comfortable.

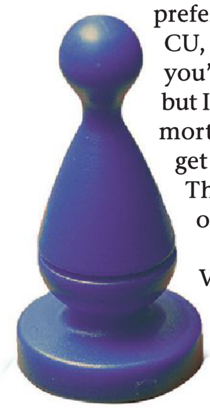
This is a strategy that should feel comfortable for CUs. Vincent says they're not being asked to market aggressively to members in order to close more loans. Instead, they're positioning themselves as member advocates in the real estate market, so that wherever members are in the home buying cycle, the credit union can help.

"We encourage them to do that by offering access to online listings, offering referrals to agents, offering educational seminars," Vincent says. "Some of our partners do webinars. Some of them have agents write blog articles, articles for their newsletters, articles for social media. It really is a full-court press from a marketing perspective: How do we position ourselves so that we help them make smart home-buying decisions, not just get a loan?"

Step 2: Seriously Looking

Often, potential buyers don't bother selecting a real estate agent until they've found a property they're interested in. That might be fine from the member's point of view, but it's a disaster for a credit union that hopes to get their mortgage business.

Vincent explains why: "Let's say Jane Smith goes to her credit union and gets pre-approved for the home of her dreams, and then she turns to a real estate agent who is going to help her find the home," she says. "But that real estate agent has a



preferred lender that's not the CU, so the agent says, 'I know you're pre-approved already, but I know and trust this great mortgage company. Let's go get you pre-approved there.' Then they go off with this other company."

What credit unions need, Vincent says, is a great nurturing system—a way to stay front of mind with preapproved members while they're looking at houses so the credit unions don't lose out on business. Technology—customer relationship management software in particular—provides the hand-holding that's required.

Vincent has noted the growing popularity of a lead-nurturing system called Intuvo (*www.intuvo.com*) within the credit union movement.

"A lot of times, people will come and get pre-approved and prequalified, but they may not turn around very quickly," she says. "Maybe the inventory is low, maybe they just can't find the home that they want. There are varying reasons why it might take a super long time, or that the loan might fall out altogether. The Intuvo CRM system helps [credit unions] nurture those leads along and increase their pull-through rate (the number of applications closed per applications made)."

Vossen says TruHome uses Constant Contact to forge a link between agent, member, and lender. "If we obtain Realtor® information, which we try to do right at the outset if somebody's working with a Realtor, we get that information into the system immediately so that we can put them in the rotation of this communication process, to give them status updates," he says. "If they're not working with a Realtor, we have a referral process. If they're in, say, Dallas, Texas, we have a referral partner that will set them up with an agent there. Then, if that loan actually moves forward, if someone makes an offer on a house, that loan will stay with us."

If people are so reliant on recommendations when finding an agent, why don't they just use the agents they and their family have used in the past?

"As much as we want to believe that people have great experiences with the agents they've used in the past, they don't reuse them," Vincent explains. "They move to a new neighborhood, and they want people with special expertise in that area. They don't generally call on the agent a second time. So when credit unions create a network of preferred agents that they can refer their members to, it's actually a big value-add.

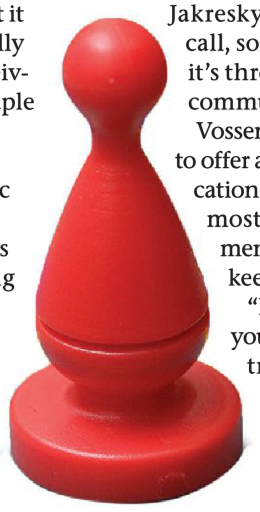
"They're hoping, of course, that if they share leads with agents, then agents will then share leads back with them. But it's also a huge benefit [to the member] to say, 'If you already trust us with your money, trust us also to give you a referral to an agent that we know is reputable and experienced in your local market."

Step 3: Applying

If the credit union manages to get a member to apply for a mortgage, the work isn't done yet. Depending on their demographic and their personalities, members may want to engage with the CU in different ways. Some will want to talk to loan specialists in person and mail or fax the needed documents. But others, especially millennials, will expect to be able to do it all online.

Christiann Jakresky, director of financial services operations at Lending Solutions, Inc. (*www.lendingsolutions.com*), an Elgin, Ill.-company that provides 24-hour contact centers for lending operations and offers a broad portfolio of lending products, says that's where her company comes in. Its call centers can manage applications on the phone 24 hours a day, and it also offers online application software.

"One of the more popular ones is Accenture," she says. "Also, there's MortgageBot. From a borrower's perspective, both are a very comprehensive application process, and they will give them a decision in most instances. Oftentimes the credit unions turn off the automatic decision because, if it's a denial, they want to be able to look at it and see if they can do anything to get it approved. But if someone is a really solid approval, they could conceivably get the approval only a couple of minutes after they submit."



Jakresky says some of these systems will generate automatic disclosures that members can print out or save. Other systems can come into play in managing the slew of documents that have to be exchanged.

"At this point, the credit union is going to review the loans and request supporting documentation from that buyer if they're approved," she says. "Pay stubs, W-2s, Social Security statements, tax returns, things of that nature. Many moons ago, these would be sent in either via mail or fax. Nowadays, a lot of people will set up secure emails or allow members to upload the documents right into the application system. The system can then alert the credit union that they have these documents from the borrower, and they can start reviewing them accordingly."

Even such third-party documents as home appraisals can be delivered to the borrower electronically, through an email or portal. It saves postage and time—which is good, because the next process involves plenty of thumb twiddling.

Step 4: Waiting

"Once all the supporting documentation is in, from a borrower perspective, they do a little bit of sitting and waiting," says Jakresky, "waiting for that file to be underwritten, waiting for the appraisal piece, the title. But now credit unions are leveraging systems to be able to auto-send emails so they can give members information on what the current status is."

The waiting period is a "pain point" for borrowers, she says, even if it's just a refinancing. They're nervous, and they can feel abandoned if the credit union doesn't make a point of reaching out every time there's news. Luckily, this is easily remedied by simply keeping them in the loop. The member should receive a new notification for every piece of the puzzle that falls into place. And then they should be informed promptly when the wait is over.

"Typically, the loan officer will reach out and let them know that they've been approved and if there's any additional information that they may need," says Jakresky. "Sometimes that's a phone call, sometimes it's email, sometimes it's through the application system or communication portal."

Vossen says TruHome Solutions hopes to offer a social-media-based communication system in 2017. Millennials are most comfortable in that environment, he says, and it's a great way to keep everyone on the same page.

"During that incubation stage, if you will, whoever's involved in the transaction will be looped in," he explains. "It's very similar to Facebook. If you're friending somebody, you're going to get all their updates on your

news feed. Well, if you are in a mortgage transaction, you can bring in all the parties who are relevant: the Realtors, the borrower, the lender, the title agent, that sort of thing. Then you have communication streams and everybody's updated throughout the process."

Step 5: Closing

Closing is the end game of any mortgage transaction, and it's a tense time. In the past, buyers, sellers, or title companies sometimes tried to jam through a rush closing, but new buyer-protection regulations (which require the closing disclosure to be in place three to seven days ahead of time, see *cues.org/042415oncompliance*) have cramped their style. On the other hand, technology has smoothed the process of actually delivering the documents.

"The closing oftentimes happens at either an attorney's or a title company or an escrow company, depending on what state you're in," Jakresky says. "You have to send the closing disclosure to them so they can review that and have time to analyze it. It gives all of the breakdowns, all the different fees and how much money you have to bring to closing, all those different variables."

Lenders used to provide that information a day or two before closing, or even the same day. But now, to try to make up for the several-day delay, they often provide it digitally instead of by mail or courier.

"That electronic piece is really helpful whenever possible, because that takes away some of the extra time, and it allows you to document that you provided the stuff," Jakresky says.

The new regulation is beneficial to consumers, but sometimes it doesn't feel that way from the perspective of buyers who are harried and worried. Using technology to smooth the road is just one more way for CUs to show members that their financial institution has their back.

Jamie Swedberg *is a freelance writer based in Georgia.*

Resources

Read our January cover story about lending in 2016 at *cues.org/0116lending.* Also read "Getting an LOS You Love" at *cues.org/0915los* and, from our last issue, "Driving More Auto Loans" at *cues.org/0316driving.*

If you liked this article, you may be interested in attending CUES School of Member Experience (*cues.org/some*), Sept. 26-27 in Charleston, S.C., or CUES School of IT Leadership (*cues.org/soitl*), Sept. 27-29 in Charleston, S.C.

Member Self-Service Options

Matching machine functionality to member needs by site lets CUs offer more personalized delivery.

By Charlene Komar Storey

Oh, for the good old days, when credit unions just let cardholders perform transactions on their ATMs and were done with it.

Today, it's decisions, decisions, decisions. CU executives must choose which self-service machine best meets both members' needs and the CU's budget.

There's the traditional ATM; personal or "video" teller machines; and, most recently, the cardless ATM. (In "Using ATMs to Deliver ROI," p. 46, we also cover software that enables non-traditional ATM transactions on existing machines.)

"It's a very confusing time," says Terry Pierce, senior product manager at CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), Rancho Cucamonga, Calif. "We have to be sure we stay on top of this."

While there may be stress about making the correct self-service delivery hardware choice, the increase in options also allows CUs to play to their strength of meeting specific member needs at a given location.

Inside Different From Outside

For instance, when Woodland, Calif. -based Yolo Federal Credit Union (*www.yolofcu.org*) decided not to reinstall its lobby ATM during a branch remodel, it seemed to veer off the course of the conventional business model.

The key word here is "seemed." What the $241 million CU actually did was to fine-tune its machine usage to meet the needs and wants of its members. It replaced the standard ATM with two upgraded machines. Called "interactive teller" or "personal teller" machines or, as Yolo FCU terms them, "intuitive in-lobby tellers," the new devices feature a live, on-screen teller who can help members if they wish.

Placing Diebold 9900 ILTs (*http://tinyurl.com/dieboldilt*) inside the branch didn't mean Yolo FCU kicked all its ATMs to the curb, exactly. The remodeled Woodland location has traditional ATMs at the drive-through and outside the building for members who walk up. But executives felt a change was needed inside the facility.

"The lobby ATM was not getting a whole lot of usage," says CUES member Jenee Rawlings, PHR, president/CEO. So executives chose to offer members a new option: interactive teller machines at either end of the teller counter.

"There's a staff person two feet away, and the machine has a staff assistance button," Rawlings says, so members won't be on their own if they become confused. Plus, a roaming receptionist can invite members to become acquainted with the ILT.

"The machine cuts down on complaints about waiting in line," Rawlings adds, since members who are in a hurry or drop in at busy times now have an alternative that's closer to the live-teller experience.

This isn't Yolo FCU's first use of an ILT. When the CU remodeled its West Sacramento branch in 2014, it placed a machine between the front door and the teller line. Yolo drew on its experience there when redoing the Woodland branch.

"We should have integrated it into the teller line [in West Sacramento]," Rawlings explains. In that branch, there are only two teller windows, and integrating the ILT would have allowed the tellers to provide assistance to members without leaving their stations.

The CU is looking forward to making more use of the ILT technology. "We may launch it in communities where we don't yet have a presence," Rawlings says. Newer ILTs have videoconferencing abilities, she notes, and Yolo FCU executives will be considering adding that feature.

Conventional Service, Plus

Meanwhile, Tucson, Ariz.-based Vantage West Credit Union (*www.vantagewest.org*) decided conventional ATMs were the way to increase its presence at 10 sites in Cochise and Pima counties.

Each ATM occupies a unique ZIP code, demonstrating a strategic effort to maximize accessibility for the credit union's members, especially in the Cochise County jurisdiction, which was recently acquired by the CU.

Feedback from members on the new locations has been positive, says Jill Casey, AVP/communications and content marketing. "In all, they love the added convenience of having greater access to their money where they live, work and shop."

While the $1.5 billion CU believes cash-dispenser-only ATMs are ideal for the in-store and gas station locations where these ATMs were placed, it is trying out a PTM.

"Our First Avenue [branch] location offers a hybrid ATM/personal-touch experience, with the convenience of self-service kiosks, alongside friendly, knowledgeable and helpful staff who are available to assist members, as needed," Casey says.

"One thing we have learned from our relatively new hybrid/technology branch is that we still have plenty of members who prefer to deal with a human when conducting transactions more complex than making simple withdrawals," Casey says.

Choosing an ATM or a PTM isn't a slam-dunk, she adds. "There are costs and benefits. One major consideration is the initial cost of purchase and installation." An ATM can cost anywhere from $45,000 to $85,000, she says.

The CU saved on the hard costs of its 10 new ATMs through a partnership with Cardtronics (*www.cardtronics.com*), Houston. "We simply branded them and programmed them to behave the same as Vantage West ATMs," she says.

PTMs All the Way

For Coastal Federal Credit Union (*www.coastal24.com*), Raleigh, N.C., the results of a total commitment to its personal teller machines are only getting better.

"We're way down the road, and very happy with our implementation of PTMs," enthuses CUES member Willard Ross, chief strategy and talent officer. "It has worked marvelously for us."

A recent conversion to an Episys core from Symitar - A Jack Henry Company (*www.symitar.com*), San Diego, has enabled the PTMs to work even faster, shaving 10 to 15 seconds off average transaction time, which was already a minute faster than what was recorded using a traditional teller.

What's more, four years since the $2.6 billion CU converted its entire branch network to PTMs, it's maintaining the competitive advantage produced by its "7-7-7" hours of human staffing for the video tellers: 7 a.m. to 7 p.m., 7 days a week.

"I've never seen a competitive advantage that lasted more than 30 days before," Ross says.

"It's a very personal transaction," he adds. That means, for instance, that low-earning millennials who need quick access to their paychecks may be able to get a hold waived by a teller on the video screen, depending on their relationship with the CU. "We really like the higher level of service."

ATM Plus Smartphone

There's yet another option credit unions will have to start considering: ATMs driven by a mobile phone.

Megabanks JP Morgan Chase, Bank of America and Wells Fargo grabbed headlines earlier this year with announcements that customers will be able to trigger their ATMs by waving a mobile phone.

It wasn't news to the ATM-savvy. Pierce says she saw a Chase prototype in 2014. News reports put the advent of the first "QR," or "quick response," matrix barcode-based systems in 2013. (Visit *http://tinyurl.com/qr4atm* to learn how this works.)

Pierce points out that the megabanks each possess large R&D budgets. "They're addressing consumer expectations with the introduction of Apple Pay and the like," she says. "I think we will continue to see a lot of this transformation," including at the ATM.

The three behemoths are clearly targeting millennials with their efforts to link smartphones and ATMs, she says.

When going cardless, CUs will choose whether to use QR codes or near-field communication, a set of protocols that allow two devices to talk with each other when brought in close proximity. It looks like the big banks are trending toward NFC. Following suit would require CUs to upgrade their hardware, while using a QR code wouldn't take an upgrade.

But the new tech isn't the only option.

"I think a better move for self-service is a purely mobile transaction," Ross says. "We are working on expanding what members can do via their mobile device ... offering more complicated service transactions as well as sales transactions. That said, if they need cash, they still need to go to a PTM, ATM or get cash back ... using a debit card."

The technology on NFC ATMs is still relatively new, Casey points out. "Time will tell which banking method consumers prefer."

Charlene Komar Storey *is a veteran credit union writer based in New Jersey.*

Using ATMs to Drive ROI

CUES Supplier member CO-OP Financial Services, Rancho Cucamonga, Calif., offers yet another ATM choice. Its CO-OP Connect software (*www.co-opfs.org/solutions/connect/co-op-connect*) allows credit unions to leverage their existing or new advanced-function ATMs to offer expanded self-service options, including shared branching services.

Through integration with CO-OP Connect, ATMs can be set up to allow members to access accounts they wouldn't be able to transact from using a traditional ATM. For example, a member using an ATM integrated with CO-OP Connect could transfer funds from his or her checking account to make a loan payment; that same member using a depository ATM integrated with CO-OP Connect could make the loan payment with cash or a check inserted into the machine.

CO-OP Financial Services' Terry Pierce observes that CUs generally look at ATMs as a way to achieve efficiencies by migrating services from tellers or call center staff to machines, and that CO-OP Connect is helping to deliver on that potential.

"Ninety percent to 95 percent of transactions can be self-service," says Pierce, senior product manager.

Resources

Read many past articles on how CUs are leveraging the video technology available in personal teller machines at *cues.org/videoptm.*

If you liked this article, you may be interested in attending CUES School of Payments™ (*cues.org/sop*) in April in Chicago; CUES School of Member Experience (*cues.org/some*) or CUES School of IT Leadership (*cues.org/soitl*) in September in Charleston, S.C.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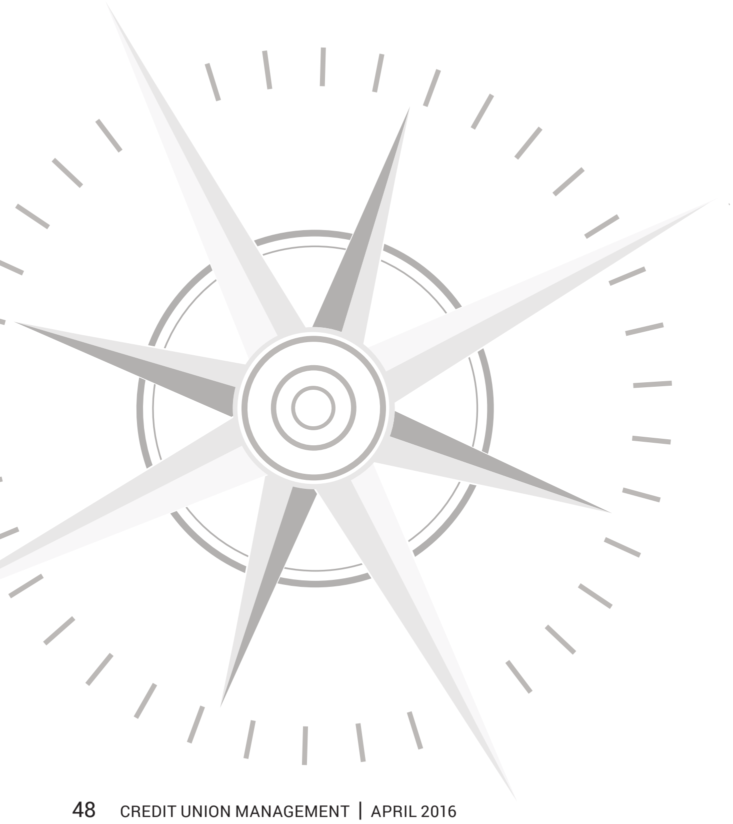
Charting a New Direction

Six key assumptions about board officers that you should challenge.

By Michael G. Daigneault, CCD

The roles of leadership in today's credit unions are changing; specifically, there's an important new way to think about key board leaders.



The ideal role of board treasurer was a recent topic of conversation on CUES Net™ (*cues.org/cuesnet*), the CUES-members-only listserve. Without identifying which CUES members were having the conversation, the CUES Net moderator asked for my input, and posted my thoughts back to the list. My thoughts stirred a bit of controversy, and I thought to myself, "Well, good. Let's have this discussion. Let's talk about the changing roles of leadership in today's credit union."

In this article—as I did in my comments to CUES Net—I'm going to challenge assumptions about the role of board treasurer—and the other officers. Get ready.

I've never been one to shy away from a good old-fashioned give and take, and I think it's time that we all push ourselves to go beyond the status quo when we think of the board officer positions that are leading our movement into the future.

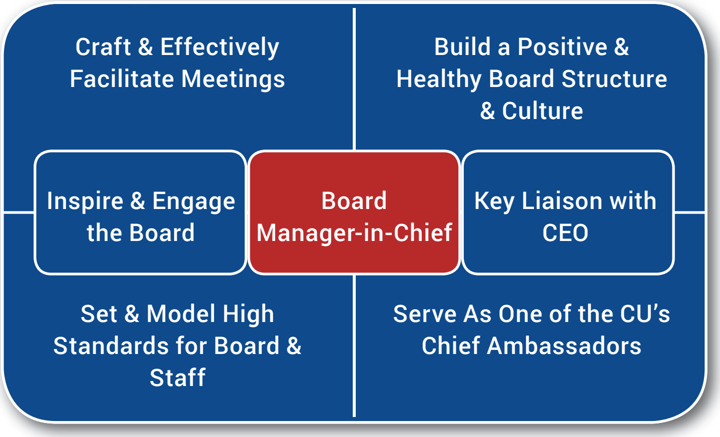
I've written and spoken in recent years about the nine key challenges facing the credit union of the future. (Read about them in my article at *cues.org/032415goodgovernance*). To be certain, you and your colleagues are facing a lot more challenges today than you were a decade or more ago when many of you signed up as board members.

So, if the world around you has changed, and continues to do so at a rapid pace, shouldn't some of our assumptions and approaches to leadership be open to change, too? I think so, and I'm encouraging you to revisit some long-standing assumptions you have about board leadership.

Assumption #1: Boards should never "manage" anything.

I love asking board retreat participants if boards should manage. The vast majority of board members (and nearly all CEOs) gasp and respond with a resounding and unequivocal, "no." So, I continue prodding, asking: "Are there no circumstances under which a board should manage?" I get silence—and blank stares. "None?" I ask.

Key Responsibilities: Chair of the Board



Ultimately, I'll have one brave individual who will posit that: "Boards should manage their one employee—the CEO." Another brave soul may offer, "Boards should manage themselves." And this becomes my opportunity—they are correct!

If a credit union board should be responsible for managing its own operations, then it would be logical to consider your chair as your board manager-in-chief. He or she is responsible for the overall, effective functioning of your credit union's board. Beyond crafting and facilitating your meetings in partnership with the CEO, your chair should ensure that your board is building a healthy governance structure and practices. (Of course, we recommend an active governance committee as an important partner in this endeavor, too.)

But, these are just the nuts and the bolts part of the job. The real key to what the board chair does is in fostering and then *managing* the right culture for your credit union board. Be sure that you and your colleagues appoint a chair who can inspire and engage your board members—one who sets and models high ethical standards, from both personal and professional points of view.

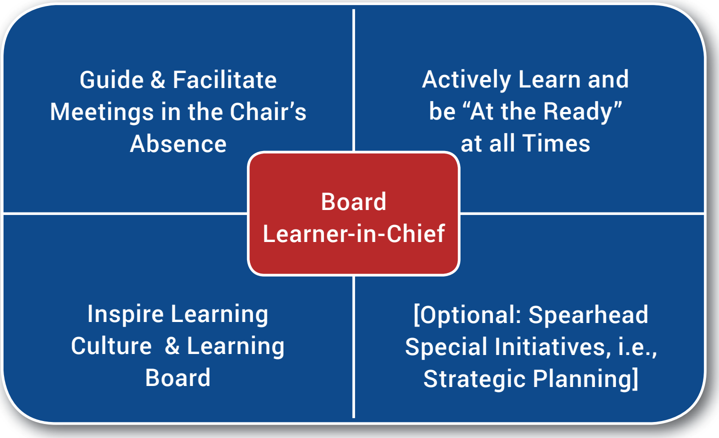
It's also important that he or she work well with the credit union's CEO—fostering a constructive partnership between the board and senior management.

Assumption #2: The vice chair's job is boring.

Much like the vice president of the United States, the position of vice chair used to be pretty boring. But it doesn't need to be. What if you reframed the vice chair role as your board learner-in-chief?

Yes, of course, this means your vice chair should be learning everything he or she can about the role of the chair should the vice chair be needed in that role some day. It is, after all, the

Key Responsibilities: Vice Chair



vice chair's role to be "at the ready" at all times. This means your vice chair should be ready to fill in for short-term absences and the potential long-term replacement of your chair.

But being the board learner-in-chief can mean so much more. And it should. To meet the challenges before you, you and your colleagues need to be constantly learning and growing. (Read coverage of my CUES Webinar, "Fostering a Culture of Board Learning," at *cues.org/* fosterbdlearn when you log in as a member of the Center for Credit Union Board Excellence—or email *cues@cues.org* for a 30-day free trial.)

There is no one better suited to lead this charge toward adopting the culture of a "learning board" than your vice chair. He or she should already be in full learning mode and can be a catalyst to encourage you and your colleagues to actively pursue learning on an ongoing basis.

Lastly, you can consider charging your vice chair with special projects or initiatives like being a public spokesperson at key events, coordinating board retreats, designing better board meetings, strengthening the strategic planning process, or even a successor CEO search.

The vice chair position lends a level of credibility to these initiatives, which is important, while allowing your chair to keep his or her eye on the overall management of your board.

Assumption #3: The board secretary's job is to take minutes. (That is, the secretary's role is even more boring and inconsequential than the vice chair's!)

This is perhaps my favorite board officer position to discuss. I always ask this very simple question: "What is the role of the board secretary?" And there are usually one of two answers given. The first is this: "To take the minutes." And the second: "To edit and approve the minutes taken by the *staff*."

Really? That's it? Boring...

But no–that's not it! For a little inspiration, we needn't look far.

In the corporate sector, the board secretary has a very, very important role. He or she is, as enumerated by the Canadian Society of Corporate Secretaries (*www.cscs.org),* responsible for ensuring the integrity of the governance framework, the efficient administration of the company, compliance with statutory and regulatory requirements, and implementing decisions made by the board of directors.

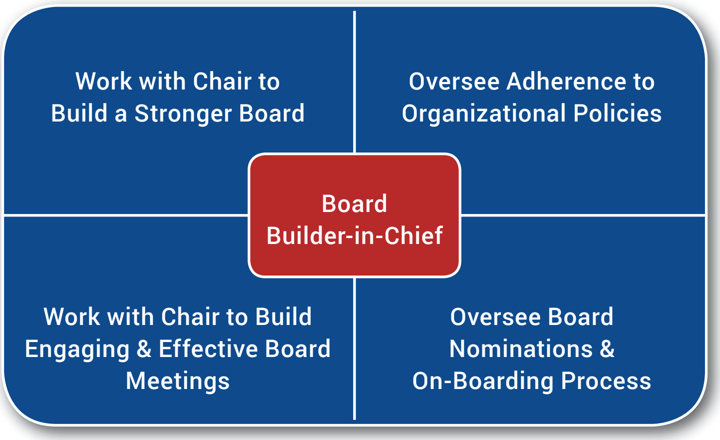
There. How does that sound? Boring? I don't think so. Now, that's a job I'd like to have as a volunteer board member. It goes pretty far beyond taking minutes, doesn't it?

Make no mistake. You are helping to lead an organization every bit as complicated or sophisticated as a corporation. While a credit union's structure may be different from its for-profit competitors, the stakes are just as high. And some could argue that the complexities you face as a credit union—with members' interests and a mission to balance—place even greater demands on your governance structure, policies and practices.

Consider your board secretary your board builder-in-chief (or, better yet—your chief governance officer), working hand in hand with your chair to build a stronger board. Your board secretary should be tasked with seeing that your board adheres to organizational policies, as well as national regulations.

He or she should also oversee board nominations and a robust onboarding process by chairing the credit union's governance and nominations committee. And this committee, too, can be charged with working with the chair to build engaging board and committee meetings to effectively carry out the board's work.

Key Responsibilities: Secretary



Assumption #4: You have to be a numbers person to be the treasurer.

At last we come to the source of the controversy that sparked this article. In my response to CUES Net, I suggested that it is the role of the contemporary credit union treasurer to help fellow board members effectively *translate* complex financial reports and data into comprehensible and insightful information that can effectively support strategic decision-making at the board level.

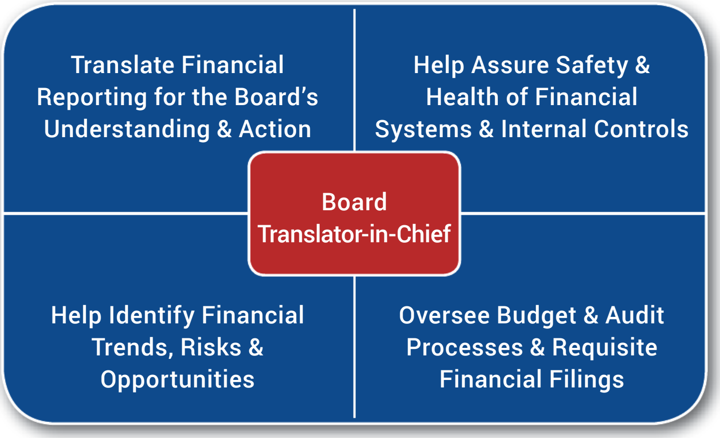
There was some concern raised that perhaps what I was suggesting was that board members (i.e., the treasurer) might have more experience in the financial realm than the credit union's CFO.

I wasn't. I was actually trying to make the *opposite* point.

If your credit union board is like most, it's not made up of financial whizzes and MBAs. It's made up of everyday people like you and me, representing the membership and, for whom their financial literacy and acumen may have been developed through their service on the credit union board.

And if they're like me, perhaps their eyes glaze over when they see 26 Excel spreadsheets coming their way.

Key Responsibilities: Treasurer



I see an effective treasurer working with the CFO and his or her staff—poring over those Excel spreadsheets—to ensure the board receives clearly discernible reports, dashboards, bar charts and graphs, all in an attempt to clarify and deliver the complex financial reports in a manner that everyone on your board can genuinely understand.

My colleague shared a story recently that made perfect sense to me. She said that the best treasurer she ever saw was a marketing guy. Yes, you read that correctly. A marketing guy. He didn't want the job, but no one else would take it. He was the last guy standing. And what made him good at the job (indeed, great at the job) was that he didn't fully understand the numbers at first, and he kept asking for clarification until he did. And, he was good at communications and visuals, so that was a plus. The joke around the boardroom was that if Jeff could understand the financial reports, anyone could. And they were right. He had them "translated" into a form he could genuinely understand. This helped Jeff—and everyone else on his board!

How crystal clear are your financial reports? Can your new board members truly understand them? Or are you still presenting 26 Excel spreadsheets (in the form in which the staff tends to understand them) to your board members and expecting them to read them like a CPA?

Assumption #5: Everyone deserves a chance to be chair.

Don't simply adopt an automatic ascension plan for the board member who "hasn't had a chance to be the chair yet." Many credit unions have a practically automatic process whereby directors begin as a regular board member, then become the secretary, then move to treasurer through to vice chair and right on up to chair.

Not everyone is cut out to be chair. Automatic ascension provides little to no wiggle room concerning needing a particular person to be chair because he or she has a particular skill set or capability; due to big changes being on the horizon for the CU; or because the board needs to focus in a new direction. Choose the right candidate for the right time, not simply because it's his or her "turn."

Assumption #6: You'll know what to do when the time comes.

One of the most important leadership assumptions I can help you challenge is that you will know what to do when the time comes. This relates directly to the notion that you should *always* have in place a leadership succession plan—and I'm not talking about a CEO succession plan (although I think you should always have one of those in place, too!).

Your board and its officers are some of your most important strategic assets. Treat them accordingly. Plan ahead for changes in board leadership—both the kind that can be anticipated and those that cannot.

I'm not talking about drawing up a 10-page, detailed plan. I'm talking about outlining the basics, including: who will serve as board officers on an interim basis; what roles certain committee(s) will play; and how the credit union's CEO may be impacted. Be sure any succession plans are in line with your credit union's bylaws, which may provide some direction on these issues.

Above all, be open to even the idea of change. Here's an example to explain what I mean.

I spent the better part of a recent training arguing the merits of having a board secretary play an increased role within the organization. Really? I could hardly believe it—here was someone before me, arguing against a more engaged, more robust role for a board officer. Arguing against a board volunteer filling a key need within the credit union. Why? Because the secretary was so busy reading and approving all of those meeting minutes? I hardly think so.

What's the downside? I wondered. Imagine the upside ...

Michael Daigneault, CCD, *is CEO of Quantum Governance L3C* (www.quantumgovernance.net)*, Vienna, Va., CUES' strategic provider for governance services. Daigneault has more than 30 years of experience in the field of governance, management, strategy, planning and facilitation, and served as an Executive in Residence at CUES Governance Leadership Institute™* (cues.org/gli)*. Quantum Governance fields more engagements in the credit union community than in any other, more than 40 percent of its total client projects.*

Resources

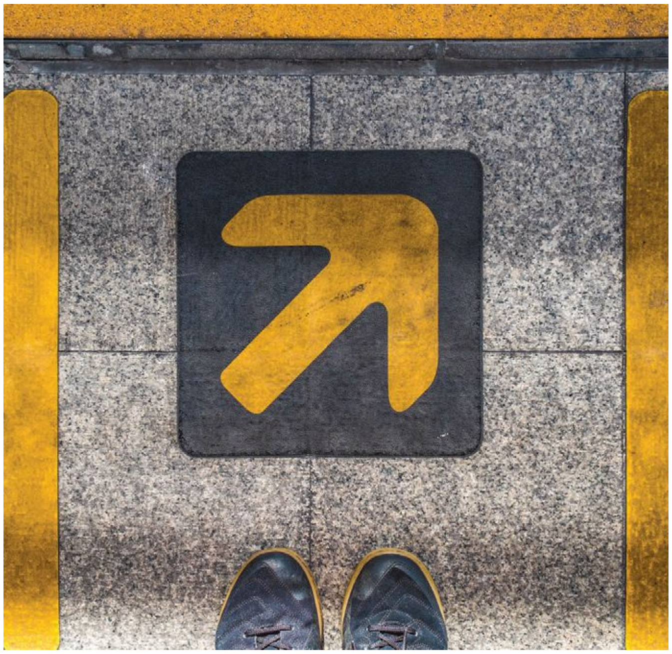
Read about nine key challenges facing today's credit union boards at *cues.org/032415goodgovernance.*

Also read about board officer development at *cues.org/022415goodgovernance* and about the role of the chair at *cues.org/110813goodgovernance.*

Read coverage of Daigneault's CUES Webinar, "Fostering a Culture of Board Learning," at *cues.org/fosterbdlearn* when you log in as a member to the Center for Credit Union Board Excellence—or email *cues@cues.org* for a 30-day free trial.

Board Chair Development Seminar (*cues.org/bdcs*) will be held Sept. 12-13 in Santa Fe, N.M. Plus, this June in Asheville, N.C., and September in Santa Fe, five other seminars tailored for director learning will be offered. Get all the details at *cues.org/seminars.*

Better Board Orientation



Here's what a 'fly on the wall' would see during a well-structured new director welcome.

By Debra Beck, Ed.D.

What would be a better way of welcoming new directors that what is done now?

I spent a lot of time reflecting on this question a few years back after being interviewed by Renee McGivern for her "Nonprofit Spark" podcast (*http://tinyurl.com/nonprofitspark*). While I had prepared to share observations and recommendations about new board member orientation during the interview, McGivern's question, "What would a 'fly on the wall' see when a properly structured new board member orientation is underway?" still gave me pause.

This article articulates my resulting fuller vision of what a good first meeting with new directors looks like. Let's open by talking about three assumptions that underlie my vision.

Three Assumptions You Should Examine

First, ***orientation is more than that first event***, scheduled after a prospect has agreed to serve on your board. In fact, orientation of your new board member began long before he or she said "yes" to running or election.

The new board member should already know some key things, because you've specifically outlined them in the recruitment process:

- the mission and vision of your credit union and the basic products and services it provides in advancing them;
- the specific expectations of your board—not only the bottom line legal and fiduciary responsibilities, but also the larger, strategic leadership roles of your governing body;
- the specific expectations you have for him or her—why you are recruiting *this member* to serve *now*. Do you need their particular professional expertise? Are you interested in reaching out to new segments of the community via their connections to that community? They need to know, up front, what they are being asked to bring to the table beyond the general board member job description roles.

Second, ***new board members need to have access to the specific details needed to govern from the moment they are elected.*** Whether it is a hard copy board handbook, an electronic board portal used to store key board documents, or some other resource, essential documents and data (e.g., the bylaws, minutes, financial statements, member statistics) should be readily available to them. New directors are smart, successful people. *You do not need to spend an orientation session reading to them what they can review at their own convenience.*

I'm not saying you have no need to review some of those details in this formal setting. I'm saying do not waste precious time reciting all those details at an introductory event.

Third, no matter how open and user-friendly you make an orientation event, ***new members will feel overwhelmed and they will not remember everything they need to know.*** You can do your part by resisting the urge to dump truckloads of details on them in one sitting, by reminding them that they'll have access to most of these details when they need them (e.g., the handbook or portal), and by assuring them that questions—now or later—always are welcome.

Must-Haves for That First Session

So, with all of that as a foundation, what should that fly on the wall see during a first session with new directors?

New members aren't outnumbered by "insiders" in attendance. At most, a two-hour event would include the new members, the board president, the CEO and the new member mentor(s). (More on the mentor later.) New directors already are likely to feel overwhelmed. They will have one or more terms to get to know the rest of the board and staff. This session needs to be a comfortable, safe place for exploring—with their fellow newbies—what it means to serve on your board. Confronting them with an endless parade of people, especially insiders bearing PowerPoint presentations, can add to their anxiety and the potential for overload.

The session and its content focus primarily on the board and the

new members' roles within it. The basics aren't new, because they were outlined in recruitment. This session gives new directors an extended opportunity to explore what their new role *really* involves: how the board accomplishes its work (e.g., the way the board is structured to fulfill its roles, the committees or other work groups that facilitate that work, the routines and events of the board's year). It gives new directors a chance to go into greater depth about what that looks like and an opportunity to see how they will go about finding their place as active members. Additional information about the organization and its work also is inevitable, but it isn't the primary topic for this session.

It connects the board's collective role, and their individual role, to the *heart* of the organization and its work. Too often, we focus all of our energies into describing the logistics of service—the whats and hows of being a board member. Those are essential to understanding what is expected, but they're not enough.

If you've recruited well, you have attracted new members who are passionate about the work they will do. They want to connect, directly and indirectly, to the organization's success. Tell stories and offer examples that give life to the work you do. Make sure some of those stories illustrate the *board's* role in that impact. Link their coming leadership roles to what prompted them to say yes in the first place.

More time is devoted to new members' questions than presentations by others. Remember, new directors already have basic information about your organization and their responsibilities. This is a time for conversation, led largely by the questions they already have and those that will arise as you dig deeper into what it means to serve. It's also time for them—and you—to check assumptions about how *this* credit union board functions as a team and a work group.

It can be perilous to have people enter the boardroom with different ideas about how boards work. Discussing perspectives up front, and getting a sense of how governance is enacted in *this* board, is critical.

This orientation event marks the beginning of the next phase of their board learning journey. When they leave this session, they should:

- know who has been assigned as their board mentor (and, preferably, met that person). This person will serve as a peer guide, a person upon whom they can call with questions. The mentor is an additional resource who remembers what it feels like to be new.
- know there will be other opportunities to learn more about specific aspects of their work and about the organization, because yours is a board where learning is valued and embedded in their work.
- know you will be offering additional, focused sessions on topics of concern to new members (e.g., a follow-up specifically targeting the credit union's financials).
- know they will have opportunities to tour the credit union's headquarters and branches, if doing so was not possible during this initial welcome session.

We facilitate the process of new board members gaining traction by demonstrating ... that they are supported. We enhance their learning ... by structuring meetings for lively ... discussions.... We give them reasonable time ... to find a place where they can make a meaningful contribution.

What it Means to be New

As was discussed in the Nonprofit Spark interview, it takes time to move from new recruit to active, seasoned veteran. However, we shouldn't excuse new members from stepping up and getting involved straightaway. Indeed, we should find meaningful ways to engage them early in the board's work, such as assigning them to committees doing work that contributes to the organization's success.

We facilitate the process of new credit union board members gaining traction by demonstrating to them that they are supported. We enhance their learning and their commitment by structuring meetings for lively, governance-focused discussions, where they are always expanding their potential to lead. We give them reasonable time and space to find a place where they can make a meaningful contribution.

Debra Beck, Ed.D. *(www.boardlearning.org), brings 30 years of experience serving on, and consulting with, nonprofits and their boards. She has worked with governing bodies at the local, state, regional and national levels.*

Resources

Debra Beck's "10 Ways" series, including "10 Ways to Revitalize Board Committees," is available via CUES' Center for Credit Union Board Excellence (*cues.org/ccube*). Read each entry in the series by searching for Debra Beck on *cues.org*, and looking in the "Board Resources Only" tab. Not yet a member of the Center for Credit Union Board Excellence? Sign up for a free 30-day trial by emailing *cues@cues.org*.

You may also be interested in reading "Good Governance: The 'Board Buddy' and Beyond" at *cues.org/040412goodgovernance*. Also read about strategies for readying volunteers to give a good performance once on the board at *cues.org/102714wings*.

CUES Director Development Seminar (*cues.org/dds*) can be an excellent component of your new board member orientation program (and a great refresh for tenured directors.) It will be held Sept. 14-16 in Santa Fe, N.M. CUES is offering a total of six director seminars this year. Check out the rest at *cues.org/seminars*.

In the 13-minute video at *cues.org/gli* (scroll down), Rick Powers and Matt Fullbrook discuss recent research on how boards can make sure they have the right directors to fulfill their visions. Powers and Fullbrook are on the faculty of Governance Leadership Institute (*cues.org/gli*), slated for June 12-15 in Toronto.

Incentives Alone Not the Answer

Just shy of 100 people logged on to a CUES Webinar to discuss incentives with Michael Neill, CSE, president of MNA, Inc., Atlanta, and CUES' partner in ServiStar®: Member Experience Builder.

Neill began with this statistic: 84 percent of employees say they could perform significantly better if they wanted to. He stressed one word: *want*. 50 percent of employees say they are doing only enough to keep their job. These same employees listed recognition as their primary motivator.

From these responses, credit unions, like other industries, draw what appears to be a logical conclusion and implement incentive and recognition programs to boost staff engagement and performance. But Neill suggests incentives alone will not get that job done.

"You can't create engagement through incentives. You can't pay people enough to make them care," Neill said.

Minimum Expectations & Accountability

What incentives often do, when not implemented as part of a larger program, is set only minimum expectations for staff. They strive to reach that minimum, receive their incentive but strive to go no further.

For example, many webinar attendees chatted in that Neill was on the right track when he asked if they hear questions like these: If I'm on vacation for a week, how many cross-sells do I have to make? How many times can I be out of balance before I'm fired?

"People who ask these questions are planning to *not* do well. People who are planning to do well don't ask these types of questions," Neill said. What's more, credit unions often compound this problem by not enforcing the minimums. "Incentives are only one part of a behavior management program. If you're not willing to discipline someone for failure to do [a behavior], then don't pay them to do it."

Neill pointed to a typical credit union's requirements and management system for teller balancing, which might include:

- Fail to meet goal month one: counseling.
- Second consecutive month: written counseling.
- Third consecutive month: probation.
- Fourth consecutive month: subject to termination.
- More than five months in a 12-month period: subject to termination.

In stark contrast, Neill sees that many credit unions do not measure member service, let alone hold employees accountable when they provide inadequate member service.

"The core purpose of your credit union is to improve the financial well-being of your members. How do we do that?" Neill asked. "By showing them how we can save them money and make them money. If your employees will not perform at the minimum expectation at the thing that defines the very core purpose of your credit union—and we're not willing to hold that accountable—I don't know what to tell you.

"We're in two different worlds. Somebody who is out of balance, beyond our expectations for four months, we'll fire them. But if they are in balance but don't perform to the core value, don't show members how the credit union can save them money and make them money, we say 'He's just not a sales person' or 'He's just not a people person,'" Neill said.

Neill's answer to making incentives work: Implement them as part of a larger, cultural initiative at your credit union. "If you want a behavior and make it part of your culture, you're going to have to lead it and coach it," he said.

Resources

Find out more about Michael Neill's member experience program, which he developed while working as a credit union executive. Learn about ServiStar: Member Experience Builder at *cues.org/servistar.*

Listen to a recording of the webinar "Incentives, Recognition, Bonus and Pay for Performance" at *http://tinyurl.com/incentiveswebinar.*

Register to participate in live CUES Webinars at *cues.org/webinars.*

Stanford University hosts CUES' Strategic Innovation Institute II (*cues.org/sii-ii*).

Bringing Top Business Schools to You

Christopher Stevenson, CIE

Look around the average college classroom and you'll see varying levels of commitment from students. Some aren't there; some are sleeping; some are watching YouTube videos; and some are fully engaged.

Look around the classroom during a CUES institute (*cues.org/institutes*) at a top business school and you'll see cream-of-the-crop current and emerging leaders listening, taking notes, sharing ideas, debating issues, and even laughing in the process. Notably, this kind of collaborative learning is not possible in other industries.

Being able to describe such a classroom situation, plus CUES' own track record of working with top tier business schools, is key to CUES' ability to build new institute relationships with highly regarded universities, according to Christopher Stevenson, CIE, CUES' SVP/chief learning officer.

"We start with an idea for a program based on a need in the industry," he explains. "Based on the concept, I check the readily available business school ratings for the topic under consideration. For example, when I was developing CUES' new Strategic Innovation Institute, both MIT (*cues.org/sii-i*) and Stanford (*cues.org/sii-ii*)—where the institute's segments are now offered—stood out."

Stevenson says outstanding business schools are interested in the uniqueness of credit unions within financial services—and often faculty members want to learn more about these financial cooperatives, as well as to be part of developing credit union leadership talent.

"Once we get to the stage where we're very interested in the school because of the expertise of the faculty and they're very interested in us because we help them connect with amazing credit union people, we start to brainstorm an agenda," Stevenson says.

Fine-tuning the agenda comes back to CUES members, too. "At that point, I introduce faculty to credit union people so they can really understand the challenges and opportunities our members face," he says. "The business school faculty members spend some time on the phone learning from real credit union executives. And after an institute is over, graduates often have follow-up email dialog with the school faculty.

"It matters that we have partnered with top-tier schools successfully since 1995, when the first CEO Institute took place," Stevenson adds. "I'm on the lookout now for our next topic and next partner school to meet emerging member leadership development needs."

7 More Director Courses Added

On the heels of the fall 2015 release of an updated and enhanced version of its online learning center for board members, CUES has recently added seven new courses with multiple modules to its Director Education Center, a benefit of Center for Credit Union Board Excellence and CUES Director Membership.

In addition, all courses have been optimized for use on Apple iPhones and iPads, in addition to Android devices, desktop PCs and laptops.

The new courses were created by governance expert Michael Daigneault, CCD, CEO and co-founder of Quantum Governance, L3C (*www.quantumgovernance.net*), Vienna, Va., a CUES strategic provider (*cues.org/qg*). Daigneault has more than 30 years experience helping boards.

The seven courses are:

1. **The Bank Secrecy Act: The Role of the Board**
2. **The Role of the Board in Establishing an Effective Risk Management Framework**
3. **Understanding Credit Union Financial Statements**
4. **The Role of the Board in Reporting to Membership**
5. **The Role and Responsibilities of a CU Board**
6. **Recruitment, Election and Orientation of New Board Members**
7. **The Role of the Board in Recruiting, Compensating and Assessing the CEO**

U.S. credit union directors, access these courses at *cues.org/dec*. Canadian courses are at *cues.org/candec*.

Director Newsletter Archive Now Online

In response to member interest, past *CUES Director Edge* issues are now available online at *cues.org/dearchive*.

Center for Credit Union Board Excellence and CUES Director members may access the most recent quarterly newsletter in PDF format, plus seven archived issues using their member password.

Based on member suggestions, CUES offers two additional ways for members to get *CUES Director Edge* electronically.

1) Download the myCUES app (*cues.org/myCUES*) and choose "Board" to get the newsletter delivered to your iPhone or iPad each quarter; then email *cues@cues.org* to unsubscribe from print delivery. (When you get the app and choose "Board" content, you'll also get all the rest of CUES' director-relevant content.)

2) Email *cues@cues.org* with your name and the subject line CUES Director Edge to get a link to the PDF newsletter via email each quarter, and to unsubscribe from print delivery.

Switching from print to electronic speeds delivery and saves paper!

CUES Governance Leadership Institute™ is June 12-15 in Toronto.

Essential Education for Modern Directors

In its eighth year, CUES Governance Leadership Institute™ challenges executives and directors to balance healthy debate with consensus-building to better lead their credit unions. Graduates of the institute earn the distinguished Certified Credit (Union) Director (CCD) designation.

To be hosted June 12-15 at the University of Toronto's Joseph L. Rotman School of Management, Governance Leadership Institute covers topics necessary for a modern governance leader: duties, risks and liabilities; negotiating in the boardroom; governance best practices; influencing change; and critical challenges and opportunities for CU boards.

Matt Fullbrook, manager of Rotman's Clarkson Centre for Business Ethics and Board Effectiveness, will explore how participants can apply insights from corporate governance research on such topics as fiduciary duties, time management, board renewal/skills, and director compensation.

"In our years of research and education on the topic of CU governance, no subject has been as divisive as board compensation," says Fullbrook. "This disagreement manifested in many ways as we conducted a recent study, "Should Credit Unions Pay Their Directors?" View a video about the study at *cues.org/gli*.

In addition, Rick Powers, academic director of Rotman's Directors Education Program and Governance Essentials Program, will present a comprehensive case study. Through the case study, attendees will explore decisions on board best practices and different communication strategies that may be employed when dealing with conflict.

CUES Governance Leadership Institute participants receive a hard copy, high-level synopsis, summarizing the program's key takeaways and action items, to share with their colleagues. Learn more and register at *cues.org/gli*.

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 18-22
Warwick Allerton Hotel, Chicago

CUES SCHOOL OF PAYMENTS™
April 19-20
Warwick Allerton Hotel, Chicago

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 24-29
Samuel Curtis Johnson Graduate School of Management
Cornell University

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 1-6
Darden School of Business
University of Virginia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 12-15
Rotman School of Management
University of Toronto

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
June 13-14
Omni Grove Park Inn, Asheville, N.C.

DIRECTOR RISK & COMPLIANCE SEMINAR
June 15-16
Omni Grove Park Inn, Asheville, N.C.

CUES DIRECTOR STRATEGY SEMINAR
June 13-15
Omni Grove Park Inn, Asheville, N.C.

CUES ADVANCED DIRECTOR STRATEGY SEMINAR NEW
June 16-17
Omni Grove Park Inn, Asheville, N.C.

MERGERS & ACQUISITIONS INSTITUTE™ NEW
June 27-30
University of Chicago
Booth School of Business

CUES SCHOOL OF CONSUMER LENDING™
July 18-19
Crowne Plaza Seattle

CUES ADVANCED SCHOOL OF CONSUMER LENDING™
July 20-21
Crowne Plaza Seattle

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 18-22
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 18-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 21-22
Crowne Plaza Seattle

STRATEGIC INNOVATION INSTITUTE™ II
July 31-Aug. 5
Stanford Graduate School of Business
Stanford University

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS (SUMMER SESSION)*
Aug. 7-12
Samuel Curtis Johnson Graduate School of Management
Cornell University

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT (SUMMER SESSION)*
Aug. 21-26
Darden School of Business
University of Virginia

EXECU/NET™
Aug. 28-31
Tenaya Lodge, Fish Camp, Calif.

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 12-13
Inn and Spa at Loretto, Santa Fe, N.M.

CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *COMMERCIAL REAL ESTATE LENDING*
Sept. 12-16
Inn and Spa at Loretto, Santa Fe, N.M.

CUES DIRECTOR DEVELOPMENT SEMINAR
Sept. 14-16
Inn and Spa at Loretto, Santa Fe, N.M.

STRATEGIC INNOVATION INSTITUTE™ I, HOSTED AT MIT
Sept. 25-30
MIT Sloan School of Management,
Massachusetts Institute of Technology
Cambridge, Mass.

Note: CU directors are encouraged to attend events listed in *blue*. For all the future CUES events, including local CUES Council meetings, visit *cues.org/calendar*.

Develop Your Board, Strengthen Your Credit Union with CUES Director Seminars

Having an educated board has never been so important. Turn to CUES' popular director seminars in 2016. Each is led by expert speakers, ready to cover the topics vital to the future of your credit union. Plus, we offer something for every board member—veterans and newly elected alike.

Director Seminars at the Omni Grove Park Inn, Asheville, N.C.

Supervisory Committee Development Seminar
June 13–14

Director Risk and Compliance Seminar
June 15–16

CUES Director Strategy Seminar
June 13–15

CUES Advanced Director Strategy Seminar NEW
June 16–17

Director Seminars at the Inn and Spa at Loretto, Santa Fe, N.M.

Board Chair Development Seminar
September 12–13

CUES Director Development Seminar
September 14–16

With today's strong regulatory focus on fiduciary responsibility, board education is a must for your organization. Learn more about our director seminars at cues.org/seminars.

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Innovation as Close as Your Living Room

By Tansley Stearns, CME, CSE

At Filene, we've developed a methodology for innovation that is grounded in human-centered design. At its core, HCD is about solving the biggest problems for your members, potential members and employees.

This begins by gathering insights—observations about what people are experiencing, going through, struggling with, and even what they are thrilled about.

Insights that might lead to innovation can come from anywhere. One of my most recent insights surrounds the future of diagnosing ear infections from the comfort of your home, leveraging video, rather than in a germy doctor's office. Talk about ease of use.

As more and more industries create such simple and easy experiences, credit union members will demand more of us. How do we evolve from the waiting room that every mom wants to avoid to the living room where all of us are comfortable? Here are five easy ways to get started gathering insights that might lead to your next big innovation:

1. Spend two hours a month in the call center or in a branch. Watch and listen to what makes people really happy and what is frustrating them.

2. Read a magazine you've never read before. Trade with a friend who has very different interests. You'll be amazed what you'll find.

3. Ask 10 different people what is keeping them up at night. People's fears can lead to tremendous insights.

4. Gain exposure to a completely different industry. Read a trade publication, attend a conference or network well outside financial services.

5. Invite your team to share. Challenge each of your direct reports to find and share 10 new insights per week.

With insights in hand, you can begin to see patterns that will lead you to new and interesting problems to solve. Your next great idea—or full-blown innovation—could be as close as your living room.

Tansley Stearns, CME, CSE, *is chief impact officer for Filene Research Institute* (www.filene.org)*, Madison, Wis., and co-presenter of CUES School of Member Experience* (cues.org/some)*.*

Read this post in its entirety and add your thoughts in the comments at *cues.org/gatherinsights.*

Recent Posts

"Recent business lending rule changes from the National Credit Union Administration create an additional sense of urgency for credit analysis and credit decision-making skill development. NCUA's focus has shifted away from putting up barriers, toward holding credit unions accountable if things aren't done right. The privilege of flexibility comes with the responsibility of increased diligence."
James R. Devine, chairman/CEO, and Robert J. Hogan, president/chief operating officer of Hipereon, Inc., in "Sunny Forecast for Member Business Lending" on CUES Skybox blog: *cues.org/sunnybizlending.* Devine and Hogan are lead instructors for CUES' series of business lending schools (*cues.org/sobl*).

"In the three months after adoption of mobile banking, consumers in a Fiserv study significantly increased both the number and value of their debit and credit card, ATM and ACH transactions. This is significant because many transactions generate revenue, such as interchange revenue from card transactions."
John Moon, director of consumer adoption marketing for CUES Supplier member Fiserv (*www.fiserv.com*), Brookfield, Wis., in "The Real ROI of Mobile Banking": *cues.org/mbankingroi.*

"Innovation should be presented as opportunities, not ideas. Opportunities have gravitas (substance), while ideas do not!"
Neal Thornberry, Ph.D., founder/CEO of IMSTRAT, LLC and author of *Innovation Judo (http://tinyurl.com/innovationjudo)* in "Cracking the Code of Innovation": *cues.org/innovationcode.*

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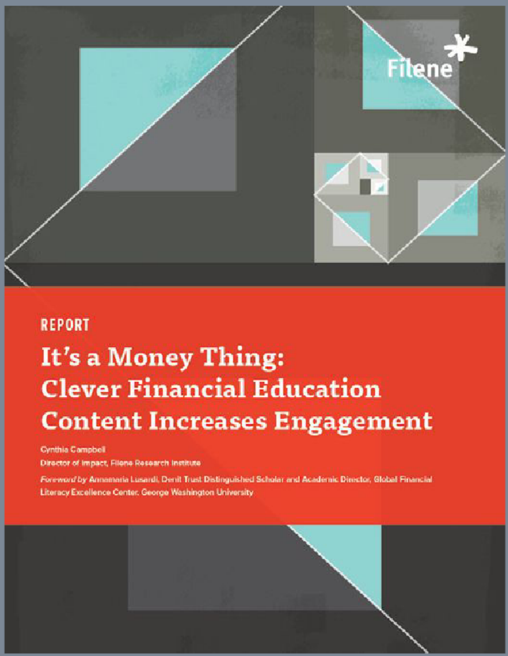
REPORT

It's a Money Thing:
Clever Financial Education Content Increases Engagement

Cynthia Campbell
Director of Impact, Filene Research Institute

Foreword by Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University

Grounded in Filene Research Institute's extensive research in this critical and developing area, It's a Money Thing will help your credit union engage and build relationships with young adults.

Ten credit unions from the United States and Canada participated in an It's a Money Thing pilot conducted by Filene. Business results and young adult engagement were very positive.

Survey of 368 young adults

Should this content be presented in high schools?

Should financial institutions offer this content?

"Targeted at 16- to 25-year-olds, It's a Money Thing provides financial literacy content that is clever, concise and easily accessible. This initiative exemplifies high-quality financial education programming."

– Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University

If attracting and helping young adults is a priority at your credit union, please visit **currencymarketing.ca/money-thing** to learn more and to read the full research report from the Filene Research Institute.

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