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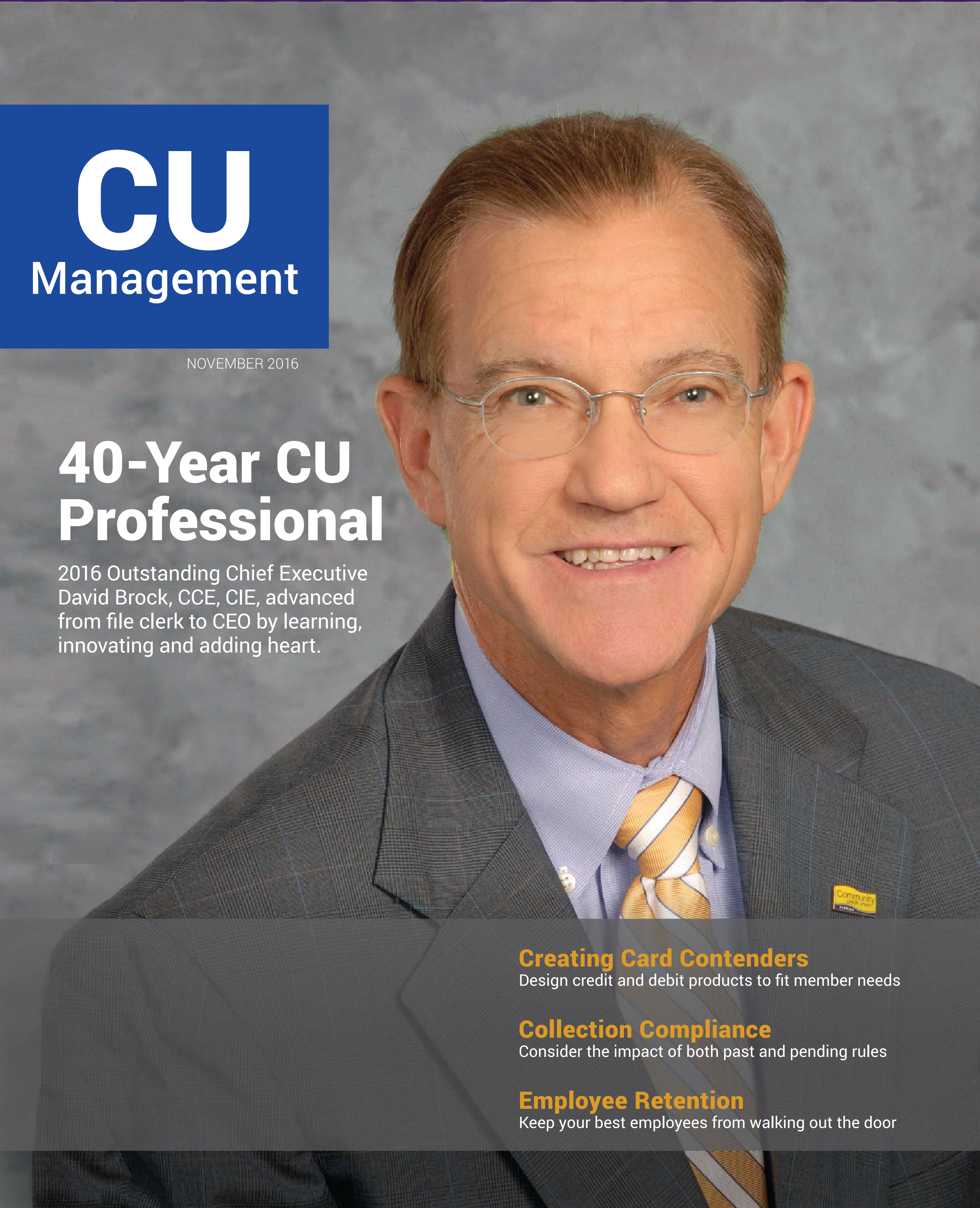

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2016 Outstanding Chief Executive David Brock, CCE, CIE, advanced from file clerk to CEO by learning, innovating and adding heart.

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Design credit and debit products to fit member needs

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Keep your best employees from walking out the door

CU Management

NOVEMBER 2016 vol. 39 issue 11

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Case Study: BCU Becomes a Card Contender
When $2.5 Billion BCU (*www.bcu.org*), Vernon Hills, Ill., revamped its card portfolio in 2016, it wanted to deliver high-value rewards with a focus on simplicity and transparency.
Download the myCUES app (*cues.org/mycues*) to read this article under "Spotlight."

Online-Only Columns

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Is your credit union using these four popular social media platforms to enhance your credit union's brand?
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Tech Time: BYOD Poses Security Threats
The challenge of protecting networks from cyber attacks has been exacerbated by the bring-your-own-device phenomenon, which opens the door to new vulnerabilities for many credit unions on a daily basis.
cues.org/0916techtime

Loan Zone: Rochester CU Gives Co-Ops a Chance
Genesee Co-Op FCU recently made its first loan to a worker cooperative, a line of credit to Small World Food Collective, a worker-owned bakery and fermentery in Rochester, N.Y. More broadly, the credit union is part of a city-led initiative to incubate a network of worker cooperatives connected to its anchor institutions.
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On Compliance: When Regulators Push Too Far
Disputes over rules enforcement can be costly and time-consuming.
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Retention Goals

Lately I've been thinking about employee turnover and retention. And that's not just because my colleague Lisa Hochgraf and I recently celebrated our 17th year at CUES.

It's because too much turnover negatively affects staff morale, productivity and company revenue. Plus there's the expense of replacing employees who leave. According to research from the Center for American Progress (*http://tinyurl.com/turnovercost*), companies can expect to pay replacement costs of 16 percent of annual salary for a high-turnover, low-paying job (under $30,000 per year), 20 percent for mid-range positions and up to 213 percent of annual salary for highly educated executive positions.

Of course, a certain amount of turnover is inevitable and may even be beneficial. "Turnover can represent a real opportunity for organizations to bring in fresh ideas and energy, avoid stagnation and weed out employees who aren't performing up to expectations," writes Pamela Mills-Senn in "Avoiding Employee Breakups." Read more on p. 32.

Our Outstanding Chief Executive David Brock, CCE, CIE, is a 40-year credit union veteran who has been president/CEO of Community Credit Union of Florida (*www.ccuflorida.org*), Rockledge, Fla., since 1992. "The financial cooperative has always been a fascinating model to me," he says. "I grew up as a preacher's kid, so I really like the dimension of helping other people .... You can practice the art of business to the highest level, but at the end of the day, you invest your entire heart in this business so that you can help people improve the quality of their lives." Read more about Brock on p. 12.

Why have I stayed at CUES for 17 years? Flexibility has been important: I've worked from my home office in Baltimore since moving here from Madison, Wis., in 2004. And, like Brock, I am a fan of cooperatives and CUs. I find great value in our work supporting the development of credit union leaders. And I certainly haven't been bored. Over the years, I've been encouraged by CUES leaders to try new things and take on stretch assignments.

Now I'm taking on my biggest professional challenge yet as I become managing editor/publisher of *CU Management*. Serving in this role will be a privilege and a pleasure. Please don't be shy with your feedback and suggestions. For starters, tell me: What makes you stay in this industry and at your credit union? Email me at *theresa@cues.org*.

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Food Truck Competition

What began as a novel concept for community outreach has morphed into the centerpiece of a competition for up-and-coming chefs that will be featured on a Minneapolis TV show.

Spire Credit Union purchased a food truck this summer with the idea, suggested by Executive Vice President Stan Edwards, of using it as a "reverse food truck," traveling to local events to serve snacks and drinks and to accept donations for local food pantries. The 28-foot truck wrapped in the colors and logo of the Falcon Heights, Minn., credit union has made the rounds to such events as the Minnesota State Fair and CHS Field, home of the St. Paul Saints baseball team.

Then came a new idea to use it as a vehicle for fostering entrepreneurship by hosting a competition for budding food truck chefs and offering part-time use of the truck as the prize. In September, Spire managers were busy interviewing prospective competitors and planning the culinary event, which will be featured in short segments on the local Fox affiliate show, "Discover Delicious," says Jim Ganger, VP/member and partner development for the $858 million credit union (*www.myspire.com*).

During the cook-off event in October, three competitors were scheduled to take over vendor stands at CHS Field and prepare one signature dish and their own unique take on cheese curds to feed about 120 guests and five judges, including Edwards, a local celebrity chef, and a Saints ballplayer, Ganger says.

The winning chef will have use of the Spire food truck for 16 days a month from March 15 through Sept. 15 (given its winters, food trucks are not a winter phenomenon in Minnesota), throughout the Minneapolis/St. Paul area and to attend for free the Food Truck 101 course cosponsored by the credit union on the business of operating a restaurant on wheels. When the chef is not using the truck, Spire CU employees will continue to motor around to events to promote the CU and accept food pantry donations.

The food truck chef competition could become an annual fall event, Ganger says—a way to support local entrepreneurs and recent culinary school graduates and to showcase Spire CU's business services by offering loans to help competitors purchase their own trucks.

The Spire food truck was also featured at the Minnesota Food Truck Festival in September, which just happened to be located across the street from the CU's newest branch, set to open in November in the St. Paul Lowertown neighborhood. That appearance coincided with a social media launch of the truck's own Facebook page and Twitter account, to announce its appearances around the area.

"This all began with Stan's idea for a reverse food truck, but the deeper we got into it, the more ideas we had," Ganger says. "It's definitely taking on a life of its own."

"Ask people how they see the next few months playing out. Will they be able to deliver on all their commitments, or do they face obstacles? This future focus tends to help people narrow in on developing problems."

Joel Trammell, founder and CEO of Khorus, Austin, Texas, in "Leadership Matters: Is Your Head in the Sand?" (*cues.org/0916 leadershipmatters*). Hear him speak at CUES Symposium, Jan. 29-Feb. 2 in St. Thomas (*cues.org/symp*).

Auto Accidents and Total Losses Increase

In the world of auto physical damage claims, the past year has seen profound changes. The wide-reaching scope of these changes is likely to have a significant impact on borrowers and auto lenders, not to mention auto insurers and GAP providers, according to a free whitepaper from CUES Supplier member Frost Financial Services (*www.visualgap.com*).

"In short, we are seeing an increase in auto accident frequency, an even greater increase in the percentage of accidents that result in a total loss, and yet an even greater increase in the percentage of borrowers left with a deficiency balance after total loss. Some of these deficiencies result in GAP claims, and some result in very unhappy borrowers and/or lender write-offs," per the report.

The whitepaper also found:

- Total loss GAP claims are up more than 50 percent.
- Vehicle depreciation is at record highs.
- Repair costs are increasing due to high-tech components, causing more accidents to result in total losses
- Used car loans are often made assuming a vehicle value of NADA clean retail, but without CARFAX and inspection, this can prove to be a costly assumption.

Download the whitepaper at *cues.org/warningsigns*.

Above and Beyond Family Leave Rules

About 1 in 5 U.S. companies may be going above and beyond federal requirements to offer parental leave for employees, according to a recent survey from WorldatWork.

The vast majority (96 percent) of the 667 companies responding to the survey are required by law to offer parental leave. Eighteen percent said they offer leave benefits that exceed minimum requirements of the Family Medical Leave Act. Almost half of those organizations offer employees the option of a longer duration of job-protected leave than required by law (47 percent of respondents) or for a broader array of circumstances (51 percent). About a quarter said they require less documentation than required by the federal law.

Among employers offering parental leave, 44 percent require employees to be on the job for at least 12 months, while 38 percent permit parental leave from the hire date.

Of those offering paid parental leave separate from paid time off for vacation and sick leave, the majority (70 percent) offer six weeks or less of paid time off, while 16 percent offer paid leave for up to 12 weeks. The FMLA does not require companies to pay employees on parental leave.

In terms of the permitted time frame for taking parental leave, 38 percent of survey respondents require new parents to take leave within six months of a child's birth or adoption, and 47 percent within the first year.

The WorldatWork survey also asked companies about whether they'd like to see changes in the FMLA given that state and local governments are now passing their own family leave laws. Almost three-fourths of respondents (72 percent) favored leaving the current federal law as is, while 16 percent favored a requirement that employers comply with the most generous leave requirements of federal, state or municipal laws when those rules conflict.

Under the FMLA, employees can take up to 12 work weeks of unpaid leave in a year (with additional leave benefits for service members and their families); group health coverage must be maintained during leave. All public employers and private-sector companies that employ 50 or more workers must comply with the law.

WorldatWork has conducted its PTO survey (available at *http://tinyurl.com/zu8en2c*) five times since 2002, but this is the first time the survey has asked about parental leave. Of the 667 respondents, 46 percent have fewer than 1,000 employees, and 14 percent came from the financial services sector.

Letters to the Editor

In "Leadership Matters: What CEOs Don't Know Can Hurt Their CUs" (cues.org/0816leadershipmatters)*, Scott McClymonds of CEO Velocity explains why chief executives need to strike a balance on operations and strategy.*

Great insights here! The leaders of stagnant organizations should read this.

Sean R. McDonald
President
Your Full Potential LLC
Kingwood, Texas
https://yfptips.wordpress.com

Mapping Members' Journeys

In "The Buzz About Member Journey Mapping" (cues.org/0716buzz)*, Tansley Stearns, CME, CSE Tansley Stearns, CME, CSE, explains why it is important to walk in members' shoes.*

I have been using Member Journey Mapping for years. And you're so right. Most employees think they know where the pain points are but they are too close to the process, or it's too rote they don't see redundancies and speed bumps. I always try to sniff out the "We have to" areas.

For example, "We have to make sure they are not a terrorist before we open an account." Put another way they "have to" make sure they are not a match on OFAC. I asked the innocent question, "How many matches have you had?" The answer was zero. It's true we have to comply, but it is not true that you have to "lead with that" when establishing a new relationship with a member. It's like a first date. You don't begin with "How many people have you dumped before?"

Member Journey Mapping is a wonderful exercise for all areas of the credit union. Another way to put it is the PB & J method. Ask someone how they make a peanut butter and jelly sandwich, and they will likely answer "Put peanut butter on one slice of bread, jelly on the other, slap them together and cut in half." But Member Journey mapping asks "Where did you get the bread?" "How did you get the peanut butter on the bread?"

Denise Wymore
Co-Founder
6th Story
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40-Year CU Professional

CUES' Outstanding Chief Executive David Brock, CCE, CIE, advanced from file clerk to CEO by learning, innovating and adding lots of heart along the way.

By Diane Franklin

David Brock's career is the quintessential story of someone who started at the bottom and worked his way to the top. Along the way, Brock gained experience in nearly every facet of the credit union movement, equipping himself with the expertise and empathy that it takes to become an effective leader.

Recently celebrating his 40th year in CUs, Brock, CCUE, CCE, CIE, started as a file clerk at a Tennessee CU, advanced steadily and has served as president/CEO of Community Credit Union of Florida (*www.ccuflorida.org*), Rockledge, Fla., since 1992.

"I've always thought it was helpful that I started at the lowest-level job at the credit union," says Brock, a longtime CUES member. "At some point in my career, I've done nearly every job, and I think that's given me a lot of workplace credibility. I think my staff probably has more appreciation for me because they know that at some point I've done what they're doing now."

During CEO/Executive Team Network (*cues.org/cnet*) last month in Savannah, Ga., Brock was recognized as CUES' 2016 Outstanding Chief Executive, an award honoring CEOs who display professional achievement, support employee motivation and are dedicated to their communities. Betty Dunn, chair of Community CU's board, which belongs to the Center for Credit Union Board Excellence (*cues.org/ccube*), affirms that Brock excels.

"David is the consummate CU professional," she says. "He's committed to the credit union philosophy, and he attempts through his many credit union, community and political contacts to spread the credit union word and to emphasize our status as not-for-profit cooperatives owned by and operated for the benefit of our members."

In fact, it is the not-for-profit, people-helping-people aspect of CUs that drew Brock.

"The financial cooperative has always been a fascinating model to me," he says. "I grew up as a preacher's kid, so I really like the dimension of helping other people. That's what my dad spent his entire life doing, and even now at 97 years old, he still likes helping people. So, that's inculcated in me. It's what jazzes me up every day. You can practice the art of business to the highest level, but at the end of the day, you invest your entire heart in this business so that you can help people improve the quality of their lives."

A Steady Climb

Brock graduated from the University of Tennessee with a business degree supported by his service in the Navy and the Servicemen's Readjustment Act of 1944 (G.I. Bill). Then in 1976, he started in the file clerk job at Knoxville TVA Employees Credit Union (*www.tvacreditunion.com*), Knoxville, Tenn., making slightly less than $7,000 a year.


Community
credit union

Henry "Jack" Kelley (left) helps Brock celebrate being inducted into the 2014 Eckerd Walk of Fame in recognition of his community service work supporting kids in their transition to being productive adults. Kelley was chair of the Community CU board when it hired Brock in 1992 and retired from the board in March after 55 years.

"I had originally told myself I wasn't going to accept a job offer for less than $24,000 a year," Brock recalls. However, after a few months without a job offer, he concedes, "I had to recalibrate my expectations a bit."

Fortunately, things began looking up quickly. Within a few months, he was promoted to teller and received a $1,000 raise. "I felt I was off to the races," he says.

As it turns out, he was. His boss soon selected him to participate in a management training program. "Over the course of nine months to a year, I had the opportunity to work in every department."

After completing the program, Brock was promoted to assistant manager of branches, which gave him operational responsibility for 10 offices. Along the way he earned CUNA's Certified Credit Union Executive designation. In 1983, he became vice president at Knoxville Post Office Credit Union (now TNConnect Credit Union, *www.tnconnectcu.org*). At the time, the CU was small—less than $5 million in assets compared to the $100 million size of the CU he was leaving—but the opportunity for growth was too good to pass up.

"I probably learned more working at a small credit union than I had ever learned at a large one," says Brock, whose duties included supervising an 11-member staff as well as developing and refining a full range of products and services. "You basically have your hand in everything. It was an exciting and interesting time."

Brock was a founding member of the now defunct Institute of Certified Credit Union Executives. Networking with the group's members led to an offer to be executive vice president of Space Coast Credit Union (*www.sccu.com*), Melbourne, Fla., then $200 million in assets and with 10 branches. He stayed four years, with the realization that his next step would be to become a CU CEO.

True to his "preacher's kid" roots, Brock gives divine providence a nod for playing a role in his next career move. "I think the Lord works in mysterious ways, so when the president here [at what is now Community CU] retired, it was fortuitous that I was just 20 miles down the road."

An important factor that helped Brock secure the CEO position was his pursuit of his MBA from Florida Tech University. He began working on the degree while at Space Coast CU, finishing it up after he joined Community CU.

"I think that was one of the best things I could have done because it helped me get the job I have today," Brock says. "The fact that I was pursuing the degree was seen as a benefit and probably gave me a bit of an edge."

Coming into a new organization as its CEO can be challenging, but Brock was well-prepared. "Fortunately, it wasn't a huge mindset change for me," he says. "I had already made the transition from rank and file to management. I told myself that I was going to do the very best I could. I was going to be fair with everyone and give everyone a chance to prove themselves."

Brock says making a difference as a new CEO takes time. "You have to listen a lot and assess the current state of affairs—what is the culture, what do people in the organization believe, how much do they know about the business, that sort of thing—and then you just take things one step at a time."

Building a Team Culture

Brock's leadership style is conducive to building a team culture that helps his organization succeed. "I always try to be very clear and transparent. I don't have any hidden agendas. Whatever I'm trying to accomplish, I broadcast it loudly and broadly because I want everybody to understand that 'This is where we're trying to get to, and here's what I think it's going to take to get there. If you have better ideas or other ideas, feel free to speak your mind. But at the end of the day, I'm going to be the final arbiter.'"

This approach has been beneficial to Community CU, which has grown from $67 million in assets when Brock arrived 25 years ago to $582 million today. The CU now serves more than 41,000 members with seven branches in six counties.

A factor that Brock believes has stoked Community CU's growth is his emphasis on improving the knowledge and capability of his approximately 100 employees.

"I think it's critical to get the best information into your organization that you possibly can by focusing on continual learning and making sure everyone has the opportunity to grow," he says. "I give CUES a lot of credit for this. I have been to most of their substantial training classes and schools [including CEO Institute and Strategic Innovation

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Institute (*cues.org/institutes*)], but you can't just limit continuing education to the CEO. You need to spread it as far as you can and as far as you can afford."

In keeping with this philosophy, Brock has made the CEO Institute (*cues.org/institutes*) a centerpiece of the professional development of his senior staffers. Two have already earned the Certified Chief Executive (CCE) designation through CUES, two others are currently enrolled, and he intends to send others.

"I want to make sure everybody on the executive team has had that experience so that we all have a common focal point," Brock says. "The things that you learn about scenario planning, about operations, about management styles and culture—those are the kinds of touchstones that we can all coalesce around."

Continuing professional development is not reserved for the executive staff. "We spend a lot of money on training and education throughout the organization," Brock says. "I think that's been key to what we've been able to achieve." (See "Four Decades of Achievement," below).

As chair, Dunn has seen firsthand how Brock's focus on professional development has benefited the CU. Dunn points to Brock's ability to communicate positively and effectively with his staff.

"David's been able to develop a rapport through active development of professional relationships, and he maintains openness to the ideas of others," Dunn says. "He's a master at networking, and he encourages his staff to network."

Dunn also applauds Brock's innovation. "He's consistently implementing new strategies for enhancing the well-being of our members. The ideas and the recommendations for changes have provided a direction which has improved our profitability."

Dunn also gives Brock high marks for his emphasis on teamwork. "We worked hard with David under his leadership to come up with our shared vision," Dunn says, "... to always improve the financial well-being of our members and to make a positive difference in the community. David is the embodiment of this vision."

Four Decades of Achievement

Summarizing achievements of a 40-year career is an enormous task. In those four decades, Brock has witnessed a flurry of technological improvements as well as dramatic expansion of products.

"Being the geezer that I am, I've been around since share drafts were started," he says. "I was working for Knoxville TVA Employees Credit Union when we first computerized. We had just one terminal and a person who did the keypunch. It was considered very state-of-art at the time."

Brock also remembers designing and building a home equity line of credit product during his days at Knoxville Post Office CU. Since heading up Community CU, he led his team into what was then the new arena of risk-based pricing.

"We found ourselves becoming the poster child in proving the concept, at least in our area," he says. "We also got into indirect lending back in the '90s, when that was relatively new, and moved into member business lending when that was relatively untried as well."

Brock says CUES' Strategic Innovation Institute is helpful to executives needing to respond to "the most pressing issues of this new age of digitization."

"The institute provides tools, models and a forum to understand both the technical advances and the impact on the credit union work culture," he says. "CUES has a long history of demystifying complexity."

Brock is proud of recently launching a business intelligence unit, the result of a management planning session that took place about six years ago.

"We were doing some scenario forecasting and looking at the power of predictive analytics, and we began to realize that we needed to know with precision how our business was behaving by putting good measurement systems in place. As a result, we're now able to see clearly how much activity we're doing, what is the value of each activity, and what is the ROI, with a focus on good feedback and good dashboards."

Putting emphasis on good information management has helped Community CU remain financially fit. As proof, Brock points to the CU's ranking in the top 10 percent of high-performance credit unions as measured by Raddon Financial Group.

Brock's community participation also has been both broad and deep. He has served on the boards and committees of such civic organizations as Boys & Girls Clubs of Brevard, Brevard Community College Foundation, Children's Advocacy Center of Brevard, Community Services Council of Brevard, the Cocoa Beach Area Chamber of Commerce and the United Way. He's won numerous awards and accolades, including *Florida Today*'s Citizen of the Year and the United Way's Bridge Builder Award. He also was inducted into the Junior Achievement Business Hall of Fame.

"If you go out there, invest yourself and try to do good things, those kinds of honors just tend to come along," he says.

In addition, Brock has been active in CU-specific organizations, as a board member of Filene (*www.filene.org*) and currently as chair of Card Services for Credit Unions (*www.cscu.net*), a CUES Supplier member based in Tampa, Fla.

On a personal note, Brock is a devoted family man. He and his wife, Angela, have three adult children. Daughter Melissa is a schoolteacher and mother of two living in California. Older son Matthew is a second lieutenant in the Marine Corps, training to be a pilot in Pensacola, Fla. Younger son Dylan is at home, contemplating whether to join the Navy or the Coast Guard.

Brock also likes to travel, ride his motorcycle and play drums. "I played in a rock-and-roll band here in the county until about 10 years ago," Brock says. "The name of the band was 'Don't Quit Your Day Job,' and I finally had to quit because I was so busy with my day job. But I still play drums in the church praise band every Sunday."

While doing his day job, Brock will stay focused on helping members. To do that successfully, he keeps in mind a poignant comment made by another CU executive he met at a conference early in his career.

"What she said was, 'We're not special people doing ordinary things; we are ordinary people doing special things.' I thought that was the coolest line, and it's been the touchstone in my heart ever since. I don't think of myself as being special, but I do think my work is special. I'm just happy to be doing my part in spreading the credit union gospel."

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

Resources

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

Learn more about CUES' institutes, including CEO Institute, Strategic Innovation Institute and Mergers & Acquisitions Institute at *cues.org/institutes*. Also see the institute coverage on p. 16 and p. 20.

Analogical Thinking and Creativity

CEO Institute II participants apply out-of-industry cases to leading change.

By Lisa Hochgraf

Before building towers of spaghetti to support marshmallows, CEO Institute II attendees brainstormed options, taking after the process of design consultancy IDEO (*www.ideo.com*), Palo Alto, Calif.

A water pump perfect for use in African agriculture was conceived by a design consultant while exercising on an elliptical, Beta Mannix told attendees of CEO Institute II at Cornell University, Ithaca, N.Y., in August.

"It's a pretty cool design" by IDEO (*www.ideo.com*), Palo Alto, Calif., explained Mannix, associate dean for executive MBA programs, Ann Whitney Olin professor of management, and professor of management and organizations at Cornell University's Johnson Graduate School of Management. "It has a kick start, is small and easy to assemble and transport, doesn't cost a lot, and can be powered by human feet—even bare feet—on pedals.

This last feature, of course, was inspired by analogical thinking—applying a concept from elsewhere (the elliptical at the gym) to a problem at hand (a water pump for Africa).

"I think about analogies a lot in terms of the way I teach," said Mannix. "We're going outside ... a lot today. We'll be bringing it back to your credit unions."

Before introducing a case from outside the CU industry titled, "What's wrong with this team?" Mannix set up analogical thinking by asking participants to "take a moment and think for a bit about a change effort that you've been part of, whether you led it yourself or you were asked to drive it forward, that faced an obstacle of some kind. It could be that eventually you got it done. What was that effort? Obstacles? Why was it difficult?"

Then she led the group through an examination of a fictitious team that was performing poorly. The reasons included not having the same goal, a lack of agreement about how decisions would be made, a failure to get everyone to buy into the team process and a overall culture that didn't support collaboration. (Read more in "5 Success Factors for Collaborative Teams" at *cues.org/081516skybox.)*

After the discussion, Mannix encouraged attendees to connect back to their own situation. "Go back to the obstacles that you wrote down," she said. "What were they?"

The IDEO African water pump example also points to the value of innovation in leading change. Because of that creative solution for moving water, tens of thousands of jobs were created, Mannix said.

"How can you be a change leader with the roles you might have?" she asked attendees. She recommended connecting culture with creativity and cited the example of Gore (*www.gore.com*), Palo Alto, Calif., a materials science company perhaps best known for creating Gore-Tex fabric.

Gore builds a culture of creativity in part by celebrating failure. In a postmortem for a failed initiative, the team looks at the process that was used to decide to move forward and fund the project. Team members emphasize where their decision-making process was solid, and not done solely on emotions, while still acknowledging that the end result was not a good one and looking for reasons.

Gore employees support a culture of creativity and change leadership with these analyses, Mannix said. They conclude something credit union leaders can also say: "We made some good decisions along the way, and there were still some mistakes that we can learn from."

IDEO also makes innovation part of its culture by focusing on the customer's experience with their products. For example, the company redesigned the magnetic resonance imaging machine to help young children stay still during the scan. The machine was made into a "pirate ship" and a script read by the operator described how the pirates were coming so the child needed to be still.

How do they do this so successfully over and over again? "Part of their culture is around brainstorming," Mannix said.

Lisa Hochgraf *is a CUES senior editor.*

Resources

Read more coverage of CEO Institute II, "Decision-Making Emphasis," at *cues.org/1115decision.*

Learn more about the CUES institutes including the three-segment CEO Institute and the two-segment Strategic Innovation Institute, at *cues.org/institutes*.

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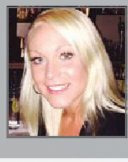

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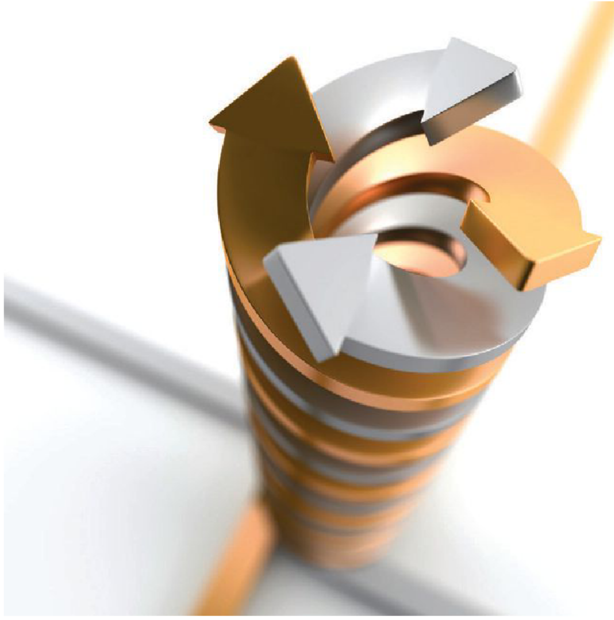
Mergers as a Discipline



Attendee of the first-ever Mergers & Acquisitions Institute talks about three ways the event helped him sharpen his CU's merger skill.

By Shawn Hanson

Mergers are a big deal to our industry and to Marine Credit Union in particular. Since I took the helm in 2000, more than 5,000 CUs have merged. Chartered in 1949 to serve employees of Mercury Marine of outboard motor fame, Marine CU has participated in 11 since 2000 and now counts almost 30 CUs as part of its family.

Mergers have been part of our growth strategy for a very long time, and I've long thought we were good at them. We have a standing team prepared to work on an integration project on short notice in addition to their regular duties. We've learned from our mistakes and follow a tested recipe. That level of competence has been good enough in the past, but the future is going to be different. We need to commit to continuous improvement and to treating mergers as a discipline, not a chance occurrence.

In the interest of "sharpening the saw," I recently attended CUES' inaugural Mergers & Acquisitions Institute (*cues.org/mai*) at the University of Chicago's Booth School. The institute was attended by directors, CEOs and senior executives from about 25 CUs and was outstanding for several reasons:

First, rather than dive directly into tactics, we spent a lot of time on strategy. We were challenged to map our strategy, develop our elevator speech and articulate what we don't do and why. We discussed at length the concept of "adjacencies"—things near the core of our business, but not in it (CUSOs, anyone?). I thought I had a great sense of our "core," but it is so much clearer now. The takeaway is: If you're not clear on your strategy, how can you prospect, evaluate and negotiate a deal that supports it?

Second, we spent time on real-world M&A problems and case studies. This was not a "credit union" conference. This was real-world stuff with recognizable case studies, inside and outside of banking. Interestingly, many of the examples we looked at were of the "how not to" variety—deals that were clearly ill-advised when viewed in the rearview mirror. That perspective allowed us to debate whether these were just bad deals, poorly executed or both. We're a little spoiled in CU land, where good deals come with 8 to 10 percent net worth attached. There are deals going on in the for-profit world every day absent that free money. Learning about the drivers of deal value outside the CU space is meaningful and will benefit us down the road.

Finally, as I've come to expect from CUES, the faculty was remarkable. Lead instructor Stephen Morrissette has a wealth of experience in banking and has been involved (on both sides) in a number of significant acquisitions. He challenged participants to answer the hard questions related to the cases we discussed and to follow a disciplined process for our own mergers.

The engagement and interaction among participants was beneficial. I made connections with CU professionals who have unique strategies, balance sheets and viewpoints, but we all share a belief that the consolidation of CUs will continue. The consensus was that by improving our understanding of what makes mergers work, we position ourselves to be proactive and craft strategies supporting our mission and overall strategies.

This experience will keep Marine CU more focused on its own strategy, the prospects that are most important and treating M&A like any other process. Consistent execution in business—including mergers—isn't an accident.

I'm bullish on the future of CUs, but that future involves continuing consolidation. Our structure gives us unique opportunities to think longer term than most for-profit entities. Let's have the conversation about where each of the 6,000 remaining credit unions will be in 10 to 15 years. How can we as leaders ensure we're still relevant as an industry? How can we maximize the value we deliver to our member-owners?

CUES member Shawn L. Hanson *is the CEO of $700 million Marine Credit Union* (www.marinecu.com)*, La Crosse, Wis.*

Resources

Also read "What Makes Merger Conversations Succeed" on CUES' blog at *cues.org/092616skybox.*

Mergers & Acquisitions Institute (*cues.org/mai*) will next be held June 26-29 at the University of Chicago.

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CUES' Mergers & Acquisitions Institute will next be held at the University of Chicago on June 26-29. Learn more and register at *cues.org/mai.*

The Benefits of Board Committees

Get the most out of them by applying these bright ideas.

By Michael G. Daigneault, CCD, and Jennie Boden

If there's one thing that board members and management often share, it is a disturbing sense of uncertainty as to the real benefits of board committees.

From a board member's point of view, committee meetings can sometimes be seen as another meeting to travel to, one more report to read, or—worse yet—an additional PowerPoint presentation to sit through. To top it off, it can frequently appear to volunteer leaders that "all their hard work" on a committee is—at times—somewhat less than appreciated by both their fellow board members and management alike.

Of course, the challenge of committee work is not exclusive to board members or other volunteer leaders. Management has the responsibility of assigning staff (who already have full-time jobs) to assist the work of the committees, helping to gather information, coordinating schedules, writing reports, preparing presentations as well as developing motions and updating or crafting new policies for the committee's (and board's) final consideration. Staff is regularly "rewarded" for their efforts by then being asked to assist in implementing the to-do list of items that emerge from an affirmative vote at the board level.

You may ask, "Does this mean that board committees should be abolished?" "No," we would respond. "But," you might think, "to overcome the types of burdens described above, committees better have some real benefits!" Fortunately, if done well—they do provide some very real benefits. If not done well, however, they are not the "value-add" they are intended to be.

Do you know whether your committees are truly effective? When is the last time you evaluated your board committees (as well as the overall committee structure) to ensure that they are providing genuine value to your credit union?

When established, charged and composed effectively, board committees can be a valuable asset to both your board and your management team by helping to:

1. identify and examine key issues, concerns and questions ahead of board meetings.
2. give laser focus to a project delegated by the board and/or helping to get things done more quickly and efficiently than would be possible for the full board.

3. more equitably distribute the board's work, since committee assignments can be dispersed among board members.

4. facilitate trust-building between board members and management through their combined efforts. (It's always a good idea to include relevant members of your management team on your board committees, too!)

5. increase engagement among individual board members and help them make a more meaningful contribution to the board and to the credit union.

But, what does it take to establish, charge and compose your board's committees effectively?

The State of Your Committees

There's no right or wrong number or kind of committees for each CU board. In fact, we would argue that beyond supervisory committees for federal credit unions and some state-chartered CUs and audit committees for other state-chartered credit unions, there really isn't a must-have list of committees for credit unions.

In establishing or reviewing your board committee structure, the two rules of thumb that we would have you follow are these:

1. Board committees should be established to do the work of the board, not the work of the staff; and

2. Establish standing, board committees *only* when there is sustained, permanent, ongoing work for the committee members to undertake.

Otherwise, we encourage you to use ad-hoc committees and task forces to accomplish your work early and often.

Ad-hoc committees are likely to exist for more than a year, but not intended to be permanent. For example, a CU board may create a "new headquarters committee" that would exist for several years. Its purpose would be to help the board understand and oversee the important process of: 1) identifying the need for a new headquarters; 2) outlining the central benefits and challenges of doing so; 3) identifying or constructing the new building; 4) managing the financial implications of the new headquarters; and 5) overseeing the transition plan to move to the new building. At the end of its work, once the credit union has successfully moved into the new building, the committee would be dissolved.

Task forces are even more temporary. They almost always exist for less than a year, and they are generally subgroups made up of both board and staff, but they may also include other volunteers or even outside experts or consultants. Task forces are charged with focusing on (and learning more about) a particular issue, question, opportunity or challenge and then reporting back to the board their thoughts and findings within a defined period of time. Sometimes task forces may simply report back the information they have gathered. In other cases, they are also asked to provide one or more recommendations for the board's consideration. Once they have provided their recommendations, unless the board asks for further work from the task force, they are dissolved.

What's a Committee to Do?

Charging your committees—that is setting their course of action—is an important board responsibility. Did you notice that we said board responsibility and not management responsibility? This is key. Board members need to determine what you want your committees to accomplish. In the spirit of constructive partnership, we encourage you to ask your CEO and management team for their input.

Once you know what you want your committees to accomplish, we suggest you set it down in a committee charter. Include these key sections in the charter document:

- *Prologue*: A brief overview of the committee's key function.
- *Meetings*: A statement on how frequently the committee must meet.
- *Members*: The required number and qualifications of committee members. This may include restrictions on committee membership. For example, if you opt for an executive compensation committee, you would likely not want a member of the management team to serve on this committee.
- *Committee leadership*: Outline any position requirements and responsibilities for the committee chair and/or secretary
- *Role of the CEO*: Outline the roles and responsibilities of the CEO vis-à-vis this particular committee.
- *Charge*: Detail the roles and responsibilities of the committee, including reporting requirements to the board.

The most important thing to know about all of your board committees is this: Unless it's explicitly stated, your board's committees do not have decision-making authority; they can only provide recommendations to the full board for their action. Let us repeat that: Unless it's explicitly stated, your board's committees do not have decision-making authority; they can only provide recommendations to the board for their action.

Finding the Right People to Serve

Unless governmentally regulated (such as for supervisory or audit committees), there is no hard-and-fast rule about the number of members a committee should have. Three to five members is often optimal. Committees generally have more credibility if there is some diversity of opinions and experiences. Too many opinions and duplicative effort can result when a committee grows too large. This is particularly the case with credit unions that have fairly small boards. If the committee grows too large, efficiency may be lost.

The ideal composition of a committee depends on a variety of factors, such as the committee's purpose, charter, size, chair and even the experience of its members. It's best to have at least one board member on a committee. But including non-board members or community members on board committees can be an effective way of reaching out and potentially beginning to build your bench for future board members. Each committee should also have an official non-voting staff liaison appointed to help carry out its efforts.

Your board chair and the CEO should also be treated as ex-officio, non-voting members of all board committees unless the substance of the committee's deliberations would be in conflict with their attendance. (Consider our previous example where a CEO would not attend a meeting of a committee doing an analysis of his or her performance and compensation package.)

Other than these basic parameters, be bold. Cast your net widely, and don't assume that your strategic planning task force should be filled with only strategic thinkers. Remember, there are other aspects to strategic planning that are important, such as developing a realistic budget for those strategic goals. Thus, a financial mind would be a good addition to your strategic task force, too.

Be bold. Cast your net widely, and don't assume that your strategic planning task force should be filled with strategic thinkers. Remember, there are other aspects to strategic planning that are important.

Our guess is that if you are like most credit union boards, you are probably secretly worrying about your board committees. Shed some needed light on them. Don't just carry on with the same committee structure that you've always had, just because you've always had it.

Board committees are a significant component of your credit union's governance structure. And they draw a significant number of staff resources. Be sure that you are using them wisely. Do you have the right committees? Tasked with the right responsibilities? Composed with the right folks and aided by the right staff?

Be brave. Ask yourselves these questions—and more questions like them. You'll be very glad you did.

Michael G. 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).

Jennie Boden *serves as the firm's managing director of strategic relationships and a senior consultant. She has 25 years of experience in the national nonprofit sector and served as the chief staff officer for two nonprofits before coming to Quantum Governance.*

Resources

Members of the Center for Credit Union Board Excellence can read a bonus article, "Three Key Committees" at *cues.org/1016ccubeqg*. Not yet a member? Sign up for a 30-day free trial by emailing *cues@cues.org*.

Download a sample committee charter from Quantum Governance, CUES' strategic provider for governance services, at *cues.org/sgncc*.

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Avoiding Employee Breakups

When retention rates slip and valued employees head for the doors, credit unions need to do some honest self-examination.

By Pamela Mills-Senn

Employee turnover has typically gotten a bad rap. On the one hand, this isn't surprising. After all, it costs money to recruit and train employees and to repeat that cycle again (and again) when they head out the doors. And admittedly, finding qualified people to fill positions is getting a bit tougher, risking the prospect of having some critical positions remain unfilled for longer than optimal. But at the same time, turnover can represent a real opportunity for organizations to bring in fresh ideas and energy, avoid stagnation and weed out employees who aren't performing up to expectations. Consequently, rather than automatically labeling all turnover as bad, a better approach is to differentiate between healthy turnover and that which indicates there's a serious problem within the organization.

But what constitutes healthy turnover? And is there a way to gauge when turnover has moved from beneficial to detrimental?

Dick Finnegan, CEO of C-Suite Analytics (*www.c-suiteanalytics.com*), a Longwood, Fla.-based employee engagement and retention consulting company, says that if an organization's turnover is below 10 percent and it's not losing key people, things are probably in good shape. Christian Booth, CEO of Ooqio (*www.ooq.io*), a platform for gathering and managing anonymous peer reviews, takes a slightly different view.

"I've supported large companies where the turnover rate was less than 5 percent, which many would see as a great achievement," says Booth, whose company is headquartered in Seattle. "However, in order for turnover to have a noticeable effect on the organization and allow new perspectives to thrive, it would need to be closer to 10 percent plus. So you can see how there are two sides to the coin."

Then there's the perspective put forward by Leigh Anne Terry, director/human resources and administration at CUES Supplier member Callahan & Associates (*www.callahan.com*), Washington D.C. Saying there's "no magic number or percentage," she defines turnover as healthy when it's planned and expected. Consider a credit union located by a military base, where the employee population is likely to be more transient.

"They make great employees for the time they're in the area, but then they're gone when a spouse gets transferred," she explains. "If you factor that into your hiring process and if you create a strong onboarding program compensating for that kind of flux, then the turnover rate shouldn't matter. It's a system effect of that area, and your business plan acknowledges that."

Turnover becomes a threat when it starts negatively impacting performance, Terry says. "When it's out of line with your organization's expectations or strategic plan, or when somebody asks, 'Why are we having so much turnover?' that's when it's a problem."

Is It Us?

Booth agrees that turnover can be situational, with "normal" turnover dependent on the industry and type of organization. And each group within an organization could have differing rates of turnover for "vastly different" reasons, he says. Therefore, dialing into turnover and identifying why it's happening is essential for improving retention rates and keeping productive people. And yet, Booth has found that "far fewer" than half the companies he's worked with pay enough attention to it.

"It all comes down to the data," he says. "Most organizations don't know or have the tenacity to see the truth in the data. This includes taking the time to break down who has left, the cost of offboarding them and onboarding someone new, the value of the new person and the value of the prior person."

Consider $760 million Consumers Credit Union (*www.consumerscu.org*) with 250 employees in Kalamazoo, Mich. "In 2011, turnover hovered between 15 and 18 percent," recalls CUES member Shawn Premer, chief human resources officer. "Since 2011, we've worked very hard to reduce that number. It's been as low as 8 percent, but hasn't exceeded 10 percent for the past four years."

Premer says she spent time reviewing the analytics to determine what was contributing to the unwanted level of turnover. Investigation revealed several key issues, such as hiring decisions, a perceived lack of growth opportunities and the credit union's compensation strategy.

"Much of this was learned by evaluating our annual employee survey and conducting exit interviews," she says. "Each year we do an expansive employee survey, and we write organization strategy around the results. This has been essential in helping us build engagement and retention. High engagement is the key to reducing turnover."

Better Hiring = Lower Turnover

The CU tackled its hiring process first. It eliminated personality testing, which had proven ineffective, replacing it with a four-step process that includes a phone screening; an in-person interview with a hiring manager; a cultural interview, done with a group of three interviewers trained on behavioral interviewing; and a realistic job preview where potential employees spend time in the work environment with the team to see how the job is done and how people interact. (Consumers CU also implemented new onboarding, employee development and compensation processes.)

The hiring changes alone enabled them to cut turnover down to under 1 percent after the first year of implementation and to achieve a three-year turnover rate of less than 5 percent. "We'd rather leave a position unfilled than hire someone who won't fit the culture," Premer explains.

By checking the prospective employee's cultural fit, Consumers CU is taking the right approach. Too many organizations do the opposite, altering their culture to what they think employees want, says Terry.

"When the turnover conversation focuses on culture, most folks want to immediately start making changes, believing that if they add to what they perceive are benefits they'll improve their culture and make it more attractive, thus decreasing turnover," she explains. "Hire for the culture you have. Some employees want foosball tables; others want to put on a suit and tie. Acknowledge your culture. Identify the elements within it that make you succeed, and hire those folks who share those values."

Improving retention rates requires a willingness to change, says Premer. It didn't come easily for Consumers CU, she adds, but it's been a worthwhile effort.

"If you utilize employee surveys, you must be willing to accept them as fact," she says. "Sometimes it's difficult to absorb negative employee feedback, especially when it's in an area you think you do well. The reality is, if you're getting negative feedback, there's something that needs to change. The worst thing you can do is conduct a survey and not do anything with the information you have. Employees need to know their voices are being heard."

Keeping Them Hooked

Surveys can be valuable tools for sparking change, but it's essential that employees feel safe providing honest feedback and that their identities won't be revealed, says Booth. "Being in corporate America for 20-plus years, I sadly know there are attempts to collect data by claiming it's anonymous when it's actually not—that undermines the whole point," he says. "Don't foster a feeling of distrust. You might get feedback you don't like, but at least it will be something you can address."

Creating an atmosphere of trust is one way to hang onto employees, says Booth. Other key strategies he mentions include making employees feel valued, giving them a fair work/life balance, providing growth opportunities and recruiting from within.

Growing Without Turnover

First Tech Federal Credit Union (*www.firsttechfed.com*) has found that connecting employees to the surrounding community has also proven effective.

The credit union, headquartered in Mountain View, Calif., began as Tektronix Federal Credit Union in 1952. Its current incarnation is the result of the merger in 2011 of two large credit unions, each with 400 employees, says Monique Little, chief people officer. At present, there are 40 branches in California, Oregon, Washington, and five other states as well as Puerto Rico. Membership numbers 405,000-plus, comprised of those working within technology-driven companies. These are served by 1,216 full-time and 23 part-time employees.

According to Little, $8.65 billion First Tech FCU has experienced substantial growth over the last five years. Despite the pressures that often accompany such growth, since 2011 the CU's rate of turnover

More Retention Tips

Leigh Anne Terry, director/human resources and administration at CUES Supplier member Callahan & Associates (*www.callahan.com*), Washington, D.C., and Christian Booth, CEO of Ooqio (*www.ooq.io*), have these additional tips to help credit unions keep employees:

- Have mechanisms (such as a storng onboarding program) in place, enabling the CU to capitalize on the benefits of turnover and maximize each new hire's potential.
- Take your time when hiring. It's the "most critical component of retention," says Terry. "Play the long game; hire for all elements of your need. Don't bring someone on who is 80 percent qualified and believe that through proper training and management you can teach them the remaining 20 percent. You're starting in a hole at that point."
- Encourage referrals, says Booth. "It's a well-documented fact that a qualified referral has a much higher retention rate than a candidate who joins the organization through other means." At the same time, he adds, employees who refer people also tend to stay with an organization longer. "In light of this, it's important to foster a culture that promotes and rewards referrals."
- Encourage trust and confidence in leadership. "Never undermine the folks at the top by allowing folks a few steps down to not follow them," says Booth. "Employees have to believe their leaders are competent."

has stayed consistent and low compared to the financial industry overall. (According to the Bureau of Labor Statistics, the average turnover rate for the financial services and insurance industry is 15 percent. Notably, the financial services and insurance companies that made it on the 2016 Fortune 100 Best Companies to Work For list had an average 7 percent turnover rate. See more at *http://greatplacetowork.com/100best*.)

The organization has always paid attention to turnover, Little says. Consequently, it hasn't become an issue.

The CU does a variety of things to keep retention rates solid, such as conducting annual employee satisfaction surveys and sharing the results with all employees. It also provides data visibility to employees on retention rates, promotions, number of exits and so on, through the company's website. This data, available only to employees, is updated quarterly.

Providing this level of transparency keeps speculation about turnover at a minimum should employees see new people around the office or notice the absence of familiar faces.

As already mentioned, First Tech FCU fosters community involvement, for example by providing 16 hours of paid community service (although employees are encouraged to devote more time if they can). Projects have included working in food banks, investing in K-12 education (especially STEM—science, technology, engineering and math) and supporting Children's Miracle Network.

Another retention tactic is the CU's "Wired Well," program, designed to communicate with employees about their rewards package. These cover five areas: health, mental wellness, financial wellness, the paid community service, and a career component through which the CU offers 16 hours of paid personal development time and also has an education assistance program.

First Tech FCU meets annually with senior leaders at the various branches to talk about their turnover rates, engagement and satisfaction measures, and how these compare to those at other branches and departments in the organization. These meetings also cover strategies for improvement and lessons learned from high-performing teams. The goal is making turnover *everyone's* responsibility, not just HR's, says Little.

Hold Managers Accountable

Accountability is a move Finnegan says can help improve retention rates. "Make supervisors accountable for retention goals," he advises. "And these goals should include all turnover and first-year turnover. This accountability should go all the way down to first-line supervisors." He also advises:

- converting turnover to dollars so executives understand why this matters. Finnegan offers a calculator on his website (*http://c-suiteanalytics.com/cost-calculator)* allowing companies to make this conversion.
- requiring all supervisors to conduct stay interviews at least annually and twice a year for new hires.
- having supervisors forecast how long employees will stay using a color-coded system where green means for more than a year, yellow for six to 12 months and red for zero to six months.
- holding leaders accountable for their goals and forecasts.

The hardest part about turnover is talking about it, especially if it's coming primarily from a particular department or supervisor, says Terry. "Turnover can feel so personal," she says. "And it can be contentious and involve finger-pointing. But it's really important to make an objective assessment about what could have been done better. Unless you can have those kinds of honest conversations without taking it personally, then the real problem doesn't go out the door with the departing employee."

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

Resources

Read more about Consumers CU's employee surveys at *cues.org/0416 employee*. Also read more about First Tech FCU's culture of community service at *cues.org/0815community*. Finally, read an article about stay interviews at *cues.org/1115stay*.

Financial Wellness

Three action steps your credit union can take to improve employees' well-being.

By Paul Chong

Recent research shows an increase in American employers' commitment to do more to improve their employees' financial wellness, such as teaching basic money skills and providing better retirement saving tools.

The credit union movement grew out of employers trying to serve their employees' best financial interests, so we should be encouraged by these results. We should also help set the bar even higher by providing tools our own employees can use to make good financial decisions.

According to Aon Hewitt's "2016 Hot Topics in Retirement and Financial Well-Being," (*http://tinyurl.com/aonfinancial*) 56 percent of U.S. employers said they were "very likely to create or focus on the financial well-being of employees in ways that expand beyond retirement decisions."

In 2015, only 46 percent agreed with that statement, and in 2014 it was 40 percent.

Who is Affected?

The top reason for focusing on financial wellness was, "It's the right thing to do," chosen by 85 percent of the employers surveyed. The next three reasons were to:

- improve employee engagement (80 percent),
- improve retirement statistics (58 percent) and
- decrease employee time spent addressing financial issues (44 percent).

These are all good reasons to help employees get their financial houses in order. But employers may not understand how profoundly financial distress can affect productivity and customer service.

A relatively new area of research pioneered by Harvard economist Sendhil Mullainathan and Yale psychologist Eldar Shafir shows how people under financial stress can operate with tunnel vision and be less civil with others.

The concept is summarized in the 2013 book, *Scarcity: Why Having Too Little Means So Much* (*http://scholar.harvard.edu/sendhil/scarcity*). The effect of a "scarcity mentality" goes far beyond employees spending too much time addressing their own financial issues. It can actually sap their daily ability to make good decisions and control their impulses. (Read more in the sidebar, p. 34.)

Basic Tools

What can employers do to help employees cope with day-to-day financial pressures? Aon Hewitt asked employers whether they provide tools, services and/or communications relating to seven areas under the umbrella of "financial well-being":

1. debt management,
2. budgeting,
3. simple investment,
4. financial planning,
5. health care education,
6. savings and prioritization and
7. assistance with saving for specific life stages, including buying a home or paying for college.

If your CU already offers assistance to employees in more than one of these areas, you're doing better than more than half (55 percent) of the organizations surveyed.

The survey shows more promise for the immediate future, however. Almost a third of the respondents already offer assistance in at least four of these seven areas, and 46 percent say it is "very likely" they'll offer assistance in at least four by the end of 2016.

Action Steps

The survey respondents were asked about specific steps they are or would be taking to improve employees' financial well-being. Here are some action items adapted from the Aon Hewitt material, and from our own observations of effective credit union employee benefits programs.

1. Integrate financial planning, budgeting and health decisions.

- Communicate to employees that financial health can affect physical health and vice versa.
- Incorporate reminders about savings programs into your annual benefits enrollment materials.
- Provide access to tools and/or advisory services designed to help employees nearing retirement age understand their Medicare and other health insurance options.

2. Increase communication and education on basic money skills and about the tools employees can use to reduce debt and plan for retirement.

- Assess the level of automation,

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Financial Distress: The Hidden Tax on Employee Productivity and Service

If you don't know what it's like to struggle paycheck to paycheck—and especially if you do—read Neal Gabbler's article, "*The Secret Shame of Middle-Class Americans*," (*http://tinyurl.com/z4qcb5h*) in the May 2016 issue of *The Atlantic.*

Against the backdrop of Gabbler's wrenching confession about his own financial hardship, he cites broad research showing just how financially strapped Americans of virtually every income level are—and how terrified they are of others finding out about it.

One lesson for employers from Gabbler's piece: The need to provide financial wellness programs may not be apparent. Employees probably aren't likely to admit they need help. And even if you don't hear directly about your employees' financial distress, you may be seeing its effects.

'Scarcity Mentality' Can Make Us Less Intelligent and Less Civil

In their 2013 book, *Scarcity: Why Having Too Little Means so Much*, (*http://scholar.harvard.edu/sendhil/scarcity*) Harvard professor Sendhil Mullainathan and Yale professor Eldar Shafir describe how a perceived lack of sufficient money can consume a person's mind.

They present research showing how scarcity of money, time, food, etc. taxes a person's ability to think logically and make good long-term decisions. They call these effects the "tunnel tax" and the "bandwidth tax."

The authors cite an experiment in which subjects of different economic levels were asked a hypothetical question about how they'd decide whether to pay a $150 car repair bill or take a chance the car will keep running anyway. They were also asked whether this would be a difficult decision. Then the respondents were given a test that's a common component of IQ tests. Rich and poor respondents did equally well on these tests.

But another group of respondents was asked the same hypothetical question, except the repair amount was $1,500. After considering that scenario, poor respondents did significantly worse than rich respondents on their IQ tests.

By triggering thoughts about money problems, the scenario had apparently taxed the lower-income respondents' mental bandwidth.

By comparing other studies that used the same IQ test, the authors concluded that poor people in this study performed worse, on average, than people who took the test after being kept up all night.

They estimated the effect of thinking about money troubles was equivalent to 13 to 14 IQ points—that's enough to drop a person's overall score from the "superior" category to the "average" category, or from average down to "borderline deficient."

Other experiments demonstrated how bandwidth-taxed people tend to lose some of their self-control, such as their ability to remain polite in a stressful situation.

It isn't as simple as saying a financial wellness program can increase employees' IQ or improve their mood so they're more attentive and positive with members. But when you're considering whether financial wellness programs are worth the investment, take into account some less visible, but significant influences that financial stress can have on performance.

self-service and Web access employees have to basic money skills resources, and to their retirement plan account.

- Choose a Web portal that allows employees to see their projected monthly retirement income at a glance. The portal should also allow them to adjust their contribution amounts and investment choices, and see how those changes would affect their projected retirement income.
- Target employees who are near retirement for extra information and professional advisory services that will help them make good decisions about debt management, Social Security and retirement account payout options at this critical stage.
- Work with your retirement plan provider to offer employees access to professional advisory services through multiple channels: face-to-face, online and phone. Ask providers to conduct retirement planning webinars and/or face-to-face training sessions for employees.

3. Try to minimize unnecessary loans from retirement accounts.

- Implement a waiting period between a loan payoff date and a new loan origination.
- Collect data on participants who take out loans. Study the demographics of these participants and the underlying reason for the loans. This can help you target education and financial advice services.
- Reduce the number of loans available.
- Communicate with employees who take out loans or who have loans outstanding.
- Offer debt counseling services.

In the credit union industry, part of our mission is to help members cope with financial hardship and prevent it. The best place to start fulfilling that mission is with our own employees.

Paul Chong *is senior vice president at CUNA Mutual Retirement Solutions, a division of CUES Supplier member CUNA Mutual Group, Madison, Wis. He can be reached at* paul.chong@cunamutual.com, *800.356.2644, ext. 665.8382.*

Resources

Also read "Retirement Plans: The Cobbler's Children Have No Shoes" at *cues.org/0316retirementplans* and "Are Boomers Ready to Retire?" at *cues.org/0716boomers.*

Creating Card Contenders

Delivering a knockout blow with your card portfolio.

By Stephanie Schwenn Sebring

Performing card portfolios inherently meet member needs and demands—driven by skilled market segmentation with competitive, appealing and easy-to-understand offers. The best portfolios do not offer a bevy of choices. Instead, they offer the *right* choices, built around carefully defined member segments that mesh with the cash management and payment needs of each.

Traits of Performing Portfolios

"Rather than diversity in your card platform, successful portfolios are built around competitive offerings that meet member needs," says Chris Joy, principal at CUES Supplier member Advisors Plus (*www.advisorsplus.com*), St. Petersburg, Fla., a consulting arm of CUES Supplier member PSCU (*www.pscu.com*), also in St. Petersburg. "It's about understanding how your portfolio appeals to your desired segments, and how to market and leverage your card's competitiveness to acquire cardholders and grow balances."

CUs must also understand the different ways members view and use their cards, adds Tim Kolk, president of TRK Advisors (*www.trkadvisors.com*), Peterborough, N.H. Is the card transactional for the member? If they use the credit side, are balances carried over each month? Or are members paying off their balances monthly? Rather than a low rate, do they seek rewards as a differentiator? Next is determining which of these segments a CU should satisfy, matching their products as closely as possible to each segment.

Is it as simple as bundling card features?

"Yes, as long as the CU understands the segments it wants to reach, the card has the right features, and the CU can effectively communicate that," explains Kolk. For credit cards, it can be a mix of rate, reward, security and access features. "Bundle the features of your core products to address the desires of each segment, rather than trying to design a unique card for each segment. Marketing messages should stress different parts of the value proposition for each segment, even if it is a single product that covers several segments."

To hone results, Kolk suggests marketing different offers to different segments, analyzing results and then doing it again. He also notes that while most members have a preference for either debit or credit when it comes to payments, migration to one or the other can be hard.

Part of the Value Proposition

Bill Handel, VP/research for Raddon Financial Group (*www.raddon.com*), Lombard, Ill., advises CUs to take the "long view" when analyzing their card portfolios, stressing that credit and debit cards will stay central to a CU's value proposition—"one, because of interchange income; and two, because credit and debit cards are core product offerings integrated into the household early." Goals should include increased penetration on both the credit and debit side and ensuring the programs are profitable and optimized. "This optimization should drive the decision in portfolio structure, and the number and types of card products

Sapphire card."

"Remember, as a CU, you're not competing with another CU or the local bank," says Kolk. "You're competing with the big players, playing defense against a barrage of direct mail and other media offers."

Like Kolk, Handel encourages CUs to learn from the national innovators, adding that 80 percent of consumers nationwide have a rewards card in their wallet.

There is a growing awareness by CUs to be more competitive with their card portfolios, and rewards specifically, but fewer acknowledge what needs to be done. "Unfortunately, a failing program will fail slowly and be difficult to recognize," explains Kolk. "But disciplined monthly reporting can help a CU analyze trends and identify a poor-performing portfolio more quickly."

While there is no firm formula, Kolk suggests investing roughly half of 1 percent of outstanding card balances into marketing the program annually to remain competitive. "That sounds like a lot, but is much less than the large banks in proportion to portfolio size," he adds.

a CU offers," adds Handel.

Kolk is also adamant that for too long and in many cases futilely, CUs have tried to lead with rate as the differentiator for credit cards: "Statistics show that 60 percent of members don't care about rate; the key is to serve as many segments as you can with a simplified, yet powerful set of products that vary by promotional cues based on actual member behavior. For example, specific elements of the value proposition you stress to various segments can change even though segments are offered the same product." Kolk says a CU may emphasize cash-back value to some, bonus point opportunities to others or even low rates and fees to another segment.

He typically recommends that a CU offer three baseline (consumer) credit card products: 1) an attractive rewards option, positioned as a Signature or World product to fund reward-level expectation; 2) a rate-focused card with risk-based pricing, and 3) a credit-builder product. (The last can be viewed as a member service, though it's almost never a money-maker.) "Also consider a business credit card if you have meaningful direct business relationships," says Kolk.

Kolk explains that Signature (Visa) and World (Mastercard) cards are product categories that are one step higher than Platinum and are popular with the large bank competitors. Both carry higher interchange rates that can support stronger reward propositions.

Rewards: How Much is Enough?

"The rewards market wants more and will change institutions to find the card they want," stresses Joy. "Rewards also have to be compelling, especially for the segment that is actively seeking rewards. A point for every dollar in purchases won't cut it for serious rewards users."

Kolk admits he's nervous about how CUs approach rewards, simply because so many programs are overly complicated, not competitive or lackluster. "The value of rewards offered by the big banks is escalating; 1.5 percent cash back is the norm, and some, like CitiBank, are as high as 2 percent."

He is particularly impressed with what Capital One, Chase and American Express have done with their programs. "All have simplified and emphasized their reward values in consumer-valued ways over the past few years. Cap One pioneered the 1.5 percent cash back in the Quicksilver Card and reset market expectations. Amex moved into a broader demographic with its EveryDay rewards product (the first no-fee product broadly marketed by Amex.) Chase has become the largest issuer due to aggressive marketing and related segmentation; and millennials have embraced Chase's new

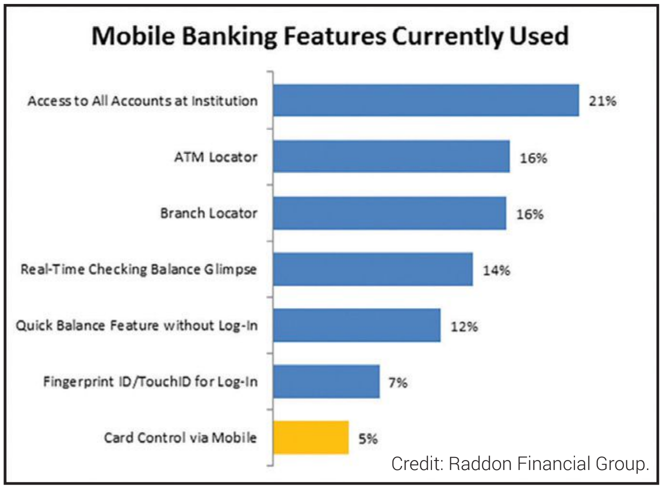
Boosting Usage and Balances

Every CU should also understand how it is acquiring or attracting new cards. Is it at the branch? Events? Through direct marketing? By knowing where cards are coming from, a CU can:

1. determine if specific member segments prefer different channels and fine-tune its marketing accordingly;
2. discover if certain channels are not realizing their full potential;
3. watch if the effectiveness of different channels is changing over time; and
4. identify origination costs for each channel to make sure each generates suitable ROI and is worth the Investment.

To boost balances, Kolk suggests point specials based on usage patterns (i.e., where members shop) or by season (i.e., triple points during peak shopping times.) "Take any opportunity you can to reinforce your card's value, that your card is competitive, and that you are attuned to what the cardholder wants," reminds Kolk.

Timely promotions can also give employees a reason to talk to cardholders about using their card, says Handel, and for non-cardholders, it's an opportunity to build awareness. "For rewards, point redemption is also an absolute must," he adds. "According to our research, members who don't redeem points from their card



Credit: Raddon Financial Group.

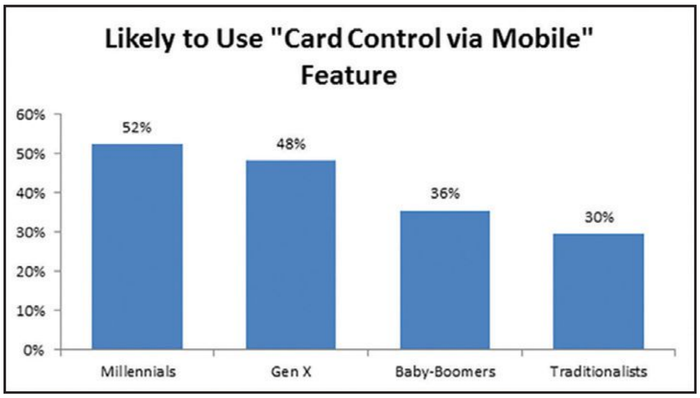
are more apt to be less satisfied with their overall rewards program."

There is a break-even point between redemption and breakage (points expiring), and the key is to find the sweet spot. While a CU cannot maintain 100 percent redemption, Handel asserts that redemption levels can be as high as 60 to 70 percent. "Redemption drives loyalty to the card, and there is a correlation in data that stronger use of the card leads to the use of other products."

The Next Big Differentiator?

Handel believes mobile card control options are the next card attribute consumers will look for: "These give the cardholder the option to turn their card off or on via their smartphone. Cardholders can also manage spending by merchant and impose transaction restrictions for added levels of security." According to the 2016 *Raddon Research Insights Study*, only 5 percent of CU cardholders currently use card control features, but a whopping 42 percent are likely to use them.

"Although it's a relatively new concept for CUs and banks, Discover has heavily marketed this feature, and it has been favorably reviewed by consumers," explains Handel. "The demand also appears to be more inter-generational than most technology-based services, appealing to a range of age segments." (See graphs, left and below.)



Credit: Raddon Financial Group.

Becoming a Card Contender

When $2.5 Billion BCU (*www.bcu.org*), Vernon Hills, Ill., revamped its card portfolio in 2016, it wanted to deliver high-value rewards with a focus on simplicity and transparency. The CU analyzed its own portfolio, including penetration, card spend and account growth, as well as what other successful cards in the marketplace were doing. "Within a highly competitive payments space, we realized an overhaul of our card portfolio was overdue," says CUES member Mike Fox, director/lending product management for BCU. "And with rewards comprising over 75 percent of all credit cards in the U.S. and 90 percent of credit card spend, transforming our rewards program was critical."

The CU liked the simplicity of the Capital One rewards program compared to more complex cards like Discover or Chase Sapphire, which can involve rebate tiers, purchase caps and rotating quarterly bonus categories. "Complexity dilutes the competitiveness of the offer," explains Fox. "It also makes your program more difficult to market, harder for staff to explain and members to understand."

In April, the CU launched its new Cash Rewards Visa card, and today returns 1.5 percent cash back (unlimited) to members on all purchases, with no annual fee and an APR as low as 10.15 percent. The CU's revamped Travel Rewards Visa card, which rolled out last year, returns two points per every dollar of purchases (unlimited), with no annual fee and an APR as low as 10.15 percent. The value proposition for both products is designed to target Signature-eligible members, which helps the economics of the program through higher interchange.

Fox believes in maintaining simplicity with rewards, including:

- value-added benefits that are easy to translate to members;
- simple, straightforward calculation of what members get for their spend; and
- easy redemption.

BCU's Cash Rewards card currently drives about 45 percent of new volume growth. "It has the broadest appeal and is the fastest-growing segment for us," says Fox. Still, he encourages CUs revamping their card portfolios not to forget a basic low-rate card, simply because of the appeal to members who carry revolving balances. "Members in this segment are rate-sensitive; they're less focused on perks, but value the ability to save on the balances they carry."

Investing in the Debit Side

"It's harder to predict where debit card rewards will end up," says Norm Patrick, principal at Advisors Plus. "Many CUs are currently resisting debit rewards unless the merchant is funding it."

However, Kolk suggests taking that extra margin from interchange and investing it back into the CU's value proposition, using the difference to market and strengthen its program. Handel adds that debit rewards can pay for themselves through an increase in activity, which can be driven by periodic incentives to boost usage. "Debit cards will remain an important part of the mix, with younger members gravitating towards debit to avoid the debt levels they saw during the financial crisis with older generations," says Handel.

Debit Rewards

Like hundreds of other CUs, $505 million Vibe Credit Union (*www.vibecreditunion.com*), Novi, Mich., offers a Visa debit card as a convenient payment tool for members. It does, however, do something uniquely different to build loyalty. The CU positions its debit card and savvy rewards program, Purchase Rewards, to attract its target demographic—individuals age 25 to 45. Debit rewards are also used to reinforce the CU's brand pillars, including its promise to deliver exceptional convenience through cutting-edge technology.

Purchase Rewards is available to any checking member and is merchant-funded, with no cost to the CU. "The program is provided by Digital Insight (*www.digitalinsight.com*) and integrated as part of our online and mobile banking experience," explains Chief Marketing Officer Tyler Ross, a CUES member. "Members see their rewards accumulating and receive personalized offers daily based on their spending habits and where they like to shop. Offers can be viewed within online or mobile banking, and activated at the retailer when the member uses their debit card for payment. The cash reward is then later deposited into the member's checking account."

The program is an all-around win: It creates loyalty and interest, and the offers are relevant, including such retailers as Kohl's, Lowe's and JCPenney. "We promote the program as a way to differentiate our checking account and, being a free member benefit, it helps to keep our card top-of-wallet," says Ross.

The monthly member impact:

- over 90,000 cash-back reward offers are served to online and mobile banking users;
- on average, 63 percent of members view their unique cash-back offers; and
- nearly 30 percent of members activate and redeem their cash-back offers.

Vibe CU promotes its debit card program, including rewards and card personalization, in all marketing channels, including newsletters, statement inserts, online banking banners and website landing pages. Ross estimates that marketing messages hit more than 25,000 members during any given checking campaign and, as of August, reports 76 percent checking account penetration.

Card Contenders

Simple yet appealing card portfolios are setting today's card contenders apart. "We won't compete with the large national issuers in terms of marketing spend," concludes Fox. "But we can make our card programs more appealing, with relevant and highly competitive rewards, using member loyalty as the differentiator."

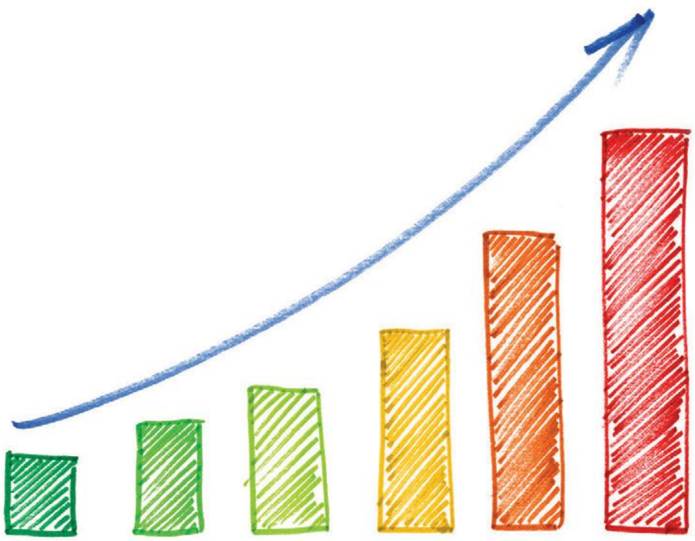
Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs and served in mentorship roles before launching her business. As owner of Fab Prose & Professional Writing, she assists CUs, industry suppliers, and any company wanting great content and a clear brand voice. Follow her on Twitter* @fabprose.

Resources

Read more about BCU's card program at *cues.org/1016casestudy* and more tips from card experts at *cues.org/1016cards.* View more articles about cards: *cues.org/0916specialtycards*, *cues.org/0916lift* and *cues.org/0716playing.*

Compound Branding

The more you invest in it, the more your credit union's brand will grow.



By Mark Arnold

You've heard of compound interest. What about compound branding? It's the same concept, really. The longer you invest in your brand, the more lucrative your return is.

"Brands that judge their efforts only by the immediate gratification of the hits, visits, or sales they quickly generate fail to see the big picture," writes Steve McKee in his book *Power Branding: Leveraging the Success of the World's Best Brands*.

Branding is a lot like saving money for retirement. Sometimes you have to sacrifice short-term gratification for long-term goals. For example, some people like spending $5 every day on a fancy coffee drink from Starbucks (short-term gratification). If they put that money in an IRA instead and let it grow, they are better positioned for long-term financial success. That's Investing 101.

We see the same effect with compound branding. Credit unions that treat branding as a one-time campaign do not experience the same level of brand success as credit unions that invest in their brands long term. They focus on the short-term gratification that comes with the initial kick-off, but they don't put in the long-term work required to sustain their brands. They don't live their brands day in and day out, which is the long-term investment. Credit unions that truly live their brands experience the effect of compound branding.

"We have turned our focus to 'owning the brand every day' to ensure success," says Jennifer Wade, market and sales strategist for $225 million Deer Valley Credit Union (*www.dvcu.org*) in Phoenix. "We know what our brand is all about, but without action from every single staff member, the brand would be useless.

"The Deer Valley team brings it to life and gives a true sense of purpose to our brand based on three words: own, simple and personal. We own every member interaction by focusing on simple solutions and personal engagement."

Here are four ways to compound your credit union's brand:

Promote Brand Over Products

Product marketing is short term. You launch a campaign. You increase penetration of that product for a specific period of time. You move on to the next product. Sound familiar?

If you are still living according to the monthly marketing calendar, you are not positioned for long-term success. STOP! Instead of jumping from one promotion to the next, think like Apple. How often do you see an ad or commercial for an iPad or other Apple product? Hardly ever, if it all. Apple markets its brand and lets its customers market the products through word of mouth. If your brand is strong, your products will be strong, and your members will spread the word.

Ask Strategic Brand Questions

With every decision you make (opening a branch, acquiring another credit union, penetrating a certain market, etc.) ask, "How does this affect our brand?" During strategic planning sessions, always carve out time to discuss your brand. Talk about its impact, its plan, its status, its longevity. This is critical to your credit union's growth. Your brand will not take care of itself. It's like having a child. Your brand needs to be fed and nurtured, and even when it grows up, so to speak, it needs attention and guidance. The goals your CU establishes during its planning sessions should align with your brand and contribute to its long-term viability.

Audit Your Brand

Have you ever had a third-party expert review your brand? It's not easy to have someone come in and evaluate what is near and dear to your heart. What if they point out something that's wrong? That is exactly what you want—someone who will help you strengthen your brand by pointing out your brand gaps.

For example, your marketing materials may say you have a hassle-free loan closing process. If your employees don't deliver on that promise, that is a brand gap. Everything you do must align with everything you promise your members.

"We made some changes based on our

Quick Tips

Strategic action steps to take based on compound brand effect:

1. Review your brand status during next planning session.
2. Conduct a marketing audit.
3. Conduct brand training.

marketing audit and brand plan, like training our staff on expectations and helping them understand what good service really is," says Kristina Morgan, VP/HR and marketing at $260 million Nymeo Federal Credit Union (*www.nymeo.org*) in Frederick, Md.

Branding touches everything, and an outsider's view can make those efforts more successful.

Train to Your Brand

The greatest threats to your brand come from within. It's not your members you need to worry about as much as the people who see your name on their paychecks.

According to McClean & Company (*www.mcleanco.com*), a disengaged employee costs an organization $3,400 for every $10,000 in annual salary. An employee making $30,000 a year, who is disengaged with your brand, costs your credit union more than $10,000 year. That's just one person.

Your employees are your brand ambassadors. They can make or break your brand through something as simple as a member transaction. They must live your brand every day, but they cannot live what they don't know.

Train them. Communicate brand expectations and brand behavior. Teach them how to interact with members according to your brand promise. That is how you sustain your brand long term.

Branding is not a one-time campaign. It is a long-term effort that requires daily attention. When your credit union makes that effort, you will experience the effect of compound branding.

Mark Arnold *is an acclaimed speaker, brand expert and strategic planner. He is also president of On the Mark Strategies* (www.markarnold.com)*, a consulting firm specializing in branding and strategic planning. Some of the services Mark provides include strategic planning, brand planning, leadership/management training, marketing planning and staff training. Reach him at 214.538.4147 or* mark@markarnold.com.

Resources

Attend CUES School of Strategic Marketing™ I (*cues.org/sosm*) and II (*cues.org/sosm2*) next summer in Seattle.

Compliant Collections

Watch looming—and out-of-date—regulations for their impact on your efforts to pull in payments.

By Karen Bankston

Compliance is a top priority across the credit union, but these days regulatory issues are a special concern in collections with a new proposal in the works by the Consumer Financial Protection Bureau and a longstanding regulation on telephone communications raising new red flags.

CFPB (*www.cfpb.gov*) is planning to unveil new rules implementing the Fair Debt Collections Practices Act (*http://tinyurl.com/ftcfdcpa*) even as credit unions continue to sort through the implications of recent guidance from the Federal Communications Commission aiming—and missing the mark, some surmise—to bring the quarter-century-old Telephone Consumer Protection Act into the 21st century (*cues.org/0716oncompliance*).

Collections compliance has long been a work in progress. In the decades since the FDCPA was signed into law in the 1970s, "because no agency was given the authority to issue interpretative regulations, state and federal courts have issued contradictory opinions about how to comply with it, which has created many problems across state lines," says Joseph Lynyak III, attorney with Dorsey & Whitney (*www.dorsey.com*), Washington D.C. For example, some states prohibit debt collectors from leaving messages on voicemail or answering machines specifying the purpose of their call, while other states require that collectors identify themselves in messages.

Mountain of Complaints

In 2010, the Dodd-Frank Act (*http://tinyurl.com/cftcdf*) shifted the responsibility for enforcing FDCPA to the then-newly formed CFPB, which was also given the authority for the first time to issue regulations. In recent months, the bureau has been working to formulate a proposed comprehensive regulation for debt collection activity, largely in response to widespread consumer complaints about being harassed over debts that aren't theirs, have been paid off or have expired. Over CFPB's first five years in operation, approximately one in four complaints the agency fielded—219,000 out of a total 834,000 consumer complaints through March 2016—involved debt collection.

The primary aim of the proposed reforms is to end the practice of pursuing collections in cases where documentation is inadequate to validate that debts are legally owed, explains Chris Cote, compliance officer for the financial institution group of SWBC (*www.swbc.com*), San Antonio, Texas. Some debts have been sold as many as eight or 10 times, and along the way reliable documentation may be lost or the debts have expired, Cote notes. Under the proposal, when a debt is sold from one organization to another, supporting documentation must also be transferred. Collectors will need to produce legitimate proof that the debt is still owed.

“The goal is to force institutions involved in debt collections to be very, very certain that the debts they are attempting to collect are legitimate and that they can produce documentation,” Cote says. (For an overview of CFPB’s perspectives and proposed guidance on what constitutes unfair, deceptive or abusive acts or practices under the FDCPA, see the bureau’s Small Business Regulatory Environment Act report at *http://tinyurl.com/cfpbsbrea*.)

Collections regulations distinguish between third-party and first-party collectors, the latter referring to credit unions, banks and other loan originators. “CFPB has started to blur the line about what constitutes a third-party and a first-party collector, suggesting the bureau’s ultimate goal may be to have any party collecting debts to follow essentially the same rules. Credit unions should be prepared for the eventuality,” Cote cautions.

To the question of whether CUs will be subject to CFPB’s new guidance now or in the future, “the answer is a concrete maybe,” Lynyak says. “Here’s where things get complicated: If you’re collecting your own debts, you’re not subject to the act. If you transfer the debts over to a servicer when the loans are not in default, the servicer is also not subject to the act. But if the loans are in default when somebody acquires the debt for servicing or else buys the debt, then collection on those loans is subject to the act. So it’s a mixed bag. And remember, credit unions are still subject to laws prohibiting collecting in a manner that is unfair and deceptive (*cues.org/0916ncua*), which the CFPB takes the position applies to everyone. So, sooner or later, credit unions are going to be subject to the act one way or the other.”

Good News for CUs?

CFPB’s current focus on debt collections is on verifying the validity of the loan in default and adhering to regulations outlawing phone calls at inappropriate times and locations, such as at work. "Credit unions are seen as good players in the financial services and collections arena. Their customers are their members, and they've got a history of doing things properly," Lynyak notes. "The general perception is that credit unions do these things right, so it shouldn't present a significant burden to them."

Lynyak has been a vocal critic of CFPB in the past, "but in this area, reform is definitely necessary and the proposals CFPB has put on the table seem very reasonable and surprisingly knowledgeable in proposing a way to regulate collection practices that will benefit everyone.

"It will likely be a contentious rule-making process," he adds, "but ultimately will benefit the good actors, such as credit unions. These reforms are driven by complaints from consumers who have been harassed over debt collections based on false information that they're unable to get corrected. Reducing complaints related to the financial services industry should help credit unions and banks improve their customer relationships."

Still, credit unions should monitor CFPB's proposed rules on debt collection, which may be issued in the fourth quarter of 2016, and the final regulations, which could be out in 2017 or 2018. The final regulations could have an effect on loan documentation credit unions maintain, so they can comply with possible new record-keeping requirements, especially for loans that might be sold while in default, Lynyak says. In addition, the current rule-making process could provide a road map of CFPB's basis for defining and prohibiting deceptive or abusive collections practices and help identify collection best practices when dealing with consumers.

Because CFPB's proposal, on the surface, appears to apply only to third-party debt collectors, "the first inclination for credit unions may be to think that they've dodged a bullet and don't need to worry about it, but I think there may be some indirect consequences for credit unions, based both on this proposal and what the final rule ends up looking like," says Cindy Williams, VP/regulatory compliance for PolicyWorks (*www.policyworksllc.com*), Des Moines, Iowa.

The most significant proposed changes may focus on requiring accurate and comprehensive documentation of debts before collectors can begin contacting borrowers. As a result, credit unions may need to enhance their procedures for gathering information on borrowers and setting that data out in a form that can be passed on to third-party collectors if the need arises.

"Credit unions are doing this already to a large extent, but the question may become what type of information third-party collectors may require and whether it's readily available and in a format that can be passed on to third parties," Williams notes.

After the final rules come out, CFPB may turn its attention to developing rules for internal collection departments like those of credit unions, she says. "We're going to have to wait and see what form those rules might take."

From Landlines to Smartphones

Recent guidance on rules implementing TCPA also has credit union collection departments on guard. In the summer of 2015, FCC on a 3-2 vote offered guidance attempting to clarify how the 1994 act applies to more modern technology like smartphones and office telephony with the ability to facilitate auto-dialing.

"The new guidance is so broad that it creates or maintains a lot of gray areas," Williams says. "On the surface, it seems overly broad in restricting communication with members by phone. Some credit unions have decided not even to try to contact members by phone rather than risk the potential for class-action lawsuits and multimillion-dollar settlements driven by law firms that specialize in this kind of legal action."

A helpful clarification for credit unions: If borrowers supply their phone numbers in conjunction with a credit application, the credit union has the right to contact them by phone using those numbers for collection purposes, without further express consent, she adds.

Cote agrees that there is a great deal of consternation over recent interpretations about enforcing aspects of TCPA. "What is essentially happening is that the industry must adapt to an outdated law, which is very restrictive because it doesn't accommodate new technology," he notes.

As a result, credit unions need to take a very careful look at how they communicate with members, both for collections and any outbound marketing calls. Credit unions must obtain permission upfront before contacting members via mobile phone and when using auto dialer. Proof of permission must be part of loan documentation or other member records. Loan applications should clearly specify that when members supply their mobile phone number on loan applications, they are consenting for the credit union to contact them by phone.

The initial intent of TCPA was to prevent telemarketers from constantly clogging consumer lines, Cote notes, and the National Do Not Call Registry grew out of the act. However, the act, as currently applied, treats calls to landlines and mobile phones differently, which complicates credit union processes and procedures as landlines become increasingly rare. According to the Pew Research Center (*www.pewresearch.org*) as of January 2016, only about 47 percent of American households still have a landline; in comparison, about nine in 10 adults have a cellphone.

"There has been a lot of pushback from the collections industry to bring these regulations into the 21st century and to make it easier for legitimate businesses to pursue collections," Cote says.

As the financial services industry continues to watch and wait for clarification surrounding these two regulations, more compliance issues may be on the horizon for the collection and lending departments. The alter ego of debt collection regulations is the Fair Credit Reporting Act (*http://tinyurl.com/faircra*), which could be CFPB's next target for reform, Lynyak predicts. Revamping regulation of the credit reporting industry could also mean significant changes for credit unions.

Karen Bankston *is a longtime contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Portland, Ore.*

Resources

Read more about TCPA at *cues.org/0716oncompliance*. And also read more about the unfair, deceptive, or abusive acts or practices provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 at *cues.org/0916ncua.*

Learn more about CUES School of Consumer Lending (*cues.org/socl*) and CUES Advanced School of Consumer Lending (*cues.org/advsocl*), slated for July in Seattle.

Strategic Mentoring

During a webinar on strategic mentoring presented for CUES in September, Tony Kirschner, B.A., M.A., Ph.D. and partner at Davies Park Executive Search, a CUES strategic partner (*cues.org/dp*), pointed to these issues which most organizations face at one time or another: retention, engagement and succession planning. While these may be seen as HR issues, they're more organizational in nature to Kirschner.

"When we talk about HR issues and HR programs, sustainability is always the key. And what we have seen, and I think this is systemic across all industries, is sometimes if you have programs that are driven by HR, it's hard to sustain them. You may get some early wins and you may get some turn around in whatever metrics you're trying to look at, but it's hard, over time, to actually drive that into culture, unless you figure out a plan around sustainability," said Kirschner. "One of the things we found is that mentoring is a really good way to make it organic, because it doesn't become an HR program—it becomes an organizational program.

"One thing that we haven't found in talking with thousands of executives, and something I've never seen in 25 years of doing this, is a top-performing executive in any level in any sector who *wasn't* mentored and who wasn't also in some way giving back and acting later in his or her career as a mentor," said Kirschner.

In credit unions, mentoring frequently happens when senior executives take a less experienced staff member under their wing. In this case, the goal is likely a general one: to professionally develop less experienced staff members and advance their career at the credit union.

Mentoring to address organizational issues is more structured and strategic than the informal mentoring that may already be happening at most credit unions.

Strategic mentoring begins by tying a mentoring program to HR or organizational issues. For example, if a CU's employee engagement is a persistent issue, the CU can implement mentoring aimed at specifically improving employee engagement metrics. Strategic mentoring is a way to start talking about organizational issues and to begin approaching them organically with staff.

The monetary investment to set up a mentoring program is small. But the time investment is large—and it is key to the success of the program. It involves work. Sometimes the mentor has to prepare work that the protégé must complete. If participants want to grow, they have to do the work, which typically involves a project. "If there's no accountability, if they can just dial it in, you know where that will go in terms of you program quality," Kirschner said.

Kirschner suggested weekly meetings for three to four months as a starting point, depending on the type of issues being addressed in the mentoring program. "For a formal mentoring program, you want to have a very clear definition [and boundaries] around the beginning [of the relationship], expectations during and [at the] end [of the formal mentorship]. It is a process that you go through and then it ends. This doesn't mean the relationships won't extend, but ... you want to give some structure and closure, framework and shared accountability to it," he said.

Read a longer version of this article at *cues.org/1016mentoring.*

Resources

View the complete webinar "Strategic Mentoring: The Organic and Cost-Effective Approach to Retention, Engagement and Succession Planning" at *http://tinyurl.com/strategic-mentoring.*

Find out more about CUES' newest strategic partner Davies Park Executive Search at *cues.org/dp*. With more than 25 years of experience placing senior leaders in all industries, Davies Park is a leading Canadian executive search firm with offices in Vancouver, Edmonton, Calgary and Toronto.

Rotman School of Management
UNIVERSITY OF TORONTO

CUES Goverance Leadership Institute™

June 11-14, 2017
Joseph L. Rotman School of Management
University of Toronto • Toronto

Rotman was ranked the **#1 business school in Canada** by the *Financial Times* in January 2016!

Designed for credit union executives and directors alike, CUES Governance Leadership Institute focuses on issues at the organizational level.

Earn your Certified Credit Union Director designation while learning how good governance protects the CU through an understanding of:

- Strategy in the boardroom
- Risk management
- Negotiations
- Director duty and liability
- Influencing change
- Succession planning

To register, visit **cues.org/GLI**. Or, contact Teresa Brogan, CUES' executive education specialist, at **800.252.2664** or 608.271.2664, **ext. 331**; or **teresab@cues.org**. If you're in Canada, please call **604.559.4455**.

CUES
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In 2017, CUES Execu/Summit® returns to The Westin Snowmass Resort, March 5-10.

Peak Learning Opportunity

Execu/Summit®, the uniquely designed educational offering from CUES, is slated for March 5-10 in Snowmass, Colo. With educational sessions bookended around midday networking, this conference will leave attendees armed with the knowledge they need to take their CU's performance to the next level.

Seven speakers fill the conference's six-day schedule. Carla Riger, director of The Artistry of Change Training, Inc. (*http://carlarieger.com*), Vancouver, will open with two change-focused sessions. During a TedX talk at the University of British Columbia, she spoke about how people handle change differently. "What do you think is the difference between someone in an organization who is happy and centered during a massive hurricane of change as opposed to the person who freaked out because somebody moved the stapler from one end of the office to the other? And you know what it is, really? It's the little habits, the habits of letting go and presencing yourself so that you know what to do next."

In addition to examining change, presentations will explore new ideas to boost credit union profits, a case study on mergers and a conversation about transformative leadership. Finally, Josh Streufert, creative director and principal at CUES Supplier member Weber Marketing Group (*www.webermarketing.com*), Seattle, will close the conference with a discussion on the factors that build a great credit union brand.

CUES' Execu/Summit takes professional development to new heights by combining the exploration of critical industry topics and high-level networking with a connection to nature. Busy CEOs, board chairs, directors and senior-level executives should plan travel accordingly to take advantage of the full conference experience: beginning Sunday, March 5, with a welcome reception and concluding the morning of Friday, March 10. Make plans now to attend Execu/Summit in 2017 by visiting *cues.org/execusummit* today.

2016

DIRECTORS CONFERENCE
Dec. 11-14
Hyatt Regency Maui Resort and Spa
Lahaina, Maui, Hawaii

2017

CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE
Jan. 29-Feb. 2
Frenchman's Reef and Morning Star Marriott Beach Resort, St. Thomas, US Virgin Islands

EXECU/SUMMIT®
March 5-10
Westin Snowmass Resort
Snowmass Village, Colo.

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 2-7
The Wharton School
University of Pennsylvania

PAYMENTS UNIVERSITY
Developed with CO-OP Financial Services
April 3-4
San Francisco
NEW

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 30-May 5
Samuel Curtis Johnson Graduate School of Management, Cornell University

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
May 1-5
Embassy Suites by Hilton Orlando
International Drive Convention Center

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
May 1-5
Embassy Suites by Hilton Orlando
International Drive Convention Center

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 7-12
Darden School of Business
University of Virginia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 11-14
Rotman School of Management
University of Toronto

MERGERS & ACQUISITIONS INSTITUTE™
June 26-29
Booth School of Business
University of Chicago

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 17-21
Crowne Plaza Seattle

CUES SCHOOL OF CONSUMER LENDING™
July 17-18
Crowne Plaza Seattle

CUES ADVANCED SCHOOL OF CONSUMER LENDING™
July 19-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™
July 17-19
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 20-21
Crowne Plaza Seattle

STRATEGIC INNOVATION INSTITUTE™
July 23-28
Stanford Graduate School of Business, Stanford University, Stanford, Calif.

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 24-25
Hyatt Centric Fisherman's Wharf
San Francisco

BUSINESS LENDING FOR DIRECTORS
July 24-25
Hyatt Centric Fisherman's Wharf
San Francisco

CUES DIRECTOR STRATEGY SEMINAR
July 26-28
Hyatt Centric Fisherman's Wharf
San Francisco

EXECU/NET™
Aug. 20-23
Grouse Mountain Lodge
Whitefish, Mont.

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT (SUMMER SESSION)*
Aug. 20-25
Darden School of Business
University of Virginia

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

What Makes Merger Conversations Succeed?

By Deedee Myers, Ph.D., MSC, PCC

Merger conversations are not rocket science! Yet, there is an art to a having a successful conversation about a combination wherein all participants feel dignity and like they were heard, and the overall membership is considered. Here are three ways to make it more likely your merger conversation will be effective:

1. Put the membership first. A clear organizing principle, deeply embedded in the key decision-makers, is whether membership will benefit from the merger. When board members declare, in the first 10 minutes of conversation, their credit union name will be the surviving name and their CEO will be the surviving CEO, there's a good chance the merger conversation has stopped.

2. Gather leaders to have an exploratory conversation early on. Use a facilitator skilled in deliberate dialog to support such a conversation. A trained subject matter expert guides discussion, uncovers potential, and sees possibilities through objective listening. Mergers are only successful if participants strategically collaborate to build trust, dive into the conversations and authentically express their visions and concerns.

3. Understand the boards' conditions of success up front. What does the board want? How will directors know when they get it? What are they willing to compromise? What is the CEO's vision? Does the CEO's vision align with the one the board holds? Who should the merger benefit? And how will we get there? What is the board willing to let go of to create enhanced value for the membership?

Too often, an entrenched board derails merger conversations with unspoken expectations and unclear conditions of success. The merger will break down if the board is not aligned on what they want and does not effectively communicate those expectations to the CEO.

Deedee Myers, Ph.D., MSC, PCC, *is CEO of CUES Supplier member and strategic provider DDJ Myers, Ltd.* (www.ddjmyers.com)*, Phoenix. Learn more about DDJ Myers' offerings with CUES at* cues.org/ddj *and CUES' new Mergers & Acquisitions Institute at* cues.org/mai.

Comment on this post at cues.org/092616skybox.

Recent Posts

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Terrence Griffin, CIO for CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), in "Hire One 'Hacker' to Catch Another": *cues.org/100516skybox*

"...66 percent of learning and development professionals have trouble engaging ... modern learners with corporate learning. ... Not surprisingly, Bersin by Deloitte also found that 50 percent of learning and development professionals report difficulty capturing data from informal learning activities."

CUES' SVP/Chief Learning Officer Christopher Stevenson, CIE, citing slides from a Bersin by Deloitte webinar he helped present, in "Empowering Continuous Learning in a Digital Age": *cues.org/092116skybox*

"Like it or not, today's CEO has been pre-cast in the role of their company's chief brand ambassador. All CEOs have the daily opportunity and obligation to build their personal brand in service of their own and their corporation's reputation."

Karen Tiber Leland, author of "The Brand Mapping Strategy: Design, Build and Accelerate Your Brand" (*www.sterlingmarketinggroup.com/books*) in "Does a Your CU's Reputation Rest on Your CEO's Shoulders?" on CUES Skybox: *cues.org/100316skybox*

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