CU Management

APRIL 2017

Secret Powers

CUES on CUSOs kicks off with the origin stories and triumphs of three super CUSO collaborations.

Embracing Biometrics
Great potential with some sticky points

Rising Rates
10 considerations for riding the tide

Lady Leaders
More women are rising to CEO


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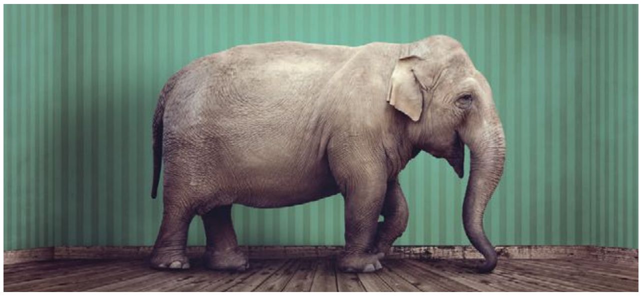

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APRIL 2017

Web-Only Bonus

By the Numbers: Women as CU CEOs

(bonus from "Destination CEO" p. 14)

Fewer CUs are led by women than men, though the trend for ladies leading is upward.

cues.org/0317numbers

myCUES App

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

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Guest Butch Leonardson of CUES Supplier member Cornerstone Advisors Inc., discusses how to improve member experience by developing an innovation pipeline and identifying your CU's pain points.

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How many have you attended this week? Were they worth your time?

cues.org/0317nextgen

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Achieving a Strategic Rhythm

People often mistake the difference between strategic planning—tactics for moving forward—and strategic thinking. Strategic thinking needs to come first.

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Super CUSOs

We're trying something new—and we think exciting—this month in *Credit Union Management* and online at *cues.org*.

We're taking a deep look at credit union service organizations and ways they make credit unions better.

In our special supplement this issue, we examine the "secret powers" of three CUSOs and the behind-the-scenes work they do to make their credit union owners super successful.

One of the greatest things about CUSOs is that they can serve so many roles and purposes. For example, Member Support Services was born when three New Jersey CEOs came together to reduce back-office operating expenses. "When you go out as, in effect, a $1 billion credit union instead of three smaller organizations, you command more respect in negotiations and get better pricing from vendors," says CUES member Thomas O'Shea, CEO of $182 million Aspire Federal Credit Union, Clark, N.J.

Another example of CUSOs greatness: Together two Florida credit unions opened the Frenchtown Financial Opportunity Center in June 2016. Why is this important? It's the only branch in a low-income area of Tallahassee where payday lenders and pawn shops were previously the only financial options. Read about both of these CUSOs, plus one more, starting on p. 28.

In addition, we have lots more content about CUSOs on *cues.org*. We examine the work that mortgage CUSOs are doing. We look back at the origin story of one of the credit union industry's most successful CUSOs: CU Direct, a CUES Supplier member in Ontario, Calif. And in another online article, we explore the CUSO environment in Canada, where CUSOs are also streamlining owner CUs' operations and helping them better serve their members.

This outstanding content leads into a CUES Elite Access™ Virtual Classroom course about setting up CUSOs and innovating with them. Led by Denise Wymore, membership and advocacy development officer at NACUSO, Newport Beach, Calif., and Guy Messick, president of Messick, Lauer & Smith PC, Media, Pa., this two-part virtual course includes classroom participation and a between-segments assignment. Best of all, it will be open free to anyone who wishes to attend!

Find all the content mentioned above and more at *cues.org/CUESonCUSOs*.

As wonderful as CUSOs are, that's not the only topic we're tackling. Here's a sampling of what else we have for you this month.

Biometrics are coming! Last year, letting members access their mobile banking with a fingerprint was a "nice to have" feature, says Eric Goscicki, manager/mobile strategies at CUES Supplier member PSCU, St. Petersburg, Fla., Next year, members will consider it a "must have," he predicts. Read more, p. 10.

What are the elephants in your board room? The topics described on p. 22 are especially challenging for CU directors to discuss, according to Rick Powers, national academic director at the University of Toronto's Rotman School of Management, Toronto, and lead faculty for CUES' Governance Leadership Institute™ (*cues.org/gli*).

Finally, two articles look at career growth. "Destination CEO," p. 14, and "Mad for Marketing," p. 36.

Did you enjoy our deep dive into CUSOs? Let me know by writing *theresa@cues.org*.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

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Women at Work, Find Your Voice

Women at work face real-life penalties because of their voices. Vocal fry (a low, croaky style of speaking) in particular is a hot topic in the business world, and young women with vocal fry seem to be particularly vulnerable to voice-based negative perceptions. Although millennials tend to perceive vocal fry as authoritative, a study published in the online journal *PLOS* from researchers at the University of Miami and Duke University found that study participants said they would be less likely to hire women with vocal fry and considered them less trustworthy.

Vocal fry is just the tip of the iceberg when it comes to women's voices. Women face a communication gap on the job. By now we're familiar with the gender-based pay gap and the fact that far fewer women than men make it to the upper echelon in any given field. Contributing to these disparities is the fact that women in the workplace are having trouble being heard.

A study from Yale University found that women speak up less often at work than their peers. Maybe that's because when they do, their competency rating decreases by 14 percent. It's the opposite for men: When they speak up more often than their peers, their competency rating goes up 10 percent. Men dominate 75 percent of conversation in decision-making groups, according to the American Political Science Review, and a Carnegie Mellon University study found that women are less likely to negotiate aggressively. When they do, they face a social backlash and tend to be seen as less likeable and trustworthy.

Our voices are a primary means of interface with the world, but most of us have never had an hour's training in how to use the voice to its fullest effect. We forget the voice is an instrument. To unlock its potential requires working with the breath as a means of voice support, practicing dynamic posture and learning the fundamentals of effective communication. These fundamentals include inflecting down at the ends of sentences, using pauses, talking with the hands and getting rid of mannerisms that undercut the message. Managers, team leaders and human resources professionals also need to keep an ear out for voice bias and work to educate their staffs about the gender communication gap.

And, yes, there are exercises that can help you rebound from the vocal fry habit, if you decide you want to do that.

It's about time we started talking about why voices matter and what we can do to make sure everyone gets heard.

Read a longer version of this article at cues.org/0117leadershipmatters.

Attend an Elite Access Virtual Course on this topic, May 4-9 (cues.org/eliteaccess).

Veronica Rueckert *is co-host of Wisconsin Public Radio's statewide news magazine Central Time and a consultant, coach and speaker through Veronica Rueckert Consulting.*

> **"There is a big difference between confidence and arrogance; the former helps build trust in the leader, the latter destroys it."**

Gordon Tredgold, founder and CEO of Leadership Principles in "20 Habits of Highly Successful and Effective Leaders" on *Inc.com* (*http://tinyurl.com/z6vrapq*).

Make More Mortgages

Over the last two years, as the residential real estate market has rebounded, homebuyers in some areas have been shopping as long as nine to 12 months, which results in a long span from preapproval to a formal mortgage application, notes Jeff Shood, CEO of Intuvo (*www.intuvo.com*), Scotts Valley, Calif. Intuvo markets a sales analytic system that works in conjunction with the mortgage loan origination system.

In those intervening months, real estate agents might recommend a different lender or another mortgage lender might intercede. On average, the "purchase pull-through rate"—of credit unions closing on loans they've preapproved—is around 40 percent, Shood notes.

To raise that rate, credit unions need to stay in touch with homebuyers through personalized emails, mobile communications and regular phone calls from loan officers or branch staff offering information and support, such as tips on finding the best home or understanding mortgage options.

"Members interact with their credit union how they want to and when they want to—and that changes throughout the process," he says. "Seventy-two percent of people start their mortgage application online, but personal contacts and support become more important as the process moves forward. Who wins the competition for mortgage business is determined by service, especially in the purchase market."

Read how four credit unions are finding success with mortgage marketing on the myCUES app (cues.org/mycues). *Find it under "Spotlight."*

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Scott Albraccio
Sales Manager/Executive Benefits
800.356.2644, ext. 665.6542
Scott.Albraccio@cunamutual.com

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Bypassing Passwords

Biometrics are already successful on a small scale, and the potential is thrilling. But the technology is evolving, the cost could be daunting, and success could create new problems.

By Richard H. Gamble

Biometrics are coming. The first applications are already in place and working well. Anything that promises improved security *and* greater convenience is a cause for celebration. A few corks are popping, but most credit union leaders are keeping the champagne on ice until some big questions are answered.

A revolution in data security based on biometric authentication is close, probably sweeping in by 2020, predicts Gene Fredriksen, VP/chief information security officer at CUES Supplier member PSCU (*www.pscu.com*), St. Petersburg, Fla., and executive director/CEO of the National Credit Union Information Sharing & Analysis Organization (*www.ncuisao.org*), headquartered in the Kennedy Space Center at Cape Canaveral, Fla.

The technology is ready, thanks to the widespread adoption of smartphones with fingerprint readers, excellent camera function and adequate microphones. Many consumers are ready, led by millennials comfortable pushing for the convenience biometrics can bring. And regulators and larger financial institutions are ready for an added security tool.

What's missing are standards, and bringing standards is Fredriksen's mission. "We've been trying to replace password authentication forever, and finally the elements of something better are coming together," he says. "We're still missing the standard toolsets and packaged services." For many CUs, that will mean waiting for their vendors to offer standardized, packaged solutions, he adds.

Last year, letting members access their mobile banking with a fingerprint was a "nice to have" feature, reports Eric Goscicki, manager/mobile strategies at PSCU. Next year, members will consider it a "must have," he predicts.

The popularity of fingerprint identification, as well as the better security it provides, spells eventual doom for user names and passwords, he suggests. "The old school credentials are fading away," he says. Because the mobile device is identified and matched to the registered user, as well as the fingerprint, it's more secure than key-stroked authentication, he adds.

'Biometrics Lite'

Apple's Touch ID and parallel Android technology constitute a wave that may or may not foreshadow a tsunami. CUs today are living in the era of "biometrics lite," driven largely by the decision of Apple and Google to require a thumbprint to use Apple Pay and Android

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Pay, reports consultant Richard Crone, CEO of Crone Consulting (*www.croneconsulting.com*), San Carlos, Calif.

To support that security, Apple and Samsung (Google's partner) have built phones that can capture thumbprints, and they have built operating systems that can do the matching. Most vendors of CU mobile banking systems support fingerprint authentication, and most CUs offer it, Crone reports. It typically works well unless the needed finger is wet or dirty.

Now a few financial institutions are heading into face and voice recognition, reports Conor White, president for the Americas Group at Daon Inc. (*www.daon.com*), Reston, Va., an international biometrics and identity assurance software company. Using Daon technology, customers of USAA Bank can now choose finger, face or voice authentication, he says.

While Fredricksen says adoption of biometrics among small banks and CUs is pretty spotty, some are in the game. For example, $5.9 billion Mountain America Credit Union (*www.macu.com*) in W. Jordan, Utah, gives members two biometric options for opening the CU's mobile banking app: fingerprint and retinal scan. According to CUES member Kelly Albiston, SVP/digital banking, the fingerprint service is essentially free to the CU because it's built into members' phones; it pays EyeVerify (*www.eyeverify.com*) a fee per member for the retinal scan. Both are delivered through the CU's mobile banking provider, Access Softek (*www.accesssoftek.com*). Password is still the most popular way to enter, then fingerprint and then eye, he says.

Those choices are working well, but Mountain America CU is considering adding facial and voice recognition. Delivery will likely flow through Access Softek, which is likely to integrate the services, not build them, he suggests. Whatever the CU buys will have to be affordable enough that members won't be asked to pay extra to use them, he adds.

Enthusiasm for biometrics runs high at $1.1 billion Commonwealth Credit Union (*www.ccuky.org*), Frankfort, Ky., where CUES member Raffo Wimsett is a mobile communications enthusiast. You often find the 31-year-old campus relations partner bicycling to meet members in classrooms or food courts to help them open accounts, transfer money and apply for loans remotely instead of spending time in a branch.

"I use my thumb first to unlock my phone," he says. "Then I use it again to open our mobile banking app. I may use it a third time to carry out an activity."

If mobile is good, biometric authentication makes it even better, Wimsett insists. For him and Commonwealth CU members, that means pressing a thumb on a smartphone reader is a faster, easier alternative to entering a password.

But when Wimsett needs to access member information from his pedal-powered branch, his thumbprint won't work. "I have to use the virtual private network through my laptop and a secured login and password that has been generated by our data team, and that only works if the WiFi connection is secured," he explains. "Security still trumps convenience."

First Tech Credit Union (*www.firsttechfed.com*), with headquarters in Beaverton, Ore., and Mountain View, Calif., has the size (almost $10 billion in assets), culture and

Commonwealth CU Campus Relations Partner Raffo Wimsett, a CUES member, often bikes to meet members in classrooms or food courts. "I use my thumb first to unlock my phone," he says. "Then I use it again to open our mobile banking app. I may use it a third time to carry out an activity."

acumen to size up biometric opportunities. The CU is coming off a three-month pilot with CUES Supplier member Mastercard (*www.mastercard.com*), Purchase, N.Y., in which 500 First Tech CU employees made payments on Mastercard's "selfie pay" program, using either fingerprint or facial recognition. The verdict, according to Brian Ziff-Levine, director of cards and payments? It works.

"We're putting the finishing touches on that program and expect to launch it for members in the first half of 2017," he reports. Employees were enthusiastic, and First Tech CU's tech-savvy members are asking for it, he adds.

What's holding back biometrics, according to Ziff-Levine, is not reliability or convenience but the limited number of devices equipped to use it. "It's still a fragmented market," he says. "Only newer models of the iPhone and Android have Touch ID capability. Once the handsets are up to speed, biometrics will really take off." He predicts a surge in the next four to eight months.

Cost Concerns

To catch on, biometrics need to be secure, reliable, convenient and relatively cheap, explains Bob Bender, chief technology officer at $2 billion Founders Federal Credit Union (*www.foundersfcu.com*) in Lancaster, S.C. "I don't think we can consider passing costs on to members," he says, "and it can't put a big financial burden on the financial institution." So his CU is letting properly equipped members log onto its mobile banking app with a fingerprint, but otherwise taking a wait-and-see position.

Paying for biometric authentication may indeed be a stumbling block. "Samsung has an advanced voice recognition product," notes Robb Gaynor, chief product officer and co-founder of Malauzai Software (*www.malauzai.com*), Austin, Texas, a mobile banking provider, "but it's more complex and costly to implement. We've looked at it, but we don't offer it because we don't have a client that is willing to pay for it."

At this point, CUES Supplier member Fiserv (*www.fiserv.com*), Brookfield, Wis., is looking at 2018 as a time to move forward. "We won't build a solution from scratch," says Scott Hess, VP/consulting and innovation, "and we don't want to invest in something that the mobile providers are going to build into their systems."

For now, Fiserv's mobile banking platform interfaces with the iPhone and Android operating systems for Touch ID. "We know they like it because they complain if we force them to use a password every 20th time just as a control mechanism," he notes.

Going beyond Touch ID hits obstacles. When Fiserv tested other biometrics in 2009, it discovered that voice worked pretty well if the person didn't have a cold, Hess reports. Eye scans were another story. Presenting their eyes creeped out users, and the matching wasn't reliable without a military-grade server.

Even fingerprint authentication has limitations. If an iPhone user registers fingerprints of family members, Apple will confirm a match but not which person's fingerprint was applied, Hess points out. There were press reports in January that a 6-year-old used her sleeping mother's fingerprint to go on an iPhone shopping spree.

While members like the convenience of dabbing a finger, the convenience is overhyped, Gaynor suggests. "People mostly use our mobile banking app to check balances and payment history, and they already can do that without logging in if they use a popular feature like autobalance," he says.

Two Visions

Ultimately authentication will likely be a package of factors, Daon's White predicts. "You could have a person read a prescribed phrase while the camera records his face and the microphone his voice," he explains. "The right phrase would be a factor. You could authenticate that it was the user's face and voice. You could authenticate the device he or she was using, ... that user's tie to that device and ... the location ...."

Multiple biometric authentication factors build security; they can also build a delightful member experience, especially for multitasking millennials, White notes. "The trend is to give users a choice," he says.

Another key consideration is how much security is needed. A fingerprint may be fine to turn on a smartphone, Fredriksen explains. A million-dollar payment may require a fuller spectrum of identification.

"The time is coming soon when a combination—maybe a solution that marries a thumbprint with voice recognition and keystroke characteristics—will cause the password to die," Fredricksen asserts. "That will be a great day."

There's also a darker vision, notes Sabeh Samaha, head of Samaha & Associates Inc. (*www.ssamaha.com*), Chino Hills, Calif. "We need to think carefully about what we're about to do," he says. "If we create a digital record of the full spectrum of an individual's biometric markers, we raise the danger of identity theft to a frightening new level. We're digitizing and storing people's eyes, fingers, voices, faces and so forth, based on our technological ability... and the short-term rewards of better security and greater convenience. We need to think seriously about the long-term damage this could cause."

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

More on Biometrics

Enabling a Biometric Workforce, p. 13

Tech Time: Stopping New Account Fraud Before It Happens (*cues.org/0516techtime*)

Path Through the Jungle (online account opening authentication) (*cues.org/1016path*)

Hand-ling Security With Palm Biometrics (*cues.org/082416skybox*)

Enabling a Biometric Workforce

Staff transactions would benefit from more secure and less cumbersome logins. But the technology is not yet fully here.

By Richard H. Gamble

If using fingers, eyes and voices to authenticate CU members more securely and efficiently is a game-changer (see p. 10), what about using them for employees, where security is even more important and where manual passwords are even more cumbersome?

"Using biometrics with staff is a different value proposition and one that is catching the attention of credit unions," reports Robb Gaynor, chief product officer and co-founder of Malauzai Software (*www.malauzai.com*), Austin, Texas. "The employee is empowered to do transactions with greater risk than the member is, especially when the employee deals with small business services."

Internal use of biometrics is potentially transformative but currently experimental, reports Eric Goscicki, manager of mobile strategies at CUES Supplier member PSCU, St. Petersburg, Fla. (*www.pscu.com*).

"There are huge benefits for businesses, especially businesses like financial institutions that handle a lot of sensitive data, to use biometrics to control employee access," he says. "But it involves complex legacy infrastructures, and it's also a budget issue. Not a lot is happening yet, but we'll see quite a bit in the next three to five years."

"You hear a lot of talk about a single sign-in approach," notes Wes Bjorklund, senior director at CUES Supplier member and strategic provider Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz. That has started many conversations about biometrics, but most CUs are not there yet, he says.

Multiple sign-ins slow down service and degrade member experience. "Reducing passwords is a goal of many CUs, and they know that using biometrics is one way to do this," adds Bjorklund. But biometric technology is still maturing, and implementing it enterprise-wide is complicated, he reports.

The status quo is muddled, explains Bjorklund. Mobile workers usually log in with a user name, password or some kind of token. Access to secure areas like vaults and data centers is "all over the place," he says. They may punch in a code. They may swipe a badge or wave it by a proximity reader.

Bob Bender, chief technology officer at $2 billion Founders Federal Credit Union (*www.foundersfcu.org*) in Lancaster, S.C., agrees that controlling staff access with biometrics is promising, but still faces formidable integration challenges.

"I like the way it's moving, but I'm not sure how long it will take for it to become practical," he says. "We're watching developments so we'll be ready to execute when the time is right."

Yet some CUs aren't waiting. Biometrics are proving useful right now for CU branch staffers who otherwise would need to log into multiple systems in the course of a normal business day, according to Chris van der Stad, chief technology officer for the Open Solutions business of CUES Supplier member Fiserv. Fiserv (*www.fiserv.com*), Brookfield, Wis., offers a solution that reads palm vein patterns. It's embedded in a mouse that the CU buys, along with the supporting software. Just holding the mouse in the normal way reads the palm print and supplies the authentication without any conscious step, bypassing manual login procedures and making staff happier and more productive.

One biometric can open the door to all the systems the employee is authorized to access, van der Stad says. "It's secure and it's good for efficiency, morale and retention," he notes. Palm access to buildings and facilities will be next, he adds.

Members coming into a branch can also be prompted to put their palm up to a reader, he reports. By the time a member reaches a live customer service rep, the staff member has the member's information on his or her screen.

Biometrics can also create future cost savings, notes consultant Richard Crone, CEO of Crone Consulting (*www.cronecon sulting.com*), San Carlos, Calif. Load access controls into employee smart phones, he recommends. "The employees won't have to carry a separate device, and the CU can save some money by eliminating token services."

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

More on Biometrics for Staff

Tech Time: Easy, But Secure Access (*cues.org/090911techtime*)

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Destination CEO

Leaders seeking the top CU spot—especially female execs—are well served to plan out their steps.

By Charlene Komar Storey

If you're like most people today, you probably don't even remember the last time you used a map. Maybe you referred to one in a guidebook when you were last on vacation, but on a day-to-day basis, GPS rules. A voice tells you to turn left in 50 feet, and that's what you do. It's easy, convenient, and it works.

For women seeking top credit union jobs, however, taking a GPS-style kind of approach could mean you never arrive.

CUES member Carol Galizia, president/CEO of $360 million LA Financial Credit Union (*www.lafinancial.org*), Pasadena, Calif., puts it succinctly: "Most important is creating the road map."

Planning each step and turn in advance is important for men as well as women. But with fewer role models, the influences of society and, often, home considerations, mapping out a career route—and updating it often—is an absolute must for women.

A Marvelous Mentor

Few women go it alone. That's because seeking out mentors—or an executive coach—and taking advantage of their advice is a lot smarter than trying to figure out the best route all by yourself. (Read more about executive coaching in our March issue, *cues.org/0317setting.*)

"You have to seek mentors," says Rose Rangel, chair of $604 million Generations Federal Credit Union (*www.mygenfcu.org*), San Antonio, Texas, and vice chair/past chair of the National Association of Credit Union Chairmen (*www.nacuc.org*), which now has three female directors on its five-member board.

Mentors' "expertise can help you determine what you should do and what you shouldn't do—what steps you need to reach your goals," she says, noting that Generations FCU's Vice Chair Leroy Harvey was her professor in a public administration class and has encouraged her to have a plan for reaching her goals, and the determination to follow it. She notes that Charles Smith, chair of $297 million First New York Federal Credit Union (*www.firstnewyork.org*), Albany, was instrumental in getting her involved in NACUC.

Brandi Stankovic, senior partner Mitchell, Stankovic & Associates (*www.mitchellstankovic.com*), Henderson, Nev., also says mentors are key. Stankovic is the U.S. ambassador for Sister Societies for the Global Women's Leadership Network, a unit of the World Council of Credit Unions (*www.woccu.org*), Madison, Wis.

Sister Societies are local groups of Global Women's Leadership Network members that come together to exchange ideas, help the local community and share information. The meetings are a great opportunity for leaders to support one another.

"Women need to be there for other women," Stankovic says. "They need mentors to give them the nudge to go for it. They need to be proactive."

Stankovic says women don't come to the table. When her company posts for a CEO position, she says, one woman applies while 10 men send in resumes.

Why such a disparity? Stankovic believes there are three reasons: risk, mobility and a lack of confidence.

Stankovic says women who have attained higher positions have worked their way to the top at one CU, rather than taking the risk of moving to another CU with better opportunities. Plus, women may be more hesitant to uproot their families, wondering

Mark Hein
CEO/The Financial Institution Group
866.316.1162
mhein@swbc.com

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if it's worth the burden. Finally, "women believe they have to be thoroughly, thoroughly qualified," Stankovic says. "They need to make a *realistic* assessment of their skills and stop feeling that they're never ready. They need to get over it and throw their name in the hat."

MBA Makes You Marketable

To help themselves feel ready, women in leadership need to look at their resumes and ask themselves where the gaps are for the CEO's seat, says John W. Andrews, executive vice president of Woodlands, Texas-based D. Hilton Associates (*www.dhilton.com*), a CUES Supplier member where succession planning is a focus.

A CEO's everyday job requirements include "critical thinking and analysis to make deals," Andrews says, as well as the ability to focus on activities ranging from cyber security to compliance. Having an MBA indicates that you have those skills, Andrews says. A law degree is just as valuable, he adds. Not having an MBA may not disqualify you for the CEO's position, but the advanced degree is likely to make you more marketable.

Earning the degree while working isn't unusual. Mina Worthington, president/CEO of $630 million, 55,000-member Solarity Credit Union (*www.solaritycu.org*), Yakima, Wash., went that route.

Galizia realized a decade into her career that she wanted to someday hold the top spot at a CU. So while she was working, she also went to business graduate school.

That doesn't mean that without an MBA you're completely out of the running or that adding this credential will automatically zoom you to the top of the ladder of success. You also need the kind of education that you only get through experience. That's where the advice of a successful, experienced executive in the organization, or elsewhere in credit union land, can be vital. (See "A Marvelous Mentor" section, on p. 14.)

"If it's not your job, volunteer" to get the range of skills you want, Rangel advises. If you find that you're being passed over because of certain weaknesses, look for a project you can take on to make you stand out. And lobby for the job."

Andrews stresses that you need to network and put the word out that you're seeking a mentor. "You can't sit at your desk and wait for someone to say, 'I'm going to take you under my wing.'"

Similarly, he says, you have to let it be known that you want to fill in the gaps in your experience. You should ask to be on the ALM committee, for instance.

Get Your CEO's Buy-In

Getting support from your current CEO can smooth the road, too. If the top executive knows your aims, you may find it easier to get permission to attend CU events and educational forums. Plugging into the right networks is vital, Galizia says, and outside organizations can expand your reach.

"CUES' CEO Institute is really, really good," says Galizia, CCE, who earned her Certified Chief Executive designation by attending all three segments of the program (*cues.org/institutes*) and doing the two between-segments projects.

Being up front about your aspirations also can help you move around to different departments and broaden your experience. Galizia, for instance, moved up through accounting/finance, and then took on operations.

Worthington likewise didn't keep her goal a secret. "Early in my career, I made it known that I had ambitions. I let the CEO know I wanted to be CEO. Because of that, I was mentored and got more attention.

"I started working in a credit union when I was 18 years old, as a teller," Worthington says. She gained experience in lending, operations and finance. "I worked in most departments, except marketing."

Sometimes the shift was deliberate; sometimes, it just happened. Worthington also spent three years at a commercial bank, she says. "I learned about small business banking. I learned how to call on businesses. I learned how to profile customers for their needs. I learned how to run my branches like they were my own franchises, because the bank used branch-level financial statements to measure performance."

Worthington says she has steered her way through leadership mistakes. "I learned from other leaders and mentors that mistakes are what you make them," she says. "I believe that you have to see mistakes as a valuable part of your growth as a leader."

Eventually, she became CEO of a relatively small CU. When it merged with a like-sized CU, she was appointed CEO of the renamed, much-larger Solarity CU.

Get Commitment to Your Plan

Then there's the never-assume-anything rule.

"Many women who are doing well in their current positions believe that when the CEO retires, they will move up," Galizia says. "It's not necessarily so." It may not have anything to do with your abilities; for instance, the last CEO may

What About the Kids?

Despite the many changes in society, recruiters still find women reluctant to make geographic moves for traditional reasons, such as uprooting children. Current women CEOs have different reactions to that idea.

Carol Galizia, CCE, president/CEO of $360 million, 32,000-member Pasadena-based LA Financial Credit Union (*www.lafinancial.org*), took her six children into consideration when she first put together her road map to the top.

"I knew it would be 10 years" before taking a top job would be possible, particularly because the shift would most probably mean moving, she explains. Galizia and her husband, who owns his own company and is more mobile than some spouses, identified places they would like to live, and places they would not. They ultimately moved from Michigan to Southern California.

Mina Worthington, president/CEO of $630 million, 55,000-member Solarity Credit Union (*www.solaritycu.org*), is an adherent of the "lean in" philosophy (*leanin.org/book*) that encourages a shift in focus to what women *can* do rather than what they supposedly can't. Worthington had her children in her mid-30s.

"I had tenure in my career by then," she says. "There's still a perception among young women that you must choose," noting that a great deal of the problem lies with how society socializes girls.

"I can't see limitations," Worthington says. "I've never seen limitations because of gender."

have left a legacy that the board wants to change.

You also may find yourself stymied when trying to take the CEO spot at a large credit union. That may mean accepting the top job at a smaller CU than you have worked at in the past, with fewer resources than you are used to.

"Find the 'sweet spot' for you," Galizia says. She adds that you may try to move up in steps, first going to a slightly larger credit union, then jumping to a really large one, if that's your ultimate goal.

Meanwhile, the experience you gain facing the challenges of a moderately sized credit union, such as managing growth, will add to your resume. "You may have to take a lateral move to get around roadblocks," Stankovic concurs.

A variety of experiences certainly leads to having a variety of needed skills.

"I don't see that there needs to be differences in how women develop leadership skills," Worthington says. "You have to be strong, capable, competent and deserving."

If there's a lack in your experience, you can always hire people who have those skills, she says. But nothing is as important as leadership.

"You have to have vision, inspire others, and sell your strategy," Worthington says.

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

More for Aspiring Lady Leaders

By the Numbers: Women as CU CEOs (*cues.org/0317numbers)*

Six Female Execs on the Early Career Advice They Wish They'd Gotten from Fast Company (*http://tinyurl.com/6advice)*

Mad for Marketing, p. 36

CUES Elite Access Virtual Classroom course, "Women in Leadership: Finding Your Voice," May 4 and 9 (*cues.org/eliteaccess)*

Leadership Matters: Women at Work, Find Your Voice (*cues.org/011817leadershipmatters)*

Women Who Lead (*cues.org/0615womenwholead)*

The Rate Tide Is Rising

10 things to consider doing in response.

By William J. Rissel

As a seafarer, I pay a great deal of attention to tides. Just as tides rise and fall, so does the economy. Both move so gradually that, unless you force yourself, you won't notice until they become a potential problem.

As a member of the Federal Reserve Bank St. Louis Community Depository Institutions Advisory Council in 2011 and 2012, I know the Fed wants to recover its ability to stimulate the economy by lowering rates. To do so, rates must increase. Last month the Fed raised its benchmark rate to 0.75 to 1.0 percent. What is unknown is how much the rate will increase going forward.

I led a credit union through many interest rate cycles. Here are 10 ideas to take advantage—or mitigate the effects—of higher rates.

1. Loan Demand. During an expansion, loan demand increases. Can your CU fund loan growth of 20 percent?

2. Liquidity. Is it sufficient to fund higher loan growth rates? Is it time to review alternate sources? Suddenly needing to raise liquidity through certificates of deposit is a costly option to avoid. Can your CU sell long-term fixed rate loans?

3. Cost of Funds. How well is your CU positioned to attract funds? What kinds of funds do you want to attract and what are the associated costs?

4. Yield on Loans. A good step to recover margins would be to review net loan yields (after losses) by type. Loans that have low yields can be boosted a little as demand increases. As growth rates go up, trade off growth with increased rates. (Read more at *cues.org/1011unconventionalthinking*.)

5. Net Interest Margin. In a rising rate environment, the cost of funds commonly increases faster than the yield on assets. Income is slow to increase because a large percentage of loans carry a fixed rate and do not adjust upward. On the expense side, a large percentage of savings carry a rate that adjusts more frequently. A shift in the mix from investments to loans mitigates the effect somewhat. In an increasing rate environment, sensitivity analysis is meaningful. Increase rates 50 basis points and then run a shock for a shock. You will not be pleased with the decline in net economic value!

6. Limited Resources. Given that your CU can lend a limited amount, emphasize within reason loans with higher net yield. Setting higher rates depresses loan growth in that loan type. Marketing can affect loan demand. Consider raising rates on lesser net yielding loan types and loans in greater demand first. Spend time now determining the vision for its loan portfolio.

7. Certificates of Deposit. Locking in CDs to longer terms will attenuate the rising cost of funds. Consider offering higher rates on long-term CDs. Also review early withdrawal penalties to ensure they are an effective deterrent to members cashing in CDs early for better rates. (Read more at *cues.org/07112unconventionalthinking*.)

8. Loan Losses. In high growth periods, loan delinquency and the loan loss ratio will initially decline. This is a dynamic of the numbers. Loans outstanding (denominator) initially increases faster than loan delinquency and/or losses (numerator). A CU will often fund less into the allowance account as a result—understating future losses and overstating income. Fortunately, the National Credit Union Administration allows some flexibility in loss ratio calculations. Consider extending the average number of years, thereby propping up the current loss ratio. Funding the allowance for loan loss as growth occurs will be less painful than doing it retroactively when growth slows.

9. Investments. Your CU may be forced to cash in investments to fund loans. If rates have risen, the current investment's value is likely less than book value. This loss is leveraged higher on longer-term investments. Your CU should consider its position on future book values if rates increase and liquidity is needed. Make adjustments before further rate increases. Is shortening the portfolio now beneficial?

10. Net Income. NI is nothing more than the sum of the other decisions the CU has made. In a rising rate environment, shifting the mix of assets from lower-yielding investments to higher-yielding loans improves income. Adjustable loans also contribute. Offsetting this improvement is the drag of existing fixed loans and the increasing cost of funds.

Senior executives are inundated with plans and projects requiring their attention. The economy has pretty clearly made a turn—the tide is now rising. Let's make sure we are paying attention and responding well.

William J. (Bill) Rissel *has over 40 years' experience in credit unions and is the former CEO of Fort Knox Federal Credit Union. During his 23-year tenure, the credit union consistently performed in the top 10 percent of peer. When not sailing, he assists credit unions in executive coaching, income improvement and governance. Reach him at* wjrissel@gmail.com.

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A Bird in the Hand

When you're looking for a new CEO, board members are a known quantity. But is that a compelling enough reason to consider them for the job?

By Jamie Swedberg

Ideally CEOs and board members communicate clearly and often, and are never afraid to bring up tough issues. So when a CEO retires, the idea of hiring a director to do the job can be very appealing. Consider the many possible benefits.

Directors often boast an unparalleled familiarity with the board, the credit union, and the membership, says Deedee Myers, MSC, PCC, Ph.D., founder and CEO of CUESolutions provider (*cues.org/cuesolutions*) DDJ Myers Ltd. (*www.ddjmyers.com*), Phoenix.

If directors are hired, she says, they already have "an instant relationship between the CEO and the board. Credibility and trust are more easily identifiable. [And] if there was a previous positive relationship with all board members, then the onboarding might be smoother."

Sometimes directors are exactly the right people for the position, says CUES member Sarah Mosley, president/CEO of $346 million Telcoe Federal Credit Union (*www.telcoe.com*), Little Rock, Ark. (24,500 members, 42 employees).

"There are a lot of well-qualified board members that would make excellent CEOs," she explains. "You could have a board member whose background is such that he's a great manager, he's a great motivator, he's been around long enough that he understands the way the credit union works. Maybe he came up through the credit committee, or maybe he has a handle on lending. I'm not ruling out that a board member would be a good choice for CEO."

There's another obvious reason directors can seem like an appealing choice: proximity. If a CEO leaves suddenly or dies, a board member can step into the job almost seamlessly, preventing change hiccups and melding seamlessly into the institution's culture.

In all, it's a complicated and touchy issue. On balance, there are as many cons as pros.

Cult of Personality

The separation of volunteer boards from paid executives is a long-standing way of reducing the possibility that too much power will be concentrated in one place.

That's why although there are no regulations that prohibit board members from taking a CEO job, many CUs try to avoid the practice. At least, steps must be taken to reduce the appearance of impropriety.

"My biggest concern is the implicit authority the board member has who becomes CEO, and the possibility of the board being 'imperial,'" says Myers. "An imperial board defers to the CEO for major decisions, and the CEO has a strong influence on board decisions."

Because of the relationships that exist within the board, directors could be rubber-stamped into the CEO post. They may then continue to exert undue influence on board decisions. Myers says the poison can affect succession down the line.

"For example, a board member becomes a CEO 11 years ago and now a successor is needed," she says. "She has a strong sense of ownership that influences the board on who will be the next CEO. This board needs to be careful [about] letting the sitting CEO assert responsibility for deciding the next CEO, as this responsibility is the board's."

Mosley says the mere possibility of a director being considered for executive positions can taint the decision-making process. She knows of a director who wanted the CEO job and put undue pressure on a sitting CEO. One of her predecessors was affected.

"The former CEO of Telcoe was mortified that one of the board members was going to push her out and get her job," she says.

It wasn't an isolated incident. "Say the chairman of the board has a lot of weight with the board, and maybe he's got his eyes on the CEO's job," she says. "What better person to edge out the CEO?"

As a result, many CUs have amended their bylaws to require directors to go off the board for six months or a year before they can apply for the CEO spot. If a director's intentions are good, a rule like this won't be a stumbling block, Mosley says.

"It's something that some boards may have heartburn about—they may think, 'What if we really needed someone?' Well, they could do it on an interim basis and then be considered. Or they could leave … for six months and then apply for a job."

The Right Person?

Another significant hurdle is experience: Very few CU board members have the exact type of management chops they'll need to do the job well.

"If you're going out into the marketplace to look for someone, what are you looking for when you hire that person?" asks Mosley. "I think the last thing you want to do is hire somebody [whose expertise] is so far removed from anything that we do that the poor people that are working there are going to have to train this person."

Despite this, sometimes CUs believe a director *is* the best fit for the CEO job. That's fine, as long as they go into it with eyes wide open and plan far enough ahead to make sure the board member gains the needed experience. Myers suggests making the director part of the CU's succession planning and training efforts.

"If there is a board member who wants to be considered for the CEO role …, ensure his or her professional development plan has the same rigor as the executives'," she says. "The board candidate needs to have served as an exemplary board member (and been) proactive on the ALCO or finance committee and possibly the executive committee. They must have demonstrated strong expertise and knowledge of the operations, balance sheet and leadership skills."

Mosley advocates treating the director like a son or daughter. In family businesses, up-and-comers are often expected to work at another company for a while to gain experience, then bring that experience back home when they're ready to assume the mantle of management.

"If there's a board member who really would like to get into the credit union industry one day, maybe one of the other credit unions in the area will have an opening," she suggests. "It'd be a great training ground. If you really want this job, communicate that to the board. Say, 'I know that we're going to have a retirement here in the next four to five years, so I'm going out to get a job at a bank or a credit union so I can learn all I can learn.' Go cut your teeth over at this other CU … and then we'll know you can do the job here."

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

Setting Policies

There is no regulatory language that specifically prevents a board member from becoming CEO of a credit union. However, when this move happens, it can have the appearance of nepotism; in the hands of the wrong people, it can create an environment where the best interests of the members are not served.

To prevent directors from exerting undue influence over other board members when they become CEOs, many credit unions have chosen to adopt bylaw amendments that require directors to leave the board for six months or a year before they can apply for the CEO position. CUs can put in place some other rules that can also help. They include:

- Director candidates (and other internal hires) must be vetted in exactly the same way as external hires.
- The hiring process must be totally transparent, so that it will stand up to regulatory examination.
- Candidates must have all the qualifications to be CEO, above and beyond their relationships with board members.
- Candidates who are related to other board members or credit union employees are banned.

Some credit unions have decided to take this even farther, and have disallowed the move from governance to management altogether. These credit unions include language—in their Volunteer Code of Conduct policies, for example—that states volunteers must not use their position to obtain employment in the credit union or any of its suppliers for themselves, their family members or close associates. That effectively closes the book on the issue.

More on Board Leadership

The Missing Link in CEO Succession Planning (*cues.org/0916missinglink*)

CEO Search Committee Success (*cues.org/1115search*)

Board Chair Development Seminar, Sept. 11-12, Vancouver (*cues.org/bcds*)

Outing the Elephant

Four things directors often don't want to talk about in the boardroom—but should.

By Leisa Goodman

All credit union directors have been there—having to tackle uncomfortable topics they'd prefer to leave well enough alone.

Attendees of Rick Powers' session at Directors Conference 2016 cited CEO succession, director pay and mergers among the tough discussions they've faced.

Here are four top "tough topics" from Powers—national academic director at the University of Toronto's Rotman School of Management, Toronto, and lead faculty for CUES' Governance Leadership Institute™ (*cues.org/gli*)—that boards need to discuss.

1. New Director Recruitment

Consider what skills are already represented on your board as you recruit, Powers said.

For example, if you have financially literate directors, look for new members with a deep understanding of member needs. Powers suggests filling out a grid with the name of each board member on the vertical axis and desired skills on the horizontal. Filling in the boxes for the skills each current member has will help you spot gaps.

Most boards value industry expertise. Recruiting domain experts (such as a director with IT experience, *cues.org/1215hightechboards*) can have positive and negative effects. Although such directors possess a wealth of experience, they can also shut down challenges to their views.

"Research indicates the higher the proportion of domain experts, the greater the likelihood for failure," said Powers. "In normal or stable situations, domain experts were helpful. However, in situations of high decision uncertainty, they had a negative impact."

Counteract the potential negatives of having a domain expert with data-driven decision-making.

2. Board Makeup and Diversity

It's a great idea to add female directors.

"Women often bring a different skill set," said Powers. "Statistics also show the more women you have in senior management, the better the company performs."

Powers suggests the nominating committee recruit board members all year long—starting when the board election ends. "Create an evergreen list ... those who are committed ahead of time," he said.

Powers also suggests observing turnover rates and tenure. "Consider implementing formal board renewal guidelines," he said.

Other ways to groom potential board members include having associate directors, who attend and participate in meetings, but don't vote.

3. Board Compensation

For CUs that are allowed to compensate board members, deciding whether to do so—and how—can be a tough decision.

Powers said compensation can help attract and retain board members. It also increases accountability and can result in directors increasing the time they give.

However, compensating directors takes money from other things. It can also make directors unwilling to step down, he noted.

4. Cybersecurity

When it comes to cybersecurity, "it's not a matter of if an attempted breach will happen—it's a matter of when," Powers said.

He suggests increasing cybersecurity awareness by leveraging:

- hindsight—learning from how others have handled cyber attacks;
- oversight—knowing your current security framework;
- foresight—running stress tests and security breach scenarios; and
- insight—discussing what security needs will be in five, 10 and 15 years.

The ultimate goal of any CU board is the success of the organization—and its members. To effectively steer their organizations in the right direction, board members need to talk about a variety of important topics, including what might be the elephant in the room.

Leisa Goodman *is a CUES senior marketing specialist.*

More on Governance

Rick Powers is lead faculty for Governance Leadership Institute (*cues.org/gli*)

Governance articles and videos on the Center for Credit Union Board Excellence (*cues.org/ccube*)

Self-Assessment for Credit Union Boards (*cues.org/selfassessment*)

Monthly "Good Governance" columns (*cues.org/cuescolumns*)

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Target: Mortgage Success

Uncertainties in mortgage market signal need to tighten lending processes and widen marketing.

By Karen Bankston

Housing industry analysts have offered largely gloomy forecasts for 2017, eying the likelihood of rising rates combined with low inventory in some markets as likely to make housing less affordable.

Policy shifts led by the Trump administration also add uncertainty, calling into question the future of Fannie Mae and Freddie Mac and even 30-year fixed-rate mortgages.

Simultaneously, major mortgage lenders are automating to improve efficiency and speed, challenging credit unions to invest in process improvements to keep up with borrowers' expectations for quick and easy home loans. Mortgage managers need to pay attention to technology, members' expectations and possible regulatory changes.

From Capitol Hill to the Borders

The actions of the new administration and Congress could have a wide-ranging impact on the housing market and demand for and delivery of mortgages, suggests Bob Dorsa, president of American Credit Union Mortgage Association (*www.acuma.org*), Las Vegas.

President Trump's promises to roll back the Dodd-Frank Act could rein in the Consumer Financial Protection Bureau. Are mortgage restrictions put in place during the housing crisis still necessary today? Dorsa wonders.

Jason Schwabline, SVP/product management and strategy with Alogent, Peachtree Corners, Ga. (*www.alogent.com*), concurs: "The new administration campaigned for a more business-friendly, less-regulated economy. If this comes about, it could stimulate growth in consumer spending and confidence. But with the industry just over the 2008 economic crisis, we'll all be in wait-and-see mode to see the net effect of the new policies."

The "relentless push-pull between lenders and regulators" will continue this year and into 2018, with new Home Mortgage Disclosure Act and secondary market rules driving changes on income guidelines, debt-to-income calculations and even added regulations for solar panels, says Sean Flynn, Alogent regional account manager.

On another policy front, the possibility of eliminating tax deductions on mortgage interest has been floated, perhaps in response to how consumer attitudes about building home equity as an investment have evolved. Financial commentators have questioned why a home equity loan to buy a car or a boat deserves federal backing in the form of tax credits.

Reducing or eliminating that tax credit might give renters another reason to put off or abandon hopes of homeownership. The U.S. Census Bureau reports that the U.S. homeownership rate in mid-2016 fell to a 50-year low of 62.9 percent; the National Realtors Association has projected that this rate will increase to about 63.5 percent this year, still well below the all-time high of 69.2 percent posted in 2005.

First-time homebuyers typically make up about a third of the market, so any decline in that segment would be bad news, Dorsa notes. "The harder it gets for young people to afford a home and the less incentive they have, the less likely they may be to fight through the process."

Plan for Up or Down Shifts

"From a regulatory and economic perspective, changes in the shape of the yield curve and the level of rates could potentially become a challenge for credit unions," especially as the latter affects home affordability, says Travis Goodman, CFO and principal of advisory services with ALM First (*www.almfirst.com*), Dallas.

In the near term, although mortgage rates have increased a bit in recent months, residential real estate remains affordable in most markets. However, continued rate increases could put mortgage payments out of reach for some prospective homebuyers. Mortgage lenders "need to think about how deal with that," he suggests.

Early signs of a rising rate environment might actually compel homebuyers to commit before rates go any higher, notes Daniel Sugg, chief mortgage lending officer with $768 million Michigan First Credit Union (*www.michiganfirst.com*), Lathrup Village, Mich.

Longer-term concerns include the possible futures of Fannie Mae and Freddie Mac and what changes in their status might mean for mortgage lenders' ability to manage liquidity and, by extension, credit availability, which would also impact housing prices. In his confirmation hearing to become Secretary of Housing and Urban Development, Ben Carson floated the idea of a "gradual change" away from government backing for 30-year, fixed-rate mortgages. Significant changes in the secondary market will be felt in the availability, pricing and terms of mortgages and in home values, Goodman cautions.

Instead of relying on rate forecasts, Goodman recommends opting for an analytic framework that charts courses in response to varied possible futures. "It certainly feels like there's going to be more uncertainty and more volatility in the near future, which means that rates could go up or down," he notes. "There's a natural inclination to expect rates to rise, because we've been in an extremely low-rate environment for such a long time, but now we're seeing more uncertainty about where rates are going with a new president and Congress and how they will enact new policies and regulations."

That uncertainty makes it all the more important to maintain a well-defined plan on how your CU will respond to rates changing in either direction. "You need a well-defined strategy so you don't have to figure out things on the spot. That's typically when mistakes get made—when you get caught without a plan," Goodman says.

Make Your Case to Millennials

One of President Trump's first orders of business was to block an Obama administration policy to reduce the monthly insurance premium on a Federal Housing Administration mortgage from 0.85 percent to 0.60 percent. That change would have reduced the annual payments for millions of first-time and low-income borrowers by an average $500 if it had taken effect.

While at a first glance this might have seemed undesirable, Sugg says, "this measure appears to be a step in the right direction for the overall health of the FHA," which is integral for this industry.

At any rate, suggests Tim Beyers, mortgage analyst with American Financing (*www.americanfinancing.net*), Aurora, Colo., "if you were interested in an FHA mortgage before, you should still be interested in an FHA mortgage."

"The FHA mortgage overall continues to be probably one of the most underrated products," Beyers adds. Especially if rates increase slowly through 2017 as expected, "demand for that product will continue to be as strong as it ever was. For millennials looking to get into their first home, there is a big difference between having to put down 20 percent ... to avoid PMI (private mortgage insurance) and 3.5 percent. We think those features are timeless in terms of what they offer homebuyers."

Millennials are financially savvy and comfortable in the "sharing economy," relying on Uber and Lyft rather than owning a car, for example, Beyers observes. CUs could make some headway by illustrating clearly the advantages of starting to build equity through home ownership. (Also read "Mortgages for Millennials," at *cues.org/1215mortgages*.)

"As a group, they carry the heavy burden of student loans. Getting into a house or condo and building some equity so they can refinance out of some of that debt in a few years can be a very compelling message," he notes.

Online guides on mortgage basics can help underscore the advantages of homeownership and provide calculators so prospective borrowers can estimate closing costs and monthly payments. The more your credit union can help members get educated about the mortgage application process, the more confident and motivated they may be to make the leap to buying a home, Beyers suggests. He offers a personal example of buying his first home 18 years ago.

"We didn't know what our credit score was or how to calculate what our payments might be. We had to rely on our mortgage lender to get us the information about what we could really afford," he recalls. "It was a great mystery, but that's not true anymore. The ability to gather all that information on your own and get prepared for that first conversation has been a game-changer for consumers. And the more your credit union can provide that level of service, the more likely they are to come to you."

Wield Technology

Much of consumers' stress in mortgage lending stems from uncertainty and delays, and technology can help allay that anxiety, Schwabline says. "Consumers outside the financial arena look to technology for convenience, quick turnaround and seamless processing. Successful credit unions will recognize how paper-based lending fits none of those expectations and be inspired to evolve quickly as tech-savvy borrowers begin to dominate the mortgage market."

On the competitive front, CUs need to keep pace with advances in automated and paperless lending that make the mortgage process easier and quicker for consumers. Fannie Mae's Day 1 Certainty initiative (*www.fanniemae.com/Day1Certainty*) shares

that aim, offering electronic validation of income, assets and employment through designated vendors; property inspection waivers on refis when recent appraisals are available; and a shortcut to appraisals in about 60 percent of home purchases through the Collateral Underwriter system (*www.fanniemae.com/singlefamily/collateral-underwriter*).

Dorsa is intrigued by the promise of Day 1 Certainty and insistent that CUs can't fall behind on the technology front. "If other lenders can parlay the technology to cut closing time in half and credit unions can't take advantage of that, that will put them at a real disadvantage, especially when trying to connect with younger buyers," he notes. "Even if the compliance burden is lifted so that closings take two weeks instead of five or six, credit unions will still need to deal with the technology advantage that other lenders may have."

Beyond keeping pace with competitors, technology can also make implementation of new regulations easier on CUs and more convenient for members. For example, Mountain America Credit Union (*www.macu.com*) conveys the new TILA-RESPA Integrated Disclosures (see also *cues.org/042415oncompliance*) to borrowers electronically rather than making them stop by the CU to pick them up.

The $6 billion West Jordan, Utah, credit union serving more than 700,000 members was among a select group of financial institutions participating in a CFPB pilot of the new disclosures—and so had a head start on figuring out how to incorporate the required three-day waiting period into the mortgage closing process, says CUES member Amy Moser, VP/mortgage services.

Mountain America CU relies on two primary systems to streamline mortgage lending. Encompass, the loan origination system from Ellie Mae (*www.elliemae.com/encompass/encompass-overview*), assembles all loan documents into the proper "buckets" and tracks them. A barcode associated with specific borrowers is affixed to documents as they enter the system. Borrowers can opt for electronic or "wet signatures"; in the latter event, paper documents are converted to electronic files.

The second system is an electronic closing platform, Pavaso (*www.pavaso.com*), which gives borrowers and closing agents the opportunity to review paperwork in electronic form before the closing. Both Encompass and Pavaso employ technology that adheres to strict industry guidelines for security and authentication, Moser says.

"Members can spend 30 to 45 minutes reviewing all the documents and disclosures at home and click to accept that they've read them, so the closing and verification process of the borrowers' identity now takes 10 minutes," she notes. "And with this system, we can fund loans in less than an hour.

"Harnessing ... technology—in tandem with our team—allows us to run on all cylinders and work to consistently exceed our members' expectations. The mortgage process has a lot of moving parts that need to sync up, and technology ... helps us organize and efficiently manage all of these moving parts," Moser says.

Build Your Reputation

A final challenge for CUs is making their name as mortgage lenders. ACUMA exhibits annually at a national Realtors' convention, where the most common question Dorsa fields remains, "What sets credit unions apart from other lenders?"

"An 8 percent market share is better than 2 percent, but we're still not on par with the Quickens of the marketplace and with Wells Fargo, Bank of America and JPMorgan Chase," he says. "I ask Realtors, 'Who do your buyers get their loans from?' The answer is, 'The big banks.' When I ask, 'Who do you have the most problems with?' the answer is the same. Many Realtors don't seem convinced that Quicken Loans is the answer. They tend to stay with the big banks and just hold their breaths."

Gaining market share as an industry is hard when less than half of all CUs make mortgages, he adds, but for those that do, forging relationships with the local realty community is the surest strategy to build a reputation as a can-do mortgage lender. Alluding to the title of a book by David Lereah, *All Real Estate Is Local*, Dorsa recommends that mortgage loan officers meet regularly with real estate agents, sponsor events for and with realty offices, and look for other ways to demonstrate how CUs deliver value to home-buyers.

Building mortgage business is worth the effort, Moser says: "Mortgage lending allows us to strengthen relationships with our current members and also meet new members. ... Mountain America's vision is to help our members reach their financial dreams and for most of our members, homeownership is a big piece of their financial picture."

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

More on Mortgages

Get bonus articles from this feature at *cues.org/0317postrecession*, *cues.org/0317threefactors*, *cues.org/0417mortgagecusos1* and *cues.org/0417mortgagecusos2*

Also read Generating Loans by Generation, *cues.org/0217generating;* Mortgages for Millennials, *cues.org/1215mortgages*; and On Compliance: New TILA-RESPA Disclosures, *cues.org/042415oncompliance.*

Special Report: CUES on CUSOs

CREDIT UNION MANAGEMENT

This month every CUES content channel is focusing on credit union service organizations' "secret powers." Just like the special skills of comic super heroes help cities and their citizens, the special skills of CUSOs—such as those below—help credit unions and their members.

CUSO SECRET POWER: DRIVE INNOVATION

The CUES Podcast: Interview With Linda Bodie
cues.org/podcast

CUSOs Ignite Collaborative Innovation
cues.org/0417CUSOspark

Elite Access™ Virtual Classroom Course: The Power Of Innovation: How To Emulate These CUSOs' Successes
cues.org/eliteaccess

CUSO SECRET POWER: SUPPORT EFFICIENCY

What Directors Need to Know About CUSOs
cues.org/ccube (Email *cues@cues.org* for a 30-day free trial for your whole board.)

British Columbian CUs Think Big About Collaboration
cues.org/bccusos

CUSO SECRET POWER: PROVIDE EXPERTISE

HR Answers: CUSO Offers HR Support
cues.org/0417hranswers

Tech Time: Policies and Vendors and Staff! Oh, My!
cues.org/0417techtime

Mortgage CUSOs Help CUs Be 'Full Service,' Parts 1 And 2
cues.org/0417mortcusos1 and *cues.org/0417mortcusos2*

PR Insight: How to Strategically Position Your CUSO
cues.org/0417prinsight

myCUES App-Only Article: Interest in Homeownership on the Up And Up
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THERE'S LOTS MORE!

Visit *CUES.org/CUESonCUSOs* for CUSO content all month.

Secret Powers

CUSOs work behind the scenes to help credit unions build their business.

By Karen Bankston

Just as superheroes rely on secret powers to protect Gotham City, Metropolis and other comic book settings, credit unions have a real-life advantage available to widen their reach and improve operational efficiency.

As the three profiles featured here demonstrate, collaboration through credit union service organizations can help credit unions confront operational and competitive challenges on all fronts while staying true to their members-first mission.

… for Trimming Expenses

The origin story of Member Support Services, which was named New CUSO of the Year in 2016 by the National Association of Credit Union Service Organizations (*www.nacuso.org*), actually dates back to 2012 when three long-time colleagues—the CEOs of New Jersey credit unions—were commiserating about the need to reduce operating costs. That conversation sparked an idea: to create a CUSO to combine the back-office operations for $182 million Aspire Federal Credit Union (*www.aspirefcu.org*), Clark, $337 million United Teletech Financial Federal Credit Union (*www.utfinancial.org*), Red Bank, and $334 million Credit Union of New Jersey (*www.cunj.org*), Ewing.

"We decided to look at the services that would have the most financial impact that aren't member-facing or related to brand differentiation," says CUES member Thomas O'Shea, CEO of Aspire FCU. "We knew that all our credit unions needed to replace our core systems, so that became our first project—to find a core system we could all migrate to."

Working together as directors of the new CUSO, the three executives led the effort to vet and select a common processing system. In 2015, each credit union in turn converted to KeyStone from Corelation (*www.corelationinc.com*), San Diego, centralized through Member Support Services. The following year, the collections departments of all three organizations were combined under MSS.

Next up were the migration of IT infrastructure, staffing and network management and the consolidation of payments processing, including debit and credit card

Continued on page 34....

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Why Tech CUSOs Matter

By Anthony W. Montgomery, CEO, CUProdigy

I talk with a lot of credit union CEOs and many run core systems from publicly traded or privately held, profit-driven corporations. I used to try to guess which platform they were using based on their complaints but then I realized something. It didn't matter because the complaints were often the same: nickel-and-dime cost, lack of integration options, old technology, and/or the lack of attentiveness with development or support. That's when the importance of the collaborative CUSO model for delivering technology to credit unions really hit home for me.

"My core processor doesn't add enhancements that I need; they add enhancements they think their next big prospect will need." Of course they do. They are in business to make money for their shareholders and they must constantly reel in new customers. **CUSOs are different.** They focus on delivering value to current owner-users. At CU Prodigy we know that if we do the right thing for our users, we all win. Like credit unions, we don't have to worry about what shareholders and Wall Street analysts will think. Like you, we worry what our owner-users think.

"I don't have a say in the direction of my core. I feel like a small fish in a big pond."

Your credit union's role with any profit-driven core processor is simply that of a customer. Some take customer satisfaction more seriously than others, but really you're just a revenue stream. The bigger your revenue stream, the more likely your voice will be heard. Sadly, the reverse is true too.

At CU Prodigy, you have a say in what the CUSO does because you're part of the process. As a credit union, you understand the cooperative model. Collaboration is the foundation of our technology CUSO. We don't sit across the table from you and tell you how it's going to be. We sit on the same side with you, sleeves rolled up, and together we work out solutions that deliver mutual benefits. We deliver on your priorities, not ours.

"When I want to integrate a third-party product or need something else, my core processor makes it difficult, expensive, or both."

Profit-driven companies can't survive on core sales alone, they need to sell all sorts of add-ons. They boast about being "open" but their ancillary products often can't compete on their own merits. Instead, these providers create obstacles like exorbitant integration fees, expensive middleware or limited access to data to discourage third-party solutions. At CU Prodigy, **we focus on what we do best – providing a modern, truly open core-processing platform with simple, transparent pricing.** Part of our fiduciary responsibility is to help great third-party providers and our users create the best possible system for members. We never pressure credit unions to use a particular vendor.

In closing, I'd like to comment on the critical importance of a CUSO's ability to remain objective and nimble. A well-run technology CUSO will give you the technology you need, when you need it, and will collaborate with you to make sure it's the right technology. **What more can you ask for in a core processor?**

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Celebrating 25 Years in Business

Continued from page 30.

processing and exceptions processing of ACH and checking transactions.

The credit unions are also working with MSS President/CEO William Arnold and his staff to explore options for consolidating some lending operations and combining after-hour and overflow call center functions—all behind the scenes for members. Credit union executives often refer to the CUSO as "their operations center in Cranbury," Arnold notes.

In the future, the CUSO might house such functions as compliance, auditing and HR for its owner credit unions. "Those areas don't have a lot of staff, but they could add up to just as many home runs," O'Shea says. "We don't want just to save money. We want to be able to recruit talent that we couldn't afford on our own."

With an initial goal of trimming their budgets by 25 basis points by forming the CUSO, the credit unions have actually experienced cost reductions in the range of 40 to 50 basis points, largely through reduced staffing expenses and savings on third-party contracts, O'Shea says.

"When you go out as, in effect, a $1 billion credit union instead of three smaller organizations, you command more respect in negotiations and get better pricing from vendors," he notes. The idea that the CUSO was negotiating a single contract to serve three credit unions was "a curve ball" for some vendors. In addition to the core system, MSS also negotiated new contracts for credit card processing, accounting software, and an Internet and mobile banking platform for its client credit unions.

Decisions on staffing reductions have been "the most difficult part of our jobs," O'Shea says. "But we made the investment in overhead and start-up costs for the CUSO, and we needed to be able to offset that investment. The major way to do that was in reducing head count with the message that we have to make these changes to stay competitive and profitable."

Each credit union decided internally how to handle the staffing reductions through some combination of attrition, layoffs and reassignment to new positions within the credit union or the CUSO.

MSS learned a lot from other credit union collaborations designed to reduce back-office expenses, including Open Technology Solutions (*www.open-techs.com*) and S3 Shared Service Solutions (*www.s3cuso.com*)—both jointly owned by $6.8 billion Bethpage Federal Credit Union (*www.bethpagefcu.coop*), Bethpage, N.Y., $3.9 billion Bellco Credit Union (*www.bellco.org*), Greenwood Village, Colo., and $3.2 billion SECU of Maryland (*www.secumd.org*), Linthicum, Md.—"and we did manage to make our share of mistakes along the way, and we've learned from that, too," O'Shea says with a laugh.

For one, he recommends that credit unions considering a similar venture establish a strong governance framework involving not just the CEOs, but an operating committee of direct reports familiar with day-to-day operations to work together on consolidation efforts.

"Our process was pretty top-down initially, when we might have benefitted from additional bottom-up input and more integration of individual organizational strategies with CUSO strategies to get things up and running," he says.

Another lesson is not to underestimate the time and costs to get a CUSO up and running. "Multiply [your projections] by three," O'Shea advises. "Setting up meetings and working through issues takes time."

In many ways, the opportunities and challenges in this type of collaboration are interwined, says Arnold, who was hired to head MSS in October 2015.

"There is great value in two or more sets of credit union leaders interfacing to come up with the best processes to do a thing," Arnold notes. "Three mid-sized credit unions bring a variety of experiences and perspectives to problem-solving, which is a big positive."

At the same time, "managing a huge set of options and how we're going to implement them can be difficult," he adds. "There is no veto. Everyone has to agree."

… for Serving the Underserved

Two Florida credit unions made a bit of history when they formed a CUSO to open the first-ever banking branch in Frenchtown, a low-income section of Tallahassee where the closest thing to financial services to that point had been payday lenders and pawn shops.

$191 million Florida State University Credit Union (*www.fsucu.org*) and $458 million Envision Credit Union (*www.envisioncu.com*) partnered with Bethel Missionary Baptist Church to open the Frenchtown Financial Opportunity Center in June 2016 in a church-owned facility. Rather than obtaining its own charter, the center operates under an independent brand powered by the two CUs, explains Chuck Adcock, executive vice president of Florida State University CU and chief operations officer of the Frenchtown CUSO.

The Frenchtown Financial Opportunity Center (*www.facebook.com/FrenchtownFinancial*) is staffed by three Florida State University CU employees who volunteered for the assignment to provide financial education in step with basic transactions and to help build community connections.

"They share a passion for working alongside members to help put them in a position to be financially successful," Adcock says. "The model at many credit unions today is to get members in and out of the branch as quickly as possible. Here, every transaction takes a little longer. We kind of slow things down to provide the education they need. Members want to sit down and talk to someone about how to break the cycle of payday debt or to set and work toward their financial goals."

When center employees aren't working directly with members, they're making outbound calls to community groups and businesses on potential financial education opportunities. For instance, the Frenchtown Financial Opportunity Center staff is working with a local kitchen share project that offers space to small caterers, cooks and bakers to provide guidance on how to manage the finances of their fledgling businesses.

The center is also facilitating a partnership with Florida A&M University graduate students earning marketing degrees to develop seminars on various financial topics in locations around Frenchtown "to meet members where they are," Adcock says. For example, a seminar on breaking the payday lending cycle might be paired with assistance to apply for con-solidation loans.

Both Florida State University CU and Envision CU have their roots in serving teachers and students, so education is part of their DNA, he notes. "Even with loan transactions, our staff spends a lot of time reviewing credit scores and explaining how members can improve their credit standing. Our team works to become a trusted advisor and give members a road map to improve their financial standing."

Frenchtown Financial Opportunity Center employees are trained to provide the full range of products and services from both sponsor credit unions. When new members sign on, staff first ask whether they have a preference for one of the credit unions and otherwise aim for parity in enrollment.

The center opens 20 to 25 new accounts monthly and in the first six months funded $1.4 million in loans. The partnering credit unions also hold about $1.5 million in loans from local businesses as a way to support the initiative, Adcock says, and several members of the partner church joined the credit unions to support the financial center they worked so hard to bring to their community.

The center is not the first partnership between the two CUs. They also co-own an indirect lending CUSO, iDriveLending (*www.idrivelending.com*), and share participations on several commercial loans.

"We've built up a significant amount of trust and spend a lot of time in discussions to make sure we execute well and keep the regulators happy," Adcock says. "There is the potential for tremendous synergies if credit unions can set aside egos and focus their energies on competing with the big banks."

… for Tackling Big Challenges

CU*Answers' organizational timeline reads like a history of distributing innovation in financial services. Founded in 1970 as West Michigan Computer Co-Op, the CUSO has supported its member CUs through the decades with ATM connections (1980), Fed deposit services (1982), check processing (1984), PC home banking (1999), online bill-pay (2001), Internet and mobile banking—and, in 2017, remote e-signature capability in partnership with eDOC Innovations (*www.edoclogic.com*), a CUES Supplier member based in Middlebury, Vt. The e-signature solution is offered at no additional cost to the 142 CUs using CU*Answers' online imaging system, which is integrated with its flagship CU*BASE processing system.

> "There is great value in … credit union leaders interfacing … to do a thing. Three mid-sized credit unions bring a variety of experiences and perspectives to problem-solving, which is a big positive."
>
> William Arnold

The Grand Rapids, Mich., CUSO (*www.cuanswers.com*), which serves cooperatives encompassing 1.9 million members and $19 billion in assets, also looks beyond technology to such big-picture issues as how to keep the movement vibrant by welcoming new CUs. Since 2008, the "Starting a Credit Union with CU*Answers" program has offered start-ups most CU*BASE processing services free for their first two years.

"We stand with the idea that if any industry loses its passion to support and encourage new entries, it is a dying industry," says CEO Randy Karnes.

As with other industries, the odds of success for a start-up credit union are about one in five, he notes. "I respect my (CUSO's) owners' willingness to invest in all five to find the one that gives us all hope that our industry is not dying."

Sustaining the industry is the ultimate aim of CUSOs, through though they also aggregate learning and minimize risks by serving as "proof of concept laboratories" for all manners of innovation, Karnes suggests.

"CUSOs support the movement by focusing on the agendas and sustainability of their sponsor credit unions and the clients that design the vision for the CUSOs' contribution," he says. "CUSOs are not businesses designed to survive without credit unions, so they should be laser-focused on adding to the wins of their clients."

As member-owners, CUs can steer CUSOs toward the solutions they need to serve the needs of their members and dictate the return. The 127 owners of CU*Answers elect the board of directors and weigh in on ownership requirements, pricing of services and operations transparency.

The concept of member-owners goes to another inherent aspect of CUSOs serving the industry by offering a platform for the full range of CUs to be heard. The movement has always been diverse, serving memberships with geographic and industry specificity, but sheer scale adds a new dimension. A multibillion-dollar, full-service CU serving hundreds of thousands of members and businesses is vastly different from a small cooperative that doesn't offer business or mortgage lending—but each institution is relevant to its members, Karnes insists.

"We have a problem when we define relevance by a narrow bandwidth or an expectation that everybody is the same. CUSOs can be designed to fit with the conditions and situations of the individual credit unions they serve—not some global idea of what our industry is," he says.

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

CUES on CUSOs in April

Get a listing of all the CUES content about CUSOs this month at *cues.org/CUESonCUSOs*.

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Mad for Marketing

Executives highlight challenges and opportunities in their evolving roles.

By Karen Bankston

When CUES member Jill Vicente was growing up, she would joke that while other girls wanted to be Samantha Stephens, the character on the TV series *Bewitched* who could perform magic with a twitch of her nose, she herself had more affinity for Samantha's husband, Darrin, and his career as the creative director of an ad agency.

"I feel very fortunate that I picked a marketing career and have stuck to that choice since I was about six years old," says Vicente, who over the years has worked as a marketer for night clubs and concert venues, in radio and for a grocery co-op before moving into the credit union industry.

For the past 15 years, she's been with $740 million Seattle Metropolitan Credit Union (*www.smcu.com*), where she is currently chief marketing officer. "I've been blessed to build a career in an industry that's very meaningful and to be at a credit union that's really embraced new ideas," she says.

Vicente and marketing executives at credit unions across the continent agree that while the foundations of their field remain unchanged, communication and information networks have multiplied. CUES member Tony Dunham says the evolution of marketing over his 20-year career, including the last seven years with $1.2 billion Northern Credit Union (*www.northerncu.com*), Sault Ste. Marie, Ontario, has been rewarding, challenging and at times stressful.

"Brick and mortar and traditional banking models have been in flux. We're connecting in different communities, venues, portals and platforms," notes Dunham, the SVP/sales, marketing and channel marketing. "The rewarding piece is being able to take a step back and look at how we want to communicate our values, encapsulate the information we have and be able to provide solutions to our members through multiple communication channels. At the end of the day, these changes have moved us to understanding the voice of our members and making sure that we continue to try to find ways to connect with them."

Members today are "a click away from anything they need for day-to-day banking requirements" from a much wider field of providers, Dunham notes. Credit union marketers need to keep pace with a continually changing environment and new competitors emerging from multiple industries and at the same time build a strong sense of community and loyalty around their brands.

In the past, organizations have linked marketing to tasks like creating brochures, managing branch displays and publishing newsletters, notes Deedee Myers, MSC, PCC, Ph.D., CEO of CUESolutions provider DDJ Myers, Ltd. (*www.ddjmyers.com*), Phoenix. Today, however, key

skills for marketers are much broader—strategic and critical thinking, visioning and an understanding of the theory and implementation involved in brand development.

"Marketers have to be strong in production and strong in implementation," she says. "Whatever brand concept, product or service they come up with, they also have to see it all the way through implementation."

Guiding Strategic Thinking

Marketers' role in the strategic planning process is also changing, suggests Peter Myers, senior vice president at DDJ Myers. It is their job to help supply crucial information the board and executive team need to establish the CU's strategic direction in answer to questions like: "What is the current makeup of our membership from a demographic standpoint?" "What's the current makeup of our target demographic membership?" and "How might those demographics shift over the next five to 10 years?"

Branding and promotion, retail delivery, and balance sheet management "all need to be in simultaneous collaboration in support of the strategic vision," he adds.

Toward that end, the chief marketing officer "should be front and center right next to the CEO with good exposure to the board so the board understands from a competitive advantage and value proposition what the brand is all about," Deedee Myers says. "And there needs to be a partnership with the CFO, too. In the past, marketing did their thing, finance did their thing, and lending did their thing. All those major areas need to cross-pollinate."

"I think marketing has taken on a much more elevated role within the leadership of the credit union," says CUES member Michelle Shelton, chief marketing officer at $650 million SCE Federal Credit Union (*www.scefcu.org*) in Irwindale, Calif. "I position myself this way: If our logo is on it and if it speaks to who we are, what we do and why we do it, then it's got marketing aspects. Marketing is integral to everything else we're doing, and I think that connection is stronger now than it has been in the past."

Maintaining a big-picture view is especially critical for marketers looking to move up in their organizations, Vicente says. "I think the days of CEOs of credit unions only being former CFOs and COOs are gone or at least changing. Some more progressive CUs have looked to people in marketing positions or with the communication skills of a marketer to fill their leadership roles."

From Marketer to CEO

The president/CEO of Infinity Federal Credit Union got her start in marketing. Elizabeth Hayes worked as director of marketing at $1.9 billion Affinity Plus Credit Union (*www.affinityplus.org*) in St. Paul, Minn., and as a consultant on marketing and brand transformation before she was hired as the chief executive of $330 million Infinity FCU (*www.infinityfcu.com*), Portland, Maine, in October 2014.

Hayes' work at Affinity Plus CU stretched well past marketing into branch operations and HR, which helped her prepare for the CEO role. Another factor in her hiring is that the Infinity FCU board was looking for an executive to help grow the CU.

Directors "were looking at their market and saying there's no reason why this credit union can't be one of the largest in the state," she notes. "It fit my marketing background beautifully. I was able to explain to the board with slides that showed our market strategy, our competitors and what we could do to compete. I highlighted what I felt were untapped opportunities. The marketing side was key to me getting this role because of the strategy and because of my knowledge of market analysis."

Safety and soundness and financial performance are, of course, critical in credit union operations, "but my board was also looking for something new, a vision," she adds. "They wanted a strategic direction. That's what I was able to bring to the table, and I think my background as a marketing executive enabled me to do that."

In Hayes' first two years with Infinity FCU, the credit union's assets grew 27 percent; loan growth in 2016 was on pace to near 20 percent, and membership growth for the year to top 4 percent.

Earlier in her career as a marketer, Hayes helped develop new money market and savings certificate products that optimized elements of the core system, which required cross-functional collaboration. "Because I understood the system's capabilities in supporting different product features, I could come up with some pretty innovative products," she notes. "In marketing, you need to look at features, advantages and benefits, but you also need to think about what the system can actually support. The core system, as much as it can be a barrier at times, does have capabilities that people in marketing should understand so that you can then create innovative products that nobody else is doing."

Expand Your Experience

Another practice Hayes adopted was to visit branches regularly, talk with frontline staff, and even sit in on interactions of employees and members.

"You can better understand how products are being presented, what members are asking for, what kinds of questions they have and what the process looks like," she says. "What does the paperwork look like? When does the employee promote the product? What are the triggers? Understanding all those things can help you promote products more effectively and have them more aligned internally."

CU marketers can do their jobs better—and in the bargain advance their careers—if they develop their understanding of branch operations, finance, online development and other aspects of the business, Vicente agrees. "You can market all day, but if the operations of your organization won't deliver on the kind of experience you're trying to communicate, then you're going to spend a lot of dollars with little return. It's critical for marketers at a high level to have a good understanding of operations so that when you're building a campaign, you can be sure that the organization can deliver on it.

"I think marketers are doing a disservice if they don't take the time to learn about the mechanics of what it takes to do business," she adds. "It's your responsibility to have an understanding of the whole package—mission, profitability, compliance and service—so you can build meaningful programing."

Looking Ahead

The Great Recession brought the challenges facing credit unions into sharper focus, and marketers can and should play a more prominent role in helping their organizations position their products and services to better meet members' needs and expectations, Hayes contends.

"We can't continue to pound the path of convenience, better rates, lower fees and good service. We need to do more. People are expecting more out of us," she says.

"The last four to five years have presented new opportunities for credit unions, and I think we're doing a good job taking advantage of them. I would suggest that it's time for people who value strategy and vision and who understand the market to take on leadership roles in the credit union industry far beyond finance and operations."

Karen Bankston *is a long-time contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose* (www.precision-prose.com)*, Eugene, Ore.*

More Career Advice

Destination CEO, p. 14

Marketers Are On Duty 24/7 (*cues.org/0317insidemarketing*)

Think Like a Member (*cues.org/032917skybox*)

Moving Up in Marketing (*cues.org/0317movingup*)

7 Characteristics of a Highly Successful Leader (*cues.org/0117leader*)

NextGen Know-How: A Powerful Visioning Exercise for 2017 (*cues.org/0117nextgen*)

A 2017 Career Roadmap (*cues.org/0117career*)

Getting Your C-Legs (*cues.org/0116gettingclegs*)

CEO Institute (*cues.org/institutes*)

CUES School of Marketing™ I (*cues.org/sosm*) and CUES School of Marketing™ II (*cues.org/sosm2*)

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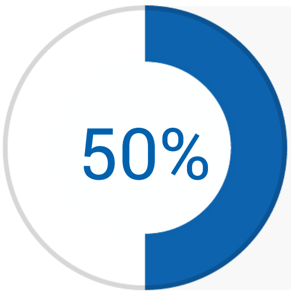

OF CREDIT UNION BOARDS report they are less than effective at conducting a regular and productive self-evaluation process.

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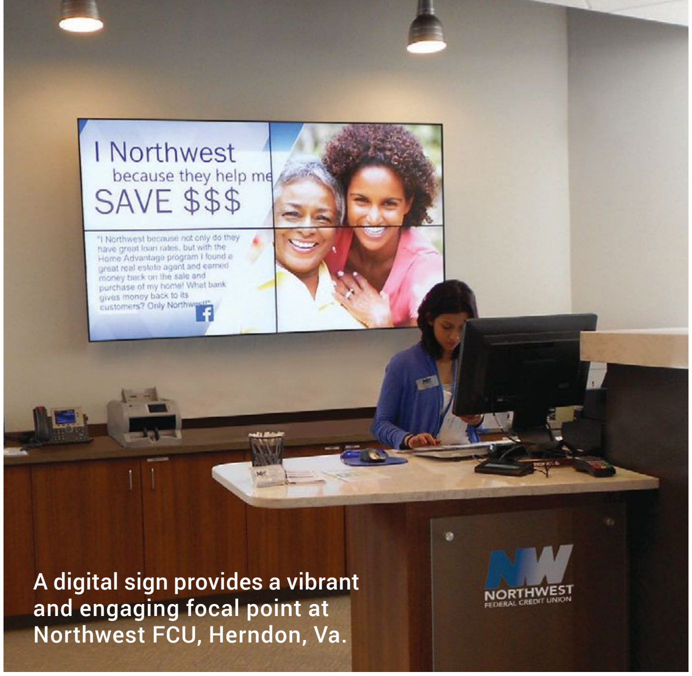


A digital sign provides a vibrant and engaging focal point at Northwest FCU, Herndon, Va.

It Pays to Have Displays

CUs can leverage digital signage to position their branches for the future.

By Dan Snyder

Credit unions were among the earliest and continue to be the most adept and skillful users of digital signage in financial service centers. Early on, they discovered that digital signage is an effective way to promote products and services, reduce costs, conserve resources and compete successfully against institutions in their market that are larger and better funded. Credit unions also found that digital signage can be a useful tool for modernizing their retail environments and favorably modifying the member service experience.

Now, as credit unions contemplate how to transition their in-branch sales and service models in response to changing consumer behaviors, preferences and attitudes, it's important to think about the role digital signage can play in this transformation. Here are five suggestions.

1. Use Digital Signage to Win the Battle With Smaller Screens

Your younger members are part of the most visually literate consumer generation in history. Their ability to absorb and process graphic information is highly sophisticated, and their consumption of video content is unprecedented.

Use this to your advantage by increasing the presence of digital signage in your branch to create initial engagement and sustain participation with your credit union's messages.

Upgrading and expanding the digital signage in your branch will not only enable you to communicate more effectively, it will help you compete with the smartphone in your members' purse or pocket, and the access it provides to their favorite social media, fantasy sports or online shopping website. The sheer size and brightness of a 55-, 60- or 70-inch digital display or multi-screen video wall featuring full-motion, high-definition video in vivid color can be your best ally in winning the war for your members' attention.

Thanks to innovative, ultra-compact media player technology, it's now more affordable than ever to present dynamic, high-definition video on ever-larger displays whose cost also continues to come down.

Using robust, web-based controls, a credit union's digital signage administrator can easily manage its screens from anywhere at any time. When intuitive creation and editing tools, industry-specific content and around-the-clock support are added, CUs are able to implement and run dynamic digital signage systems with very little investment in time or money.

2. Add Social Media and Other Valuable Content

You can increase engagement and participation with your digital displays by creating a content experience for members that is similar to their own connected experience.

Think about incorporating social media sources like Twitter or displaying your Facebook page. Find relevant YouTube videos and make them part of your presentation or add local interest by incorporating RSS feeds from local media outlets.

Consumers rely on a multiplicity of information sources, particularly when it comes to weighing decisions about such life choices as home purchases, business startups or financing an education. Messages about your products and services can benefit from being delivered in tandem with independent or sponsored media that encourages your members to identify their needs and seek counsel from their trusted financial services provider—your credit union.

3. Think Creatively About Interactivity

Your member's smartphone, tablet and laptop have made today's generation of consumers the most empowered ever.

The online, connected environment has been developed so that individuals expect to control the terms of engagement with their social group and business peers, with online retailers, with entertainment and news media, and with service providers like your CU.

This applies not only to their online encounters, but also when they visit your branch. Adding interactive digital signage to the service center can be a powerful tool for responding to consumer expectations and preferences. These displays can offer a selection of printable brochures and loan or member applications, links to a variety of videos with overviews of products and services, mini-tutorials about online or mobile banking applications and countless other options.

By providing members with on-demand answers to their product and service questions, interactive screens can better prepare members to have meaningful and informed consultations with service associates that result in increased account openings, more efficient use of staff time and improved member satisfaction.

4. Create a Vehicle for Advocacy

Digital signage is an ideal medium for giving voice to the issues that are important to your credit union and the communities and constituencies it serves.

Whether making members aware of the support your credit union provides to local charities and ways they can be involved or mobilizing members to advocate for pending legislation that will impact the credit union's ability to meet more of their needs, digital signage can issue a highly visible call to action.

Issue-oriented messaging can also add to the relevance of your content mix and support stronger and more sustained viewer participation that will generate more impressions for your promotional messages.

5. Let Digital Signage Do the Selling

Selling has gotten a bad name in the financial services industry lately with media reports of high-profile institutions that either wrongly incentivized or threatened service associates to open accounts at any cost. In reaction, consumers may be wary of in-branch personnel that recommend products and services.

More than ever, digital signage must be enlisted to shoulder the load of promoting new accounts and increasing the share-of-wallet within the CU's membership. By continuously building awareness, articulating product and service benefits, and encouraging members to inquire, digital signage can free your member service personnel to be impartial facilitators instead of sales agents and can position your CU as the responsive, consultative, helpful partner your members want it to be.

Keeping in mind the five facets of digital signage described above, evaluate your credit union's use of this powerful communication medium and start thinking about how it can help position your credit union for the challenges and opportunities of the future.

Dan Snyder *is president/CEO at CUES Supplier member inLighten* (www.inlighten.net)*, Clarence, N.Y.*

Learn More About Digital Signs

The Writing's on the Wall (*cues.org/0816writings*)

Taking Digital to the Next Level (*cues.org/0816taking*)

The Cost for Digital Signage (*cues.org/0916cost*)

CUES School of Strategic Marketing™ (*cues.org/sosm*)

Mendez Appointed to CUES Board

Erin Mendez

CUES is pleased to announce that Erin Mendez, CCE, president/CEO, $5 billion Patelco Credit Union, Pleasanton, Calif., accepted a seat on the CUES Board of Directors.

"Erin is a strong addition to the CUES board," says CUES' Chair Stephanie Sherrodd, CCE, president/CEO $2.9 billion TDECU, Lake Jackson, Texas. "She is a proven innovative leader and will be a great asset."

Mendez will fill the remainder of the term left vacant by Caroline Willard, past chair/director of the CUES board and president/CEO of the Cornerstone Credit Union League, Plano, Texas.

CUES elected its board officers for 2016-17 during its CEO/Executive Team Network™ in Savannah, Ga. In addition to Sherrodd, the board officers are:

- Vice Chairman/Chairman-Elect Chris McDonald, CCE, president/CEO, $3 billion Northwest Federal Credit Union, Herndon, Va.
- Treasurer Kim Sponem, president/CEO, $2.6 billion Summit Credit Union, Madison, Wis.
- Secretary Stewart Ramsey, CCE, president/CEO, $1.3 billion Pen Air Federal Credit Union, Pensacola, Fla.

Other CUES board members include: Immediate Past Chair & Director Joseph F. Hearn, CCE, president/CEO of $1.4 billion Dupaco Community Credit Union, Dubuque, Iowa; Past Chair & Director Robert D. Ramirez, CCE, CIE, CEO of $1.6 billion Vantage West Credit Union, Tucson, Ariz.; Director Greg Smith, CEO of $4.7 billion PSECU, Harrisburg, Penn.; and Director Kelly Marshall, CCE, ICD.D, CEO of $220 million Summerland Credit Union, Summerland, British Columbia.

Sherrodd and Ramirez both started new three-year terms, which will conclude in conjunction with CEO/Executive Team Network in 2019.

AD INDEX

To advertise, email: *Cathy.woods@mediawestintl.com*. CUES Supplier members are noted in orange. Find out more at *cues.org/advertise.*

Visa to Sponsor CEO Institute

CUES is pleased to announce Visa has signed on as the sponsor of CUES' CEO Institute (*cues.org/institutes*) program through 2020.

"We're honored and pleased Visa understands how important this event is to the future of the industry," says John Pembroke, CUES' president/CEO. "CEO Institute is seen by many as the pinnacle of a credit union leader's professional education. Visa's sponsorship helps assure this vital program will continue to be available to credit union executives."

"The credit union space is about community, and we want to service that community with thoughtful investments for the long-term," says Oliver Jenkyn, group executive of North America, Visa Inc. (*https://usa.visa.com*), a CUES Supplier member. "Our goal is to provide a sustainable benefit that will build up the next generation of credit union leaders and ensure the long-term vitality of credit unions."

CEO Institute is a challenging academic and leadership program tailored specifically for credit union executives, held at three of the nation's most respected business schools. The dates for 2017 are:

- CEO Institute I: *Strategic Planning*, April 2-7, The Wharton School, University of Pennsylvania, Philadelphia;
- CEO Institute II: *Organizational Effectiveness*, April 30-May 5, Samuel Curtis Johnson Graduate School of Management, Cornell University, Ithaca, N.Y.; and
- CEO Institute III: *Strategic Leadership Development*, May 7-12 or August 20-25, Darden School of Business, University of Virginia, Charlottesville, Va.

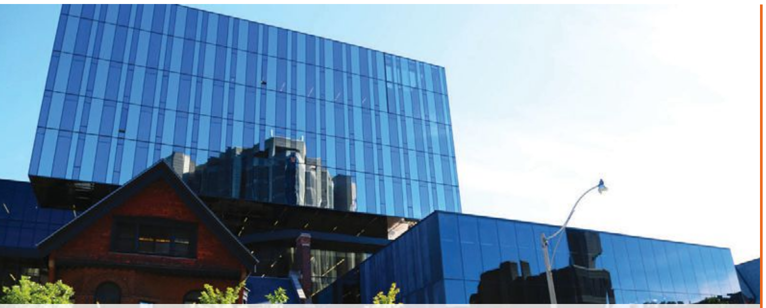
Attendees earn up to 38 Continuing Professional Education credits each week. Executives who complete all three years of the CEO Institute program and two post-segment projects earn the prestigious Certified Chief Executive designation. Recent statistics released by Industry Insights indicate credit union executives holding the CCE designation earn a higher salary than their peers without it. The study showed CFOs with the designation typically earn a 23 percent premium; COOs, a 14.8 percent premium; and CEOs, a 6.3 percent premium.

Learn more at *cues.org/institutes*.

CEO Institute Scholarship Recipient Announced

Brice Yocum, CEO/president of $225 million Tucoemas Federal Credit Union, Visalia, Calif., is the 2017 recipient of a scholarship to attend CUES' CEO Institute program (*cues.org/institutes*).

The scholarship provides one-third of the registration fee for all three years of the institute. Active CUES members who are full-time paid credit union executives committed to attending the entire program are eligible to apply.



Learn board best practices at CUES' Governance Leadership Institute™ (*cues.org/gli*) this June at the Rotman School of Management.

Good Governance Begins Here

CUES' Governance Leadership Institute™ (*cues.org/gli*) will return June 11-14, led by the distinguished faculty at the University of Toronto's Rotman School of Management.

The institute will guide executives and directors to a thorough understanding of key issues, such as strategy leadership development, effective board and management communications, risk management and succession planning.

Graduates of the institute will be designated Certified Credit Union Directors (CCD). This prestigious certification honors outstanding professional development efforts and dedication to the credit union movement.

Rick Powers, the national academic director of Rotman's Directors Education Program and the Not-For-Profit Governance Essentials Program, will lead an examination of director duties, risks and liabilities, as well as the capstone comprehensive case study in which attendees will employ the institute's key learnings to assess board effectiveness.

One factor of board efficacy that participants will explore is the ability to make independent decisions and how that can become compromised. "Over time, without term limits or ways to move people off the board, friendships, relationships develop," said Powers in an interview with CUES. "It breaks down the objectivity ... It is not as robust a decision-making process." Hear Powers discuss board ethics and objectivity in Episode 16 of the CUES podcast at *cues.org/podcast*.

Through discussion, group exercises and case studies, institute attendees will also learn how to avoid groupthink and resolve intense disagreements by learning negotiation strategies for the boardroom; governance "better" practices and practical tools for your boards; how to influence change; and critical challenges and opportunities facing boards.

Participants will receive a hard copy, high-level synopsis to share with their colleagues back home, summarizing this program's key takeaways and action items.

Register and learn more at *cues.org/gli*.

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

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
May 1-4
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
The University of Chicago
Booth School of Business

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™ I
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

CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *CREDIT ADMINISTRATION*
Aug. 21-25
Embassy Suites by Hilton Denver
Downtown Convention Center

CUES SCHOOL OF ENTERPRISE RISK MANAGEMENT™
Aug. 21-25
Embassy Suites by Hilton Denver
Downtown Convention Center

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 11-12
Four Seasons Hotel Vancouver

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

E-learning Avoids Cookie-Cutter Training

By Gal Rimon

E-learning and online training are driving profound changes in how employees prepare for their jobs and how organizations offer learning opportunities to staff.

Consider these five top trends in this space:

1. Microlearning presents convenient, bite-sized online training sessions that prevent cognitive overload. Replacing lengthy lectures and printed manuals with five-minute e-learning scenarios gives employees instant access to information when and how they need it. Many companies are looking to replace classroom training with digital learning, and microlearning more easily engages employees.

2. Microlearning supports **just-in-time** learning, which enables on-the-job training by giving employees access to what they need to learn at the time they need it most. Just-in-time learning can be tied to certain tasks or actual employee behavior.

3. Personalized online training paths make it possible for modern corporate learners to build skills and practice tasks that are adapted to their goals, needs, performance and knowledge levels. Gone are the days of cookie-cutter online training courses!

4. Multiplatform-friendly online training content means employees can learn from wherever they are and on any device. This is helpful, since today's workforce needs to make the most of every minute.

5. Serious games and gamification are e-learning trends that are often mixed up. Serious games are like traditional online games with professional education value. Gamification uses game mechanics in online course design (e.g. earning badges and passing levels when completing learning assignments or using leaderboards to recognize positive performance) to motivate and incent employees.

Bottom line, successful corporate e-learning courses put the employee first. Why? Because happy and self-confident employees are the lifeblood of your company, and your success hinges on their expertise!

Gal Rimon *founded GamEffective* (www.gameffective.com)*, Charlotte, N.C., in 2012, with the vision of bringing next-generation gamification to enterprise applications. He holds an MBA in marketing and information technologies from the Tel Aviv University.*

CUES Learning Tracker (cues.org/clt) *offers learning paths you can follow and allows you to earn accomplishments for your efforts.*

CUES' Center for Credit Union Board Excellence (cues.org/ccube) *features learning plans for board chairs, governance, strategy, CEO relations, risk management, committees, advocacy, fiduciary duties, CEO transition, board meeting management, and CEO evaluation and compensation.*

Comment on this post at cues.org/022217skybox.

Recent Comment

"This is a great post and one every credit union should take to heart. Ultimately, as William Aruda once said, 'great brands are built by people.' Your credit union's executives must lead the brand, your credit union's employees must live the brand and then your credit union's members will love your brand."

Mark Arnold, president of On The Mark Strategies™ (*www.markarnold.com*), Carrollton, Texas, on "How to Have a Radical Brand" on CUES Skybox: *cues.org/013017skybox*.

Recent Posts

" A better strategic course is that of evolving credit union systems to meet these new challenges by adopting (and adapting) the newest forms of technology for not only lending, but all facets of credit union member service."

John MacAllister, president of Dorado Industries (*www.doradoindustries.com*), Rolling Hills Estates, Calif., in "CUs' Best Response to Fintech? Evolve" on CUES Skybox: *cues.org/020817skybox*.

"Extending more credit to deserving members when they need it can help inspire their loyalty, keep them transacting and ensure that your cards remain top-of-wallet over the long term."

Bill Prichard, senior manager/public relations and corporate communications for CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), Rancho Cucamonga, Calif., in "Extending Members' Credit Lines" on CUES Skybox: *cues.org/030817skybox*.


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