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[1]17th Annual Transamerica Retirement Survey, 2016.

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"Ultimately, any email can be malicious, and just when you think you can tell the difference between fake and legitimate, the criminals will change it up again."

Jim Stickley, CEO of Stickley on Security *(stickelyonsecurity.com)*, La Mesa, California, in "Cut Bait or Phish," p. 36.

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Passageways' path posits credit union investment as a technology launch pad.

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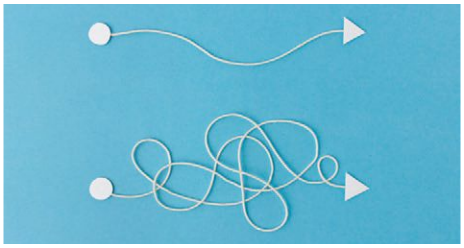

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Elevations CU provides all-in services.

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Instilling Accountability in Your Team

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Best Practices for Positive CEO/Executive Board Relations

Looking to find balance between the executives and the directors in your boardroom? Caitlin Hatch of Quantum Governance L3C discusses best practices that can help pave the way to a productive, synergetic relationship.

Unlimited+ members can access this content at *cumanagement.com/video080618*.

CUES Podcast

Episode 64: Using Charitable Donation Accounts to Be More Strategic in Your Giving

CUNA Mutual Group Executive Benefits Specialist Andy Roquet describes two steps for setting up a CDA, best practices for CDA programs, and how and when to talk with your board about these accounts.

cumanagement.com/podcast64

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LET'S CONNECT

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YOUR THOUGHTS

WHAT ARE THE BIGGEST MORTGAGE OPPORTUNITIES AND CHALLENGES FOR YOUR CREDIT UNION?

>> Email your answer to **theresa@cues.org**.

Mortgages *and More*

As I was reading our cover story this month, I found myself sympathizing with both the credit unions and members they serve as rates increase.

While I really love my little yellow house, there are days when I would jump at a larger kitchen or another full bath. But with a nice, low mortgage rate, my family—like many of your members—is in no hurry to move. The article, "Mortgage Market 2019," dives into several positive developments for credit union mortgage lending, as well as challenges like the rising rate environment that has many members staying put. Read more on p. 12.

Our cover story is part of a larger lending content package that includes several online articles covering auto, business and student lending, plus the often tricky business of staffing loan departments.

In "Getting Smarter With Student Loans," we explore First Tech Credit Union's innovative student loan refinance program. This is a wonderful story of how a credit union saw a national crisis and designed a way to help its debt-laden members. It's a perfect example of the people-helping-people spirit that credit unions are built on.

"First Tech FCU's Student Loan Refinancing product suite was uniquely designed to help support our members in reaching their life goals," writes Sandi Papenfuhs, SVP/consumer lending at the $12 billion credit union based in San Jose, California. "Our members are saving an average of $16,000 and reducing close to seven years of student loan payments through refinancing with our products—allowing them more freedom to make the life decisions they want." Read the full story at *cumanagement.com/1118studentloans*.

This month, longtime CUES member Bill Raker, CCE, is retiring as president/CEO of $1.2 billion Firefly Credit Union, Burnsville, Minnesota. He reflected on his 33 years of credit union leadership and shared his perspectives on the changing executive role and the biggest threats credit unions will face in the coming years. Read his thoughts on p. 10.

We'd love to hear from more of our members. Whether you are, like Bill, coming to the end of your credit union career, or you're just starting out or somewhere in the middle, what are the key issues you believe credit unions need to focus on now? Write me at *theresa@cues.org*.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

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PREMIER SUPPLIER MEMBER

LETTER TO THE EDITOR

A CONVERSATION WITH A RETIRING CEO

*Bill Raker, CCE, a career-long CUES member (and a 2016 CUES Hall of Fame inductee), is retiring as president/CEO of $1.2 billion Firefly Credit Union (*firefly cu.org*), Burnsville, Minnesota, at the end of the year. Raker, who has spent more than 33 years in CU leadership, including 11 years as a director and 22 years as CEO, shares his perspectives on credit unions now and into the future.*

THE CHANGING EXECUTIVE ROLE

CU executives are being pushed into broader and deeper involvement in "enterprise" operations. They need to know more and more about an expanding array of operational functions and procedures, from the evolving role of the teller to the escalating sophistication and pervasive risks of cybersecurity, and everything in between. A potential offset is to foster more collaboration among executive team members—sharing and leveraging knowledge, experience, responsibility and risks.

The executive role demands being inquisitive and a quick learner. There is something new every day, and that "new thing" often carries the potential to impact strategies and plans. The ability to discern real trends from fads and the agility and flexibility to react when key indicators heat up are critical abilities for the executive.

Executives are being called on to be more engaged, more passionate and more visible as "defenders" of the CU industry. Advocating for CUs with community leaders, legislators and regulators at all levels is showing up in executive job descriptions with increasing prominence and regularity.

To be fully equipped to recognize, evaluate and respond to rapid changes in technology, the workforce, consumer demands, social media opportunities and threats, and enterprise risk management, C-suites must have more diversity in gender, age, ethnicity, education and other demographics. This will take effort to achieve.

With notable consistency, a challenge for executives is to maintain and foster the values and culture of "people helping people" as the CU business model is threatened (or shifts) and the focus moves more to growth metrics and to the bottom line.

The struggle is ongoing to maintain organizational alignment on the CU's priorities, strategies, goals, mission, values and corresponding rewards programs. Keeping everyone seeing and concentrating on the same objectives or outcomes in their respective lines of sight has to be worked at every day. All viewpoints should be heard, but prolonged factional or fractional views will eventually suffocate an organization's zeal for its purpose and mission.

BIG CHALLENGES COMING UP FOR CUs

The biggest challenge going forward is enterprise security, not just cybersecurity. This means keeping all data secure, including helping members take some level of ownership for protecting their personal data. Start by creating a culture of security in which employees understand and respect the risks inherent in the business and know their roles in protecting member data. Employees will communicate that awareness to members and demonstrate the benefits of members also taking responsibility for security.

Other challenges credit unions will need to consider include the following:

Possible recession in 2020-21: Be prepared with alternate scenarios. Manage credit, concentration and interest rate risks on the balance sheet. Find new and sustainable sources of revenue.

Liquidity: Loan demand is growing faster than deposits. The rising rate environment is putting pressure on retaining and growing stable deposits with rate offerings the CU can afford.

Labor supply: A very tight labor market and record-low unemployment is pushing up the cost of labor, if a qualified candidate can even be found, a situation that will continue for some time.

Board recruitment: CUs will face challenges finding and retaining qualified and engaged directors. The demographic makeup of the board should reflect that of the membership.

Non-traditional competitors: Amazon is setting the standard for consumer service; the company wants to be in the traditional consumer financial business, too. Walmart is growing its presence as a provider of consumer financial services and going after wallet share aggressively. PayPal and its lookalikes also want to offer more traditional financial products and services.

Fintech competition: Credit unions should seriously investigate partnering with selected (and thoroughly vetted) fintechs that are quick, nimble and not confined by legacy systems and regulations to offer services members may be demanding, but are beyond the CU's ability and capacity to develop in house.

Consumer behavior: As more people move into digital and mobile channels with their speed, convenience and everywhere accessibility (and at no- or low-cost), more pressure is placed on traditional providers to keep up.

Auto financing: Will the need or desire for an individual to own his personal vehicle shift to widespread vehicle sharing, lease/rent by the hour, or some other disruption in personal transportation that dramatically reduces the vehicle loan volume CUs have come to rely on so heavily?

Artificial intelligence: Here are some key questions about this big topic: How quickly will artificial intelligence impact the operations of credit unions? How widespread will this impact be? How will credit unions adopt and use emerging analytical and predictive capabilities? How will members react? What is the difference between determining the member's next financial need and "pushing" it to them versus just being creepy and stalking? What are the ethical and psychological impacts and concerns for credit union staff and members? With big data comes big responsibilities and big ethical questions. This is something to study and keep up on.

CU model: Should your credit union have an "all-digital" branch and brand that co-exists with its traditional model? Imagine that the all-digital branch is simply another node (device or app) on the consumer's personal Internet of Things!

Millennials: How do we better understand what young people really value and really want from their financial services providers? Early profiles of that generation appear to have missed the mark in several areas. Perhaps the main takeaway is to be careful with targeting products, services and delivery channels to the "average" or "persona" of any market segment.

Mortgage Market *2019*

A STUDY OF FACTORS OUTSIDE OF CUs' FULL CONTROL—AND HOW TO BEST RESPOND TO THEM

BY STEPHANIE SCHWENN SEBRING

Managing the forces that impact your mortgage business is complex. Internal factors, like talent, policy and partnerships, you can directly control. But external factors outside credit unions' full control—like lawmaker intent, evolving federal programs, pricing and housing inventories, and consumer sentiment also can have significant impact on success. Let's take a look at the lay of this external mortgage marketplace as 2019 nears.

NAVIGATING S. 2155

Lenders have been busy dissecting the implications of the recently enacted S. 2155 (*tinyurl.com/sb2155law*), says CUES member Tim Mislansky, CCE, SVP of $4.2 billion Wright-Patt Credit Union (*wpcu.coop*) Beavercreek, Ohio, and president of the CU's mortgage CUSO, myCUmortgage (*mycumortgage.com*).

"The bill was a win for credit unions, and perhaps one of the biggest advantages is the HMDA (Home Mortgage Disclosure Act, *tinyurl.com/ffiechmda*) exemption for lenders that do less than 500 loans" a year. It's beneficial, Mislansky explains, because of the onerous HMDA requirements, such as the significant increase in the required data fields for reporting.

Additionally, S. 2155 helps credit unions under $10 billion in assets and other small lenders with an exemption from the qualified-mortgage/ability-to-repay rules.

"These lenders can now place loans that do not meet the QM/ATR requirements on their balance sheets and no longer need to consider them a non-qualified mortgage," Mislansky explains. "When the QM/ATR rules came out, some lenders chose to stop originating non-qualified mortgages to avoid the potential regulatory and legal risk. This change in the law enables lenders to stay in the mortgage lending space and help more members."

Mislansky adds, "As credit unions, we tend to be relationship lenders because we've known our members for years. As a result, we can use the QM exemption to help creditworthy members who, for example, may have slightly elevated debt ratios, obtain a non-qualified mortgage."

S. 2155 will also help lessen the expense for small lenders and assist with resource allocation while expanding their lending options, says Deborah Ames-Naylor, interviewed shortly before retiring in October from her role as president/mortgage banking and corporate EVP for $23.6 billion Penfed Credit Union (*penfed.org*), Alexandria, Virginia. "Specifically, the bill provides important changes in loans classified as business loans by removing loans secured by non-owner occupied one-to-four residential dwellings from NCUA's business lending cap."

The provision is excellent for credit unions, as many offer business loans to members, adds Ames-Naylor. Plus, it should facilitate increased credit options for America's businesses.

Also an aid to credit unions, clarity has been provided on the TRID (TILA/RESPA Integrated Disclosure Rule, *tinyurl.com/bcfptila*) waiting period, which, as part of the bill, will now be waived if mortgage rates fall.

"TRID previously required lenders to re-disclose to borrowers whenever there was a change in their interest rate and re-start the three-day waiting period," explains Mislansky. "But, if the change was to a borrower's benefit, (i.e., lower rate or costs), it penalized the borrower by forcing them to wait even if they were getting a better deal."

Credit unions may still see some TRID requests despite a rising rate environment. For temporary shifts in the market, the clarity afforded by S. 2155 will be helpful for the consumer and allow them to close their mortgage sooner, Mislansky says.

An other positive outcome (which took effect in November) from S. 2155 concerns mortgage loan officer licensing (*tinyurl.com/loanofficerlicense*). The new law eliminates the need for financial institution loan officers to reapply for licensing if they go to work for a non-bank. "This is a win for mortgage loan originators who switch jobs and want to help homebuyers immediately in their new roles," explains Ames-Naylor. "Eliminating the unnecessary red tape of getting new NMLS numbers is a win for everyone."

The bill also contained new stipulations for restoring the Protecting Tenants at Foreclosure Act (*tinyurl.com/protectingtenants*). "You should become familiar with this part of S. 2155, which allows tenants to stay under certain conditions, even if their landlord defaults when foreclosing on a property," advises Ames-Naylor. "You may need to determine if there is a tenant before moving forward with eviction."

Small lenders that were previously required to maintain escrow accounts for high-cost mortgages (mortgages secured by a principal dwelling with an APR that exceeds the average prime offer rate by a given amount) are getting another break from S. 2155. "While it will have minimal impact on PenFed because we do not offer high-cost mortgage loans, credit unions under $10 billion in assets that do so will most likely find this a welcome component of the bill," says Ames-Naylor, "and it should reduce the regulatory burden in setting up escrow accounts."

Jeremy Smith, compliance manager for PolicyWorks (*policyworksllc.com*), a regulatory compliance firm based in West Des Moines, Iowa, cautions credit unions that it is still early days with S. 2155.

"As of now, it is hard to tell how the changes under S. 2155 will really impact credit unions. On the surface, the changes to HMDA seem likely to have the largest impact, but until we know how these changes will be implemented, it is hard to tell," he explains.

Bureau of Consumer Financial Protection Acting Director, Mick Mulvaney, has mentioned that the BCFP (formerly CFPB, *cfpb.gov*) is currently evaluating the HMDA rule for other possible changes. "That means we could see more fluctuations regarding HMDA," says Smith.

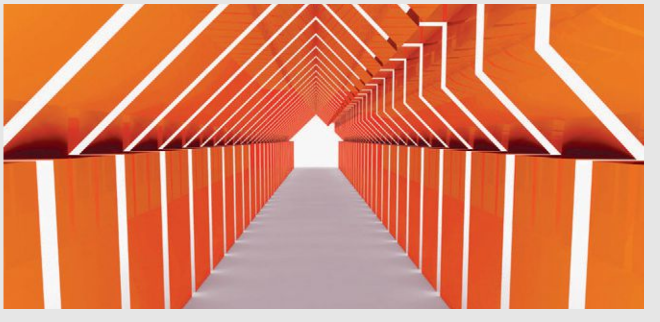
CUs also need to consider other factors from Washington, D.C., including the federal budget. As an example, Ames-Naylor cites the proposal to increase guarantee fees charged by Fannie Mae and Freddie Mac, adding, "All mortgage lenders, including credit unions, should be watching these efforts as they would ultimately decrease revenue and affect loan sales to GSEs (government-sponsored entities)."

"As of now, it is hard to tell how the changes under S. 2155 will really impact credit unions."

— Jeremy Smith

ECONOMIC TRENDS & CONSUMER SENTIMENT

Lower mortgage activity and reduced volume is a trend that all successful lenders must adapt to. "Interest rates have moved up from their low levels of the past few years, and most business is now purchase money rather than refis," explains Mislansky.



Prep Steps for *Mortgage Lending 2019*

In a nutshell, what should credit unions do to prepare for success in the ever-changing mortgage landscape? CUES member Tim Mislansky, CCE, SVP of $4.2 billion Wright-Patt Credit Union (*wpcu.coop*) Beavercreek, Ohio, and president of the CU's mortgage CUSO, myCUmortgage (*mycumortgage.com*) offers the following suggestions:

- Focus on building out a purchase-money mortgage strategy, which most likely includes mortgage loan originators and developing Realtor relationships;
- Balance out the need to provide outstanding member service with the need to invest in fintech;
- Seek the use of technology to become more efficient;
- Have a solid product suite to help members with members' home ownership needs; and
- Be willing to question how your credit union has always done mortgage lending.

"Those mortgage lenders that don't have a defined purchase money strategy are seeing challenges in production numbers, while those that have strong strategies in place are generally seeing positive results."

The new cap on state taxes, including the revamped real estate tax, may impact mortgage activity as well, adds Ames-Naylor. "The deductible amount, now capped at $10,000, may hurt credit union members in states with high real estate taxes like New Jersey or New York, and credit unions could subsequently see decreased mortgage volume or lower loan amounts."

Lower mortgage activity also means lower profit margins.

Mortgage banking has become more expensive due to increased compliance costs as well as investments in technology. And with fewer loans available, adds Mislansky, lenders become more price competitive, thus reducing their income per loan.

The overall affordability of buying a home is decreasing, too. Ames-Naylor says that consumers see rates rising and the normal progression of moving up to better homes is slowing, creating a domino effect. "With rates approaching 5 percent, consumers don't want to lose their current (3 to 4 percent) rate, so they're staying put."

She notes that in May, the real estate company Redfin (*redfin.com*) asked 4,000 buyers what they would do if rates increased to 5 percent for a 30-year fixed rate mortgage.

Almost a third—"32 percent of respondents said they would slow their search and wait to see if rates would come back down, which is up from 27 percent in November and 29 percent in May 2017. Additionally, 21 percent said a 5 percent mortgage rate would cause them to look in other areas or buy a smaller home, but up from 18 percent a year ago."

There are also not enough homes on the market to meet demand. "With a shortage of quality housing in many parts of the country, consumers subsequently see an increase in home prices," submits Mislansky. "The NAR (National Association of Realtors) attributes this to not only rising home demand but also increased construction costs and fewer construction purchases." To monitor housing costs, Mislansky recommends looking at resources on the NAR website (*nar.realtor*).

With a shrinking supply, it hasn't helped that new home construction hasn't kept pace in part due to constraints of labor, land and lumber costs. "In some markets, we see multiple bids again and homes selling over asking price," adds Ames-Naylor. "Home prices also increased nationally 7.1 percent from May 2017 to May 2018 (CoreLogic, *corelogic.com*, July 2018). And some locations, like Washington and Nevada, have seen double-digit growth."

Ames-Naylor says it's a must to consider these statistics from your member's perspective. "If home prices are increasing 7.1 percent, but wages are only increasing 2 to 3 percent, mortgage payments will take a bigger chunk of their paycheck and decrease overall affordability."

Fewer homes for sale also means stiffer competition among lenders.

Brad Bach, VP/sales for LenderClose (*lenderclose.com*), a mortgage technology CUSO, West Des Moines, Iowa, observes that most consumers have locked in their 4 percent loans, putting competition for new-purchase transactions at an all-time high. "As a result, we'll see bigger banks and fintechs shift their focus to subordinate lien-type loans, and the advent of 125 percent loan-to-value lending, along with looser guidelines."

It will also lead to more comparison shopping among consumers, Bach notes. This makes it essential for credit unions to scrutinize their lending processes to meet evolving expectations. "Thanks to Amazon and other digital brands, consumers are no longer willing to wait six weeks for anything, including their mortgage," he says.

"If a credit union sets the expectation for a three-week turnaround on a mortgage closing, and it takes six," Bach adds, "that's a negative (and costly) member experience, a circumstance that leads to fewer referrals and less repeat business—a credit union's traditional bread and butter."

Another consumer shift is the preference to do business locally.

Ease Tops Rates for *Young Business Borrowers*

BY KAREN BANKSTON

Ease and speed of access to commercial loans trump pricing for some business owners, which tips the scale for these typically younger borrowers toward online peer-to-peer lenders, according to a survey by Mercator Advisory Group (*mercatoradvisorygroup.com*), Boston.

Key conclusions from Mercator's 2017 U.S. Small Business Payments and Banking Survey, which polled 1,600 business owners with between $500,000 and $5 million in annual sales, find that:

- More than one in four (27 percent) respondents had a current loan with an online alternative lender, such as Kabbage (*kabbage.com*), Lending Club (*lendingclub.com*), OnDeck Capital (*ondeck.com*) and Prosper (*prosper.com*).
- Business owners ages 18 to 34 were more than twice as likely as older businesspeople to use alternative lenders, citing an easier approval process and quicker access to loan funds as their primary reasons.
- Only 7 percent of respondents reported using alternative lenders because they offered a lower interest rate.

Four in five business owners relied on a line of credit to help manage business expenses, the survey found, and millennials were more likely to use business and personal credit cards to manage cash flow than to apply for lines of credit from a bank or credit union offering business services. For credit unions looking to cater to millennial business owners, the Mercator report concludes, "ease of loan application and faster funding are of critical importance."

> **"With home values on the rise, people are borrowing money. It's just a matter of you getting in front of them with the right promises and then overdelivering."**
>
> — Brad Bach

There's a growing sentiment pushing consumers away from the megabanks, proffers Bach. "This spells a fantastic opportunity for credit union lenders, especially those that can communicate the credit union difference while delivering the same high-tech, high-speed experience of the megabanks."

Factors also point to more home equity financing opportunities on the horizon.

"Home values across the U.S. are finally getting back to their pre-2009 values," states Bach. "Combine this with historically low unemployment, and it's not surprising to see a growing appetite for both home improvements and debt consolidation loans."

He adds that during periods of high consumer confidence, home equity demand naturally increases.

"With home values on the rise, people are borrowing money," Bach says. "It's just a matter of you getting in front of them with the right promises and then overdelivering. Credit unions should mobilize their teams, streamline operations and integrate new technology. These factors will help you to give applicants a faster 'yes' and better manage what's expected to be a huge increase in home equity demand."

The new tax law will have some influence on home equity borrowing as well.

"Members can still deduct interest on second-mortgage and HELOC loans if they meet certain thresholds," offers Bach. "While most borrowers will be happy with the increased personal deductible limit and no longer itemize, they will still pay fewer taxes. However, if borrowers itemize, they can deduct the interest if the loan is used for home improvements."

FINTECH AND CUSO OPPORTUNITIES

Fintech is continuing to have an important impact on mortgage lending. Lenders have a handful of solid technology options for gathering applications up front but often neglect to consider the rest of the process, explains Mislansky.

"Be careful not to fall in love with the slickest tech solution. Instead, focus on building a cohesive digital strategy from the initial application through loan closing."

Also evaluate why you're doing things the way you do, says Bach. "If you can accomplish better results using streamlined technology, why not integrate it? Participate in demos with fintechs and CUSOs and pose hard questions to your internal team and outside partners."

The beauty of a CUSO is that it offers credit unions the ability to build volume together and create flexibility in their lending, adds Mislansky. And as a credit union, you don't have to be an expert at everything, including the ever-changing world of compliance.

Partnering with a CUSO or a fintech can be advantageous, but properly evaluate these relationships, stresses Smith.

"Vendor management continues to be an area of focus for state and federal regulators with thorough review and due diligence key to mitigating the risks associated with any third-party partnership."

Regardless of whether a fintech or a CUSO is used, successful credit unions should question how they do mortgage lending, says Mislansky.

"Focus on building a purchase-money mortgage strategy that will include mortgage loan originators and by developing Realtor relationships," he advises. "Balance the need to provide outstanding member service with the need to invest in fintech."

The digital transformation in the lending space is not just something to talk about at conferences, adds Bach. "It's real and saving credit unions money, drawing in more business and improving the overall sustainability of the movement."

Borrowers are facing an extremely challenging market. "Serving your members quickly with the right technology and products will improve their experience and help distinguish you from your competitors—for increased market share," Ames-Naylor says.

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

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Mobile *Loyalty*

FRIENDLY STAFF, BETTER RATES AND CIVIC INVOLVEMENT ARE NO LONGER ENOUGH.

BY RICHARD H. GAMBLE

Loyalty is not dead, but it's changing. As people bond more strongly with their portable electronic devices, lasting ties to credit unions are formed more often by members' mobile experience. Delivering a winning experience has never been more critical.

There is "absolutely" a vital link between mobile banking apps and member loyalty, says Sean McNair, VP/marketing at $8.6 billion Digital Federal Credit Union (*dcu.org*), Marlborough, Massachusetts. Not offering it would mean a significant disconnect between the CU's services and what a growing number of members consider a high priority. That's why it's hard to find a CU that doesn't offer some level of mobile banking, generally in an app, he notes.

"The mobile experience is vital to our operation," says CUES member Joe Menninger, president/CEO of $18.5 million Your Best Credit Union (*yourbestcu.com*), Nashville, Tennessee. "You have to make banking convenient for members or they will take their business elsewhere."

That's anecdotal. But when you measure it, does channel choice really build loyalty? Yes, says Tim Daley, director at CUES Supplier member and strategic provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

"When you track retention, members who just use the physical channel stick at a rate in the high 80 percent range. Members who use the digital channel actively score in the mid to high 90 percent range," he reports. "When you get a member digitally engaged, there's a 7 to 10 percent lift in retention."

Providing a good mobile experience doesn't require a big budget or a loaded IT staff. Robust service with many apps is not always necessary, McNair says. Some members may push for innovative features, but the biggest demand is for something that is quick, simple, convenient and reliable.

"An offering that is basic but well executed with strong up-time can be a winner and cement member loyalty effectively," he observes.

SMALL SHOP SUCCESS

Size is not holding back Your Best CU. Menninger is happy that CU Mobile Apps LLC (*cumobileapps.*

com), Franklin, Tennessee, developed a mobile app that accommodates remote check deposit and then partnered with $1.3 billion Volunteer Corporate Credit Union (*volcorp.org*), Nashville, to offer it to a greater CU audience, he reports.

Menninger's members download this mobile banking app at their appropriate app store, just like they would with apps from other financial institutions. His CU's 2,048 members are responsible for 1,309 downloads, and 320 of them actively use the service monthly, he reports, a result of active marketing, he explains. "We do not want the app to be our best kept secret."

And it's affordable, insists Rick Hargis, managing partner of CU Mobile Apps. "We make our solution affordable for budget-conscience credit unions so they can compete with larger FIs in their market area," he says. The cost, based on the number of members instead of assets, averages $10 to $12 a day for CUs with fewer than 5,000 members, he says.

While a mobile banking app is a net cost to a CU, it's a necessary cost if the CU wants to build loyalty, McNair says. But once you have the basics, it's smart to apply cost-benefit analysis to additional features, he notes.

The Your Best CU app does all the usual basic mobile banking functions, but the one that matters most, Menninger says, is remote check deposit.

"Five and a half years ago, we were receiving checks and sometimes cash for deposit at our headquarters in overnight envelopes. Clearly we had to offer members a more convenient option." In the four years remote deposit has been available to Your Best CU members, the organization has seen 484 of them digitally deposit 5,100 checks with a value of more than $2 million, he reports.

Your Best CU members can sign up for mobile banking using the same login credentials they use for online banking. When the member initially enrolls in RDC, their checks are manually reviewed to verify proper endorsement, Menninger explains. The member is cleared for auto-review if they have endorsed correctly, he says.

Much of this is standard practice, of course. If mobile banking has become essential, can it really be a differentiator and a loyalty driver?

"Financial institutions offering mobile banking have created a pretty saturated market now," McNair concedes. "Being first is not realistic. It's a bit like the restaurant business. In any commercial district, you find lots of restaurants. They all offer satisfactory meals. But each one that survives offers some nuance to the dining experience that brings in people and brings them back. And it's often not the biggest or fanciest or the ones with the largest menus that thrive.

"Credit unions can definitely compete effectively. Doing a lot of things matters less than doing the most important things well."

For many CUs, including Digital FCU, it makes sense to buy the app from a vendor and get "a core package of functionality out of the box and not reinvent the wheel," McNair notes. Digital FCU uses Vertifi (*vertifi.com*), Burlington, Mass., without additional apps from other vendors, he reports. To measure effectiveness, the CU watches the usage volume of various features. High usage means it's working and implies loyalty-building. Low usage is a reason to investigate.

ONE APP, MANY FEATURES

If offering mobile banking apps that are convenient, enabling and fun to use is the way to members' hearts and the key to their loyalty and future business, credit unions can offer this in two ways: the stand-alone functional app or the packaged-and-branded relationship app, explains Lou Grilli, AVP/product development & thought leadership at CUES Supplier member Trellance (*trellance.com*), a credit union service organization based in Tampa, Florida.

For a quick score, he says, a CU can buy an app from any number of vendors, such as mShift (*mshift.com*), Malauzai (a Finastra company, *malauzai.com*), Access Softek (*accesssoftek.com*), or from their core vendor, with some limited functionality such as access to debit transactions, and maybe a list of branches with address and hours. This app is free to members, and puts the CU app as an icon on the member's smartphone. Later the credit union might also offer an additional function, such as consumer card controls, as an additional app, an additional icon on the phone.

"When you get a member digitally engaged, there's a 7 to 10 percent lift in retention."

— Tim Daley

But that's not the way to build long-term loyalty, Grilli insists. For that, you want a robust mobile banking package on the CU's branded mobile banking app—a single CU gateway to a satisfying array of mobile services. To get there, the CU's mobile banking vendor, in most cases, has to offer the app, and the CU has to pay to put it on its mobile banking menu, then notify members that it is available for them to download to their mobile devices.

Since the relational mobile banking app is made up of pieces, it's reasonable to put a priority on those pieces, based on cost and a shrewd reading of what members want. It has to go beyond balance and transaction reporting, Grilli insists. At the top of that list, he says, would be mobile remote deposit capture.

"It's certainly a mainstream product now," he notes, "but there are still quite a few credit unions that don't provide it, and I, personally, would never stay with a credit union that didn't offer it."

Also high on Grilli's list of must-have mobile tools is the ability to turn payment cards on and off quickly and easily. Here, many CUs have gone with a stand-alone app to get the service up quickly since it doesn't require a lot of integration.

"The card control vendor may offer it without having it integrated with the mobile banking vendor," he observes. "That's understandable, but it's better to drive members to your mobile banking app by getting that functionality there" to support loyalty, he insists.

Payment capability through mobile banking is a priority for members and a key to loyalty, Daley points out. "It's not so much bill-pay as it is tools to manage their cards—turn them on and off and see transactions—and the ability to set up digital wallets from the mobile banking app," he says.

Features like personal financial management, wealth management and stock trading are available on sophisticated mobile dashboards from the megabanks. Whether a CU needs them, Grilli observes, would depend on the CU and its membership.

Grilli also thinks CU mobile banking apps should embrace biometric authentication. “Nobody wants to enter a password,” he argues. “Take advantage of finger scan biometrics on the mobile phone, or better yet use the facial recognition or iris scan enabled by new iPhones and Galaxies. Give me quick access to the mobile banking app, and I’ll come back more often. That doesn’t mean doing away with security.”

A robust mobile banking app has to be connected to work—to the core system for debit and ACH, to credit card processors and to bill-pay vendors, so changing mobile providers can be a challenge if your current provider is falling behind in the race to please your members, Grilli points out. If the credit union is using mainstream vendors for these activities, there’s a good chance that the vendors have already worked out interface plug-ins. In that case, a switch from one plugged-in mobile banking provider to another should be fairly seamless. If the credit union is going with a mobile banking start-up with nifty features but little integration, be prepared for a conversion that takes time and effort, he warns.

‘QUITE A FEW TENTACLES’

Vendors and adventurous CUs are challenging McNair’s position that high-performance basics are enough. $925 million One Nevada Credit Union (*onenevada.org*), Las Vegas, plays big in the mobile banking space, collaborating with Connect Financial Software Solutions (*connectfss.com*) to package a single CU app that supplies all the basics but also has links to vendors for card controls, credit scores and alerts, P2P payments, merchant-funded rewards and personal budgeting and spend tracking.

“It’s a complex little animal,” observes Paul Parrish, president/CEO. “There are quite a few tentacles. We worked with Connect to bring them together, and we did the integration needed for them to communicate with our systems.”

Of One Nevada CU’s 80,000 members, 70 percent use remote channels (mobile and online), and about 30,000 are now mobile-only users, he reports.

To evaluate the app, One Nevada CU recently hired MAPA Research (*maparesearch.com*), Agoura Hills, California, to see how its functionality stacks up against those of the top banks, CUs and online banks, and it stacked up well. The CU is currently working on its Net Promoter Score process to determine how well members like the app, Parrish indicates, noting that history shows “if our members are active remote users, they will be more likely to stick around.” He and his team also frequently review ratings and comments from the app stores.

The features Parrish ranks as home runs are quick balance reporting, retrieving transaction history that includes information like images of cleared items, remote deposit capture, current credit score and report, and P2P money transfers. Merchant-funded rewards, bill-pay, and the branch and free-ATM locators are second-tier offerings as far as cementing member relationships, he suggests.

LOCATION-BASED SERVICES

One Nevada CU’s merchant-funded rewards feature may be second tier at this point, but it could be the frontier for the shifting CU mobile experience. Until recently, McNair explains, mobile banking meant trying to make online banking work on a small screen, but a divergence is beginning to develop because intelligent systems now can track the location of a mobile device.

There are security implications when transactions or inquiries can be identified as coming from a suspicious location, he points out. And there are shopping implications when intelligent systems can see that a member just walked into a specific store and can be offered discounts from that merchant through tie-ins with his or her CU mobile banking app. CUs should investigate shopping tie-ins but be choosy about what they add, he suggests. Digital FCU does not currently offer shopping tie-ins, he says.

Mobile banking that includes merchant rewards is core for San Francisco-based myGini (*mygini.com*). The shopping opportunities come from myGini’s connections to several country-wide offer aggregators that provide myGini users with about 10,000

Loan Bots *and Loyalty*

Credit unions that automate the front end of mortgage and consumer loan applications with websites that can be accessed through multiple channels—mobile, tablet or desktop—can win member loyalty, says Vic Sunshine, managing director of community markets for Finastra (*finastra.com*), London.

The member logs onto the CU’s website and finds a button that brings up the start of the loan application process, he explains. There’s no need to download an app from the app store; the CU is the end user and can complete the data input for the member, he says. Finastra is the new name for the now merged Misys and D&H (formerly Harland Financial Services).

Finastra has two apps, its original Fusion Mortgagebot and its Fusion Consumerbot. These tools take applications for everything from mortgage and auto loans to credit card applications and unsecured loans.

A member can use the bots on a computer, tablet or a smartphone. The process is essentially the same on each, he says, with adjustments for screen size. Most automated applications—about 92 percent—still come from computers and 8 percent from mobile devices, but mobile is growing, Sunshine reports.

Loan bots are a loyalty play because they give members another quick, self-serve choice. “We give credit unions the tools they need to compete with the Rocket Mortgages and the megabanks,” Sunshine says. “It takes away one reason the member may go elsewhere.”

Success is easy to measure with volume metrics—number of applications completed, applications abandoned and loans funded, plus average time to complete, he explains. Some CUs make productivity comparisons between self-serve and the branch channel, he adds.

Members using the loan bots provide information, the CU provides disclosures and then the members provide documentation. The documentation can be the challenge for keeping the process automated, Sunshine concedes. Members currently can use the bots to scan and securely transmit documentation from computers and soon will be able to do so from their smartphones, too, he says.

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> **"The mobile experience is vital to our operation."**
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Special Report: Payments 2018 (*cumanagement.com/0518specialreport*)

Using Data to Create Exceptional Member Experiences: An Interview With Brian Scott (*cumanagement.com/podcast63)*

Payments University Sept. 11-12, San Diego (*cues.org/payments*)

retailer discounts, reports Mehmet Sezgin, myGini's CEO. Local merchants can be added.

Shoppers like to see discount offers, especially for a merchant they're visiting or a product they've searched for, he notes. The service is cost-cutting but also educational, he insists. "It helps members become smarter, more frugal shoppers. There's a section that tracks their spending by category and gives them visibility into where their money is going. They can see it in pie charts."

Sezgin also emphasizes push messages, which are tailored to mobile because a person is more likely to see them on a device they carry. "The screen can light up any time there is a charge to the card. It shows the date, time, amount and name of the merchant and doesn't require a login. That member feels like he or she would know right away if their card was used fraudulently."

Sezgin has a trade-oriented conception of loyalty: To get something of value—loyalty, an increased share of a member's repeat business—you give something of value, he reasons.

"It can be 2 percent back on credit card purchases or free checking or a promotional rate on a CD, but it has to be something that makes them feel valued and important to the CU, something that makes them grateful."

And it doesn't have to be a banking product. You can give them a gateway to get valuable discounts on things they buy, he adds—sometimes as much as 40 percent off an item if it meets certain conditions. MyGini functionality can be added to a CU's mobile banking app.

Hargis is economy-minded, but he's not satisfied with basics so his product adds marketing and communication capabilities. With it, a CU can push notices to members' mobile devices that members can see without logging on. A CU could alert members to a branch closing due to weather, he illustrates, or promote various services. Members can also save money with InstaSave, he says, a couponing service that can offers discounts at thousands of retailers right at the point of sale.

As the stakes grow and choices proliferate, metrics matter more than ever. How can you measure the loyalty payoff for your mobile investment? You measure loyalty by gauging satisfaction and interaction, Cornerstone's Daley says.

Many CUs use a Net Promoter Score to measure satisfaction, he explains, and usage metrics to measure interaction. An engaged member using the mobile channel will have a lot of interactions. A mobile connection fosters engagement; an engaged mobile user typically will have more interactions than a member who uses the physical channel exclusively, which is not surprising since mobile interactions are quick, convenient and always available.

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

Adding Call Center Context *Adds Loyalty*

Automation that improves the member experience brings loyalty, regardless of the channel. SaleMove (*salemove.com*), based in New York City, provides a digital contact platform (not an app) that can be installed as a tool for the credit union's contact center staff to use to add context to their conversations, and it works essentially the same whether the member is using a desktop or a mobile device, explains Dan Michaeli, CEO.

Notably, it's a technology-based loyalty play that has been able to raise some Net Promoter Scores by more than 15 percent. "We have seen sales increases over four times and a reduction in average handling time of 25 percent, both of which contribute to an improved Net Promoter Score," he claims.

The solution is omnichannel, not multichannel, Michaeli explains. Multichannel means that members can use multiple channels to contact the CU, but these technologies often don't work together, he notes. CUs historically have used multiple "point solutions," one for chat, one for voice, one for screen sharing.

Omnichannel means that all of these channels function together simultaneously. If a member goes to the CU's website and clicks on a chat, that chat can then be seamlessly upgraded if desired. With a simple click of a button, the member can speak to a rep face-to-face via one or two-way video.

The rep's voice comes through the phone and through speakers on the smartphone or desktop computer. The rep can retrieve and show the member relevant documents on the screen. The rep can see how the member is navigating the screen and prompt him or her as needed by voice or text, an activity called co-browsing. This technology "can replace a financial institution's phone system or supplement it," Michaeli adds.

MARQUIS

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Digital *'One-ness'*

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BETTER CONNECT TO MEMBERS AND DELIVER HIGHER PROFITS.

BY JOHN WEINKOWITZ

A service-oriented business model has always been the cornerstone of the credit union industry. The challenge is that while financial institutions have adapted to a changing digital engagement and technology landscape, end-users have been much slower to accept front-line digital delivery. Why have we neglected to lead CUs' largest asset—members—through the digital transformation process?

As credit unions continue to implement digital banking, they have had to shift from legacy IT systems to advanced technology that supports better-integrated, more agile consumer-centric processes. In the process, in-branch and back-office capabilities have become out of sync with member-facing solutions. This results in a disconnected member experience and inefficiencies caused by duplicate processes and manual fulfilment. More often than we would like to admit, it requires multiple contacts with a member for additional information or corrections. The consequences are higher costs and lost revenue.

So, how do we address this problem? Digital expectations are being driven by industry-leading retailers, and those expectations carry over. Members expect personalized engagement and relevant experiences across all channels. To meet these expectations, CUs should strive for "digital one-ness"—creating consistent self-service and assisted-service digital experiences for both employees and members. To do this, credit unions must establish an engagement platform: a fully digital employee experience that helps deliver high-touch, personalized member experiences.

While this sounds like member interaction driven by technology, it's actually the opposite. Indeed, such a platform must empower the human teller. As credit unions digitize the branch, they must digitize the skillsets of service staff members by giving front-line employees digital tools that help them serve and educate members. Mobile technology enables "digital tellers" to meet members where it's convenient for them—events, the workplace and in the field for business members.

An engagement might look like this: A member is greeted as he enters a branch to get help making a deposit. Digital tellers not tethered to a traditional teller station pull selected members out of the line to assist them with mobile-facilitated transactions and shorten wait times. The member's deposit is not just a transaction; it is also educational—he can see on the teller's tablet how to perform the deposit next time himself using the mobile app.

A digital engagement platform can also be used to empower new account onboarding in the field, helping new members order checks and tellers take initial deposits and set up referral appointments for lending and other cross-sell activities. The right omnichannel platform will provide analytics that help digital tellers deliver relevant, timely offers at the point of interaction as well as automatically handle follow-up for offers not taken.

From branch optimization to new distribution channels to channel migration, digital tellers can play a key role in driving a credit union's business goals. A Los Angeles-based CU is deploying a strategy that will drive branch transformation and market expansion. In one of its high-traffic branches, the credit union will implement a new procedure like the example above to help serve members quickly via mobile technology. The credit union is also equipping its business development staff with mobile capabilities for onboarding new members in targeted markets while deploying satellite offices focused on expanding the membership base in those markets.

A "digital one-ness" strategy allows tellers to be out in the market and active in the community and to be accessible across all channels. It also enables better transparency and, most importantly, better engagement and relevancy across channels. While the strategic and tactical role of tellers remains the same, digitization will necessitate a change in the way tellers perform their jobs, harnessing new opportunities created by maximizing digital engagement. Digitization helps drive a more member-centric approach to engagement and delivers a more personal, relevant connection between service representatives and members.

This is the heart of credit union membership and provides staff better ownership of the member experience. The era of the engagement platform is not driven by artificial intelligence—it is driven by human intelligence powered by digital technologies.

John Weinkowitz *is director of product management, retail banking and channels for Malauzai* (malauzai.com)*, Austin, Texas, now part of Finastra* (finastra.com), *New York. Together, they provide the industry's leading fully integrated core, lending payments and digital engagement platform.*

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Venture Capital *CU Style*

OPPORTUNITIES, CHALLENGES FOR CUSO FUNDING REFLECT THE INDUSTRY THEY SERVE.

BY KAREN BANKSTON

With the shift in financial services toward digital delivery, credit unions are increasingly looking to gain advantage from within their movement by investing in technology credit union service organizations. But as with all they do, credit unions are forging their own distinctive paths in becoming venture capitalists.

Credit unions' investments in CUSOs shot up $1 billion to $3.1 billion over two years at year-end 2017, according to National Credit Union Administration calculations. And that pace may be gaining, based on recent notable funding rounds. In its first year seeking investments to build its digital banking platform, Constellation (*constellation.coop*) raised $32.5 million—well above its ambitious $27 million target—to achieve what may be the largest capital round in the credit union sector to date.

That record builds on the $2 million in seed money the Raleigh, North Carolina, CUSO received to develop its business plan and organize the company, says Kristopher Kovacs, Constellation's founder and CEO, and former CIO of $3 billion Coastal Credit Union (*coastal24.com*), where the CUSO's approach to online and mobile banking applications originated.

"We've set out to solve a compelling problem for credit unions—how to get access to the explosion of financial technologies that are occurring in the broader marketspace," Kovacs says. "The challenge for us is how we can move credit unions into the same position as big banks, to be able to partner to create new services instead of trying to fight disruptive fintechs on all fronts. When I went out and talked to credit unions about that challenge, everybody was nodding their heads in agreement. They're all facing the same conundrum: How do we compete with all of this?"

'HOT PRODUCT'

Investing in CUSOs can offer credit unions an edge in the race to implement new technologies, agrees Julie Esser, chief engagement officer with CULedger (*culedger.com*). The Denver-based CUSO is using distributed ledger technology to build a platform of digital exchange that enables credit unions to detect and prevent fraud, improve operational efficiencies and enable self-sovereign identity for members through its flagship product, MyCUID (*mycuid.com*).

CULedger aims to give its investors—and the credit union industry—a head start in the hot commodity of blockchain development. According to the audit firm KPMG (*home.kpmg.com*), U.S.-based firms invested $858 million in blockchain initiatives in the first half of 2018 alone.

In the past, credit unions relied on outside organizations in the form of large public companies for access to emerging technologies, but CULedger aims to give its investors "a global say" in the direction of distributed ledger applications, Esser suggests.

"That control and leverage can go a long way in influencing the direction of distributed ledger applications in financial services," she adds.

Organized as a limited liability company in June 2017, CULedger launched its Series A funding round this year seeking $10 million from three classes, with Class A open to credit union investors; Class B to the for-profit subsidiaries of its founders, the Credit Union National Association and Mountain West Credit Union Association; and Class C to other CUSOs, leagues and for-profit entities.

At press time, the CUSO's funding was 90 percent complete, with 26 CUs as Class A investors and two units remaining out of 40. Among Class C investors, the Mississippi and Illinois Credit Union Leagues have created their own CUSOs to give member CUs a share of the $250,000 investment each has made; another league was considering a similar arrangement, Esser says.

The response from credit unions to the opportunity to invest in these technologies exceeded expectations, Esser adds.

"In any category, if a company receives $10 million in Series A funding, from a VC (venture capital) perspective, it's considered a hot product," she notes. "And that's where we are in this stage of development. We're being showcased as a use case for this type of technology. Credit unions are so far ahead of others in this space that I call it a 'goosebumps moment.'"

SEAT AT THE TABLE

Participation in the funding classes dictates representation on CULedger's 10-member board, with two directors from Class C investors, two from Class B and six from Class A. The board's chair or vice chair must represent a Class A investor.

CULedger launched the first of six pilots this fall, which are expected to continue into the first quarter of 2019, and the company is also planning to launch a Series B round of funding next year to support its full roadmap of application development involving private permissions, loan participations and cross-border payments.

Constellation's first funding round offered two investment opportunities: one for natural-person credit unions or CUSOs to become Class A shareholders and hold a board seat for $3 million. That class has been filled with 10 shareholders representing 11 credit unions.

Thus far, five additional shareholders—two corporate credit unions, two CUSOs, and CUNA Mutual Group (*cunamutual.com*), a CUESolutions platinum provider in Madison, Wisconsin—have invested at the Class C level for the opportunity to create and sell services in Constellation's marketplace. Constellation offers an open development platform for digital banking solutions, so fintech companies can develop and offer mobile and online banking applications through its marketplace. An investor, for example, could develop a version of its existing mobile app for that platform.

The CUSO's Class A shareholders constitute "a healthy cross-section" of its initial target market, credit unions in the $750 million to $5 billion asset range, Kovacs notes. Constellation completed the first of three releases in its development phase this year, and its credit union clients can expect to have the first services available through the CUSO in the first quarter of 2019.

"Our goal isn't just to provide services for credit unions but to enable the work of fintechs to reach credit unions, to be able to showcase and sell their services," he adds. "We have 53 development deals signed with providers of all shapes and sizes to create services on the Constellation platform."

> **"Credit unions are so far ahead of others in this space that I call it a 'goosebumps moment.'"**
>
> — Julie Esser

THE CREDIT UNION WAY

"It's important to know as an entrepreneur that credit unions operate differently," says Omar Jordan, CEO and founder of LenderClose (*lenderclose.com*), Des Moines, Iowa. "There's a level of trust you have to earn to get into the door, and if you dare to ask for more money, you'd better deliver on your promise. That's how we live every day. We work hard for our money, and we're constantly updating our investors on what's going on."

LenderClose, which offers a "digital hub" for lending systems to support efficient underwriting and processing, launched in March 2016 and became a CUSO two years later, with direct investments from two Iowa credit unions—$1.1 billion Collins Community Credit Union (*collinscu.org*), Cedar Rapids, and $68 million Serve Credit Union (*servecu.org*), Des Moines—along with venture capital

The CUSOs in *This Story*

Constellation (*constellation.coop*), Raleigh, North Carolina, offers an open development platform for digital banking solutions. Fintech companies can develop and offer mobile and online banking applications through its marketplace. An investor, for example, could develop a version of its existing mobile app for that platform.

CULedger (*culedger.com*), Denver, is using distributed ledger technology to build a platform of digital exchange that enables credit unions to detect and prevent fraud, improve operational efficiencies and enable self-sovereign identity for members through its flagship product, MyCUID.

LenderClose (*lenderclose.com*), Des Moines, Iowa, offers a "digital hub"—an interface—for all the various automated systems CUs use for mortgages and home equity lines of credit, like credit checks, title search, income verification, Home Mortgage Disclosure Act tools and e-document systems.

MEMBERS Development Co. (*membersdevelopment.com*), Madison, Wisconsin, serves as a conduit for CU investment in research and development within the credit union industry through other CUSOs.

> **"The network of credit unions investing in CUSOs is going to increase, and the reason it's going to increase is because it has to."**
>
> — Guy Messick

funding that included a couple other financial cooperatives.

"We demanded that credit unions be part of that funding round because being a CUSO was a priority for us," Jordan says. "Since we have been working with credit unions for a while, we wanted to be part of that ecosystem."

Credit unions and venture capitalists are "totally different investors," with varying approaches and expectations, he notes. "Venture capitalists move faster whereas credit unions take their time. There's nothing wrong with that. Credit unions are extremely conservative, as they should be."

LenderClose had the advantage of seeking funding not as a startup but as a company with a proven business plan and results serving client credit unions. "And so far, with a lot of work, we've maintained that business plan and our growth is right on target," with close to 150 credit unions and other clients and significant increases in revenue production, he adds.

PLAYING THE LONG GAME

Unlike venture capitalists, credit unions funding CUSOs tend to look for a long-term return and, in some cases, the ability to influence the development of products and services to meet the needs of their operations, says Guy Messick, partner with Messick Lauer & Smith (*cusolaw.com*), Media, Pennsylvania, and counsel for the National Association of Credit Union Service Organizations (*nacuso.org*), Newport Beach, California.

"There's a wider spectrum of benefits that a credit union could get out of a CUSO relationship than venture capitalists get out of their relationships with the companies they invest in," Messick notes. "Venture capitalists typically put their money in and expect a very healthy return within a relatively short period of time, maybe five or six years or in some cases even shorter, before they sell out."

With a few notable exceptions, such as the 2012 sale of Prime Alliance to Mortgage Cadence (*mortgagedcadence.com*), Denver, there is typically no expectation that a CUSO will be sold so its investors can cash out.

In assessing CUSO investment opportunities, "credit unions need to look at the long term—and they do—but they need to evaluate the likely return realistically and understand that those terms tend to be even longer in reality than they are on paper," Messick advises.

"Credit unions have that patience," he adds. "They don't have the quarterly financial reports that have to go to shareholders, who put pressure on management to increase profits."

Investing in CUSOs offers "a long-term play," Esser suggests. "We told credit unions up front, 'If you are trying to invest in CULedger as a quick way to earn equity, it's probably not the right investment for you.' The dynamics of this space are changing rapidly, and the focus of digital identities is real. It really positions credit unions to leverage, maintain and exceed the trust levels they currently have with their membership."

Constellation's foray into raising capital highlights other key differences between the CUSO funding landscape and the wider market. For one, Constellation did not seek successive small "seed rounds" to move development forward and continually prove its concept for investors.

"The credit unions went beyond 'Let's give you a little bit of money to see if you can go further.' In effect, they said, 'We want the whole thing, so we're going to fund it up front,'" Kovacs says. "Other fintechs, when they start up, are fighting to survive every single day, and that's a good thing from an investment standpoint because they're working their tails off to do the things investors want them to do. But they spend so much of their time wrestling with uncertainty on their funding ... that they don't have the ability to zero in on their product and give it the time and attention it needs."

Another departure is a move away from lead investors contributing significantly larger funding, with equal shares for Constellation's Class A investors. "I would say the principles of credit union cooperation have really informed the differences in our capital raise more than what you would typically see in the VC world," he notes.

"I had to brief the NCUA twice as we were going through our capital raise (as the National Credit Union Administration oversees CUSO formation but not operations). That isn't something a startup would have to do," he adds. "I think there was a high level of scrutiny there. And I do think the difference is—and this is specific to the problem we're solving for credit unions—they were willing

MORE ON CUSOS

CUSO Funding Follows Function (*cumanagement.com/111218skybox*)

From CUSO to International Enterprise (*cumanagement.com/1118fromcuso*)

Innovating With CUSOs, an Interview with Linda Bodie (*cumanagement.com/podcast19*)

Strategic Innovation Institute™ (*cues.org/sii*)

Strategic Growth Institute July 22-26, University of Chicago (*cues.org/sgi*) to write bigger checks than venture capitalists might have been early on."

READY INVESTORS

Constellation didn't need to start from scratch in its search for CU investors. Coastal CU is active in MEMBERS Development Co. (*membersdevelopment.com*), Madison, Wisconsin, a network of large CUs supporting industry research and development initiatives.

"As a member of that group, we understood that the other credit unions were open to this kind of opportunity, were looking to make investments and were experienced in evaluating new technologies," Kovacs says.

"A lot of shoe leather, hard work and airline miles" went into meeting with potential investors, he adds. "And it's not just one discussion, of course, ... you're talking to the senior team, you're talking to their digital team, and you're talking to their board of directors."

CUSOs are "coming of age" in moving primarily away from being mostly wholly owned subsidiaries offering insurance and investment services and small collaborations with the aim of reducing operating expenses. New CUSOs like Constellation are advancing the gains for the movement begun by companies like CUES Supplier members CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga California; PSCU (*pscu.com*), St. Petersburg, Florida; and CU Direct (*cudirect.com*), Ontario, California, Kovacs suggests.

Constellation's experience demonstrates that CUs are ready to invest significantly in technology advances within the industry, Kovacs says. But even for those that can't afford that level of funding, "we still want to support you. We're building this for the credit union community, not just for our 11 initial investors."

In addition to MEMBERS Development, large CUs pursue these opportunities on their own or in informal peer networks, Messick notes.

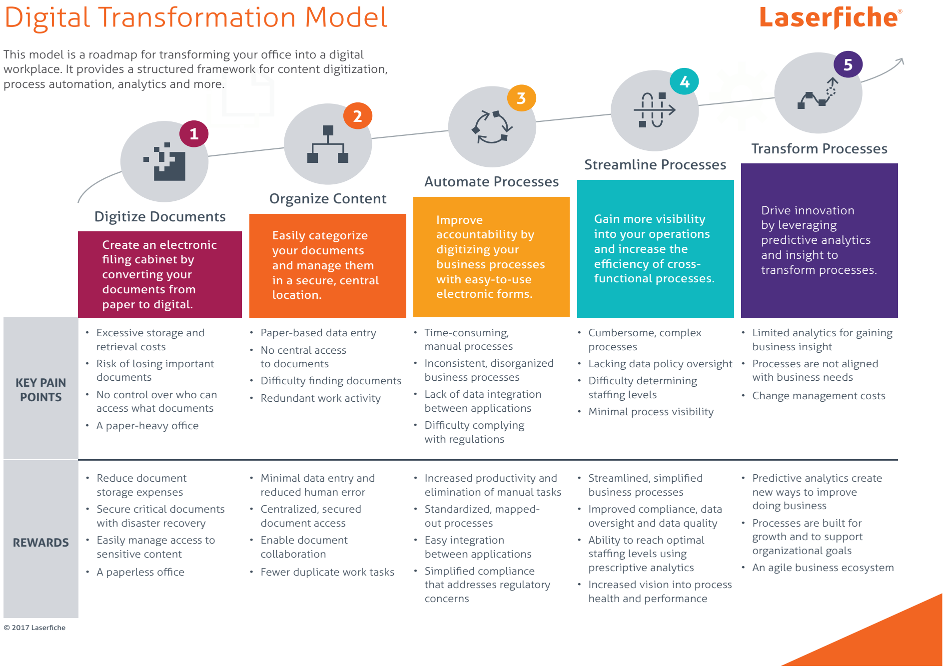
"The network of credit unions investing in CUSOs is going to increase, and the reason it's going to increase is because it has to," he says. "The traditional credit union model is under such stress right now. The net interest margin is insufficient to sustain smaller credit unions and generate sufficient returns in larger credit unions to meet capital needs. We have to find ways to deliver services better, cheaper and faster and to find alternate revenue streams. And that's what CUSOs do."

Karen Bankston *is a longtime contributor to* CU Management. *She is the proprietor of Precision Prose, Eugene, Ore.*

SPONSORED CONTENT

Leveraging the Power of a True Enterprise Content Management System.

"The payoff for us has been that we have advanced significantly in areas such as business process improvement, integration with our Core Data Processing System (Symitar) and improved access to all of our documents." Dan Kinne, First Entertainment Credit Union



Knowing the Differences.

Credit Unions who want to succeed in today's digital marketspace must be willing to make changes that are truly transformative in nature to their business. Understanding the differences between Enterprise Content Management Systems (ECM's) and Document Management systems is the first step.

What is an Enterprise Content Management System?

An ECM solution combines traditional Imaging and indexing of digital documents along with workflows, automated business processes all while adding automated records retention, DoD 5015.2 compliance and being able to do all of these things across the entire enterprise.

How to make a Successful Digital Transformation Happen in your Credit Union.

Dan Kinne, Director, Business Intelligence for 1.4B First Entertainment Credit Union in Hollywood, CA; describes the following considerations they used in implementing a new ECM system.

Choosing the right platform was the first step towards success, However, having a willingness to change the way you operate is another key to success.

We liked that Laserfiche is acknowledged as a leader in the ECM space as recognized by Gartner Research, infotech and other leading research organizations. We also felt that MVI's experience in the Credit Union industry was of equal importance as well.

First Entertainment Keys To ECM Success with MVI and Laserfiche.

1. Selection of the right ECM solutions for our organization. For us that was Laserfiche and MVi.
2. The value that the ECM provider or VAR has in our industry. We felt that MVi along with Laserfiche brought years of CU experience and also had value added products that would prove useful to us.
3. Realizing that the vendor will become one of your premier business partners and then trusting them to help you achieve the stated goals and objectives.
4. Involving our internal stakeholders in the development of these processes and projects and getting their buy in on each of their projects.
5. Understanding it is a process, you don't get there overnight.

The 5 Stages of Digital Transformation With an ECM Solution.

1. Digitize Documents. The basic digitizing of documents
2. Organize Content. Basic indexing of documents for storage and retrieval.
The following steps require organizations to move the project beyond IT by involving operations and other departments for change to happen.
3. Automate Processes: Creating workflows to manage documents within the ECM.
4. Streamline Processes: Reviewing how internal processeswork and what systems and applications need to work with each other to improve functionality.
5. Transform Processes. The willingness to incorporate changes into their organization and have staff willing to adapt and a desire to change.

The Case *for* ECM

TOP SYSTEMS CREATE BETTER BUSINESS SOLUTIONS, SATISFIED MEMBERS AND CONFIDENT EMPLOYEES.

BY STEPHANIE SCHWENN SEBRING

Enterprise content management encompasses just about every documented aspect of an organization. Content can range from text documents, images and emails to scanned or digital contracts and transaction documentation, explains Jesse Wilkins, director of certification for AIIM International (the Association for Intelligent Image Management, *aiim.org*), Silver Spring, Maryland. It also includes back-end items such as employee information, budgets, reports and policies, as well as HR, accounting, board and auditor files—plus members' transactional data.

Imagine Amazon and how it manages content, says Al Rosenbaum, VP/customer success for SilverCloud Inc. (*silvercloudinc.com*), Portsmouth, New Hampshire. "Amazon organizes its content so simply that anyone can use it. When I enter a search, I get clear, self-explanatory titles as a result. The account architecture is also superb, linking me to all the appropriate 'other' things," like order history, payment information and related memberships.

Now think about how an employee opens an account for a member. Doing so may require six or more documents coming from six or more departments, to be completed in no particular order. Relevant information may be housed in separate systems. The employee faces the task of piecing everything together while the member waits.

A well-built ECM system blends product, policy and procedure, explains Rosenbaum. He likens it to a content "assembly line"—documentation and information are not just easy to find, but the right content is automatically presented to employees at the right time based on workflow.

BEHIND THE DISCIPLINE

"ECM is different from—and much bigger than—traditional document management; it involves the strategies, methods and tools, combining the automation of business processes, data and content management and record retention," says Stephen Comer, director/financial services for Hyland (*hyland.com*), Westlake, Ohio. "ECM strategy focuses on managing information life cycles and delivering solutions to all stakeholders: members, employees and vendors."

Big data has dominated the conversation for the past few years, adds Comer, which makes ECM more relevant than ever before. "And it's not just buying the latest and greatest in technology," he says, "but crafting solutions that fundamentally transform the organization."

ECM is also an industry exploding in growth, expected to reach $59 billion by 2020, according

to Scott Cowan, VP/marketing and business development for MVi (Millennial Vision Inc., *mviusa.com*), Salt Lake City. This figure is nearly double the size of the industry today. "It illustrates the need businesses have for seamless workflows, improved efficiencies and stellar customer service," Cowan says. "True ECM also enables the business units to gain complete interoperability, not just at the core level, but throughout the entire organization."

Cowan notes that most CUs still rely on old systems, using basic document imaging to digitize, store and organize documents. "To improve efficiencies across the enterprise, a philosophical shift must occur," he says. "This means setting goals collectively up front, envisioning how processes and departments interact with one another, and diagramming these processes and content."

WORKFLOWS DRIVE ECM

"Credit unions are unique, particularly in that they're rich in both data *and* content," explains Rosenbaum. It's not unusual, he adds, for a CU to have 4,000 to 6,000 pages of content and 2,000 to 3,000 unique answers to employee queries, and it can be extremely siloed. "There's all this content—on the deposit side, on the loan side and transaction side," says Rosenbaum. "The way it's written varies from department to department but also by style, format and drivers."

Successful ECM implementation should identify all the appropriate stakeholders, their requirements—such as addressing the above challenges—and interactions, and how technology connects and improves processes throughout the enterprise.

Rosenbaum cites a SilverCloud case study (*tinyurl.com/sc-sharonview*) as an example: Before $1.5 billion Sharonview Federal Credit Union (*sharonview.org*), Fort Mill, South Carolina, purchased the SilverCloud ECM software in 2017, the No. 1 employee complaint was the inability to find policy, procedure and product information quickly. Siloed departmental information also led to inefficiencies and inconsistencies.

This chronic problem drove the CU's decision to purchase an ECM system. "It wanted to centralize and make searchable all of its information," explains Rosenbaum. "And while the content did not have to be 'perfect' before uploading it, the credit union knew it would need employee buy-in and appropriate planning right from the start."

The results? According to SilverCloud's case study, the system answers a thousand questions a day for employees who previously relied on asking other employees for information.

Content cannot exist separately from workflows, adds Rosenbaum, and workflows are very often linear, requiring streamlined routing capabilities. These workflows can be complex, such as an employee handling an onboarding request for a new member, which may require multiple decision points, or a clear-cut item, like a report generated from the core. "While ECM may vary by audience, the desired outcome should be the same—the consistent, accurate result the recipient is seeking," he says.

Comer reflects that not all processes are linear events. Some are more complicated, involving multiple parties performing multiple tasks simultaneously. In such cases, business rules built in the ECM system can dictate who should do what and when. "This is parallel processing," he explains. "A good example of this is when a new employee is onboarded. ... Things like system access, device setup, network security, seating location, facilities requests, etc., all need to be considered and are often done by several different people." That's in addition to the HR paperwork and training that must be done, he adds, and the decision-making and order of actions can vary based on circumstances like which department the employee was hired into. An ECM system must embrace these process complexities while providing the ability to automate the workflow.

How much does ECM impact workflows? Wilkins says it depends on the system. "Some offer built-in workflow capabilities, tailored to their environment. Others rely on external workflow

The Role of *Machine Learning in ECM*

According to Scott Cowan, VP/marketing and business development for MVi (Millennial Vision Inc., *mviusa.com*), Salt Lake City, leading ECM providers offer solutions that go beyond workflow and into "bot" automation, which allows for building advanced business rules for such things as automatic document recognition, records retention (auto-archiving) and connectivity to all parts of the enterprise.

Machine learning can also provide additional analytics, such as the ability to see and understand where bottlenecks occur in a process and identifying the causes—whether employee- or software-based.

"If you have the ability to identify the who, where and how long of a process, you can take measures to address these [bottleneck] areas and make improvements," explains Cowan. "You can also start to take steps to transform how you do business. ... It may be possible to entirely automate or even eliminate certain processes, such as checking for signatures on a document that could be scanned by an optical character recognition engine. [The OCR engine] tells the process whether there is any data in the signature block, which then moves the document along the appropriate path based on what that OCR scan determines."

Additionally, Cowan explains that with machine learning, discovering what members require and tailoring automated solutions to those needs—such as presenting specific forms based on their profile—can facilitate a level of "stickiness" (keeping the member engaged with the CU).

Having the ability to automate document updates on a recurring basis, like requesting the presentment of annual tax documents from commercial borrowers, or automating other aspects of a CU's operations, such as kicking off regularly scheduled employee reviews by presenting review forms and requested return dates to managers, are other benefits to be gained from machine learning.

"If a credit union can eliminate steps or improve processes through the use of machine learning ..., it can help reduce costs, especially if the credit union is able to maintain the same or gain improved levels of efficiency as growth occurs," says Cowan.

A world-class ECM system will enable a CU to develop processes that go far beyond document imaging and workflows by providing a path to growth via dynamic enterprise-wide process improvements.

or business process management solutions. In either case, the business rules and business logic are the more important pieces."

He adds that if a CU automates a bad process, it merely becomes an efficient bad process. "Don't underestimate the importance of reviewing existing workflows before ECM implementation," Wilkins advises. If the user experience is subpar, employees won't use the system and the customer might take his or her business elsewhere, even if the issue stems from workflow design and not the system itself.

ECM systems can also assist in automating an array of tasks to save staff and members time. Managing the life cycle of a loan, for example, can be a cumbersome process, submits Comer, simply because of the amount of data, and the number of documents, processes and human touches required. When there are fewer human touchpoints throughout a business process, the cost of loan production decreases and ROI increases.

"One of the largest lenders in the country was operating in a very paper-heavy environment," he recalls. "Because of that, the process of reviewing loan applications was taking approximately 45 minutes, at a cost of approximately $4,500 per loan." By implementing CUESolutions provider OnBase by Hyland's ECM solution *(onbase.com)* and automating much of the front-end workflow, review time decreased to 10 minutes per loan and the cost went down to approximately $2,700.

Comer suggests walking through the workflows your staff and members experience daily. "Think of them as long-term journeys that are constantly evolving," he adds. "What do you want

ECM *Success Stories*

REDSTONE FEDERAL CREDIT UNION

Like most CUs, $4 billion Redstone Federal Credit Union *(redfcu.org)*, Hunstville, Alabama, relies heavily on its core processing system. But its leaders knew that connecting its ECM system, CUESolutions provider OnBase by Hyland *(onbase.com)*, Westlake, Ohio, with third-party lending software was a must for greater loan productivity.

"Before the integration, users either had to sort through folders and file cabinets or log into OnBase separately to find the information they needed," says Kelly Gustafson, assistant manager/data center operations. "This resulted in service delays, which frustrated members and staff alike."

By leveraging the ECM system's integration capabilities, employees have a real-time, live interface for sending and retrieving documents while in the core system. "OnBase helps frontline staff serve members faster," explains Gustafson. "From statements, checks, death certificates and more—everything they need is right in front of them."

Along with the core and lending platform, the CU also linked its online banking and customer relationship management systems to OnBase. The result is less wait time for members, whether in-branch, by phone or online. "Employees don't have to call another department and ask for help anymore," continues Gustafson. "They can serve themselves and members faster because they have the information at their fingertips."

"The biggest benefit from implementing ECM is cost savings," adds Gustafson. "We had information in our old imaging system, but employees didn't use it. We faxed documents between offices and sent copies of others via inter-office mail." Not only was the cost of paper, copiers and fax machines high, but so was lost productivity.

UNIVERSITY FIRST FEDERAL CREDIT UNION

$1 billion University First Federal Credit Union *(ucreditu.com)*, Salt Lake City, worked with MVi (Millennial Vision Inc., Salt Lake City, *mviusa.com*), a value-added reseller of the Laserfische enterprise content management system *(laserfische.com)*, to replace an older ECM system in 2013. Today, the CU's ECM solution includes document capture and tracking, the Millennial Archive Retrieval system (COLD reports), a home banking interface and signature pad integration, as well as a receipt capture module.

"We were looking for a better way to capture and store receipt information ... while enabling members to sign via signature pads digitally," explains Josh Marshall, IS manager for the CU. "It also increases efficiency by eliminating the need for employees to monitor [for incoming] image copies" or import them into the system.

Member service reps now have the ability to see the receipt on their screen, track cash in/out using the module's built-in cash matrix and add customizable messages to receipts. There is also an option to print or not print a receipt, reducing unnecessary waste. "Receipt copies are available online via a home banking interface, giving members near real-time access," Marshall says.

He adds that members have embraced the convenience, and employees are equally excited that receipts are now immediately available to every authorized individual right after the transaction. The CU reports that signatures resemble the quality of a wet-ink signature and members like seeing the receipt information on the screen. They also appreciate the ease of interacting via the signature pad and being able to choose a paper or emailed receipt.

When MVi introduced a new color signature pad to the market in 2016, University First FCU became a beta test site and provided input into the development of the MVi marketing module, a program requisite for the new signature-pad interface.

"We've reduced our costs with the new signature pad, enhanced the clarity of captured signatures ... and decreased maintenance with a stylus that doesn't require batteries," says Marshall.

MVi's marketing module integration with the signature pad also enables the CU to deliver marketing messages that display on the new four-color screen when the pad is not in use, adds Marshall—customized messages that can be targeted to members specifically by branch, individual stations or enterprise-wide.

> "The capabilities of ECM technology are often the least impactful issues compared to how the solution is set up, users trained or incentivized, and system managed over time."
> – Jesse Wilkins

these experiences to look like in five or 10 years? Workflows are a critical component of landscape management, and every piece of content or data is part of it. Effectively managing the workflows and life cycle of all pieces of the process has a massive impact on how effective an organization's ECM strategy is."

CHOOSING THE RIGHT SYSTEM

As with all significant technology decisions, purchasing the right ECM solution for your CU requires proper planning and due diligence.

• **Determine needs and goals.** Some ECM solutions offer focused or niche capabilities, says Wilkins. For example, one system may focus on improving automation or specific workflows, while others provide a full-scale, enterprise approach that impacts every process. "As a credit union, what is the overall rationale behind ECM? Is it to improve compliance, the customer experience or something else?"

• **Prepare a proper plan.** This includes assessing the current state of existing business practices and legal and operational environments and prioritizing buying an ECM system among other projects that could comprise an ECM initiative. "Evaluate the legacy system to determine whether it's the system itself at issue or how it's set up and used," explains Wilkins. "Ironically, the capabilities of ECM technology are often the least impactful issues compared to how the solution is set up, users trained or incentivized, and system managed over time."

• **Review people and processes.** "Where is content helping or getting in the way? All too often, content isn't beneficial or well organized," says Rosenbaum. "Focus on the good content, and organize it with reasonable workflows people can follow. Then determine which ECM best supports these processes. ... Credit unions often avoid this step because it's easier to compare features rather than the root cause of why an ECM is needed. Only *after* a credit union reviews its people and processes should it look at features."

• **Compare features.** The Info-Tech Research Group report, "Select and Implement an Enterprise Content Management Solution" (*tinyurl.com/yahhh8ou*), suggests a consistent review of features, including advanced content search capabilities; efficiency for end users; flexible in-system content views (allowing customized views and access to content); real-time content collaboration and automated content capture. Also review the system's usability and the vendor's viability, industry expertise and breadth of support services.

• **Understand compliance requirements.** "Some credit unions move forward using an ECM without considering standards for compliance, which can prove costlier in the long run," notes Cowan. He recommends choosing a DoD 5015.2 certified solution (*tinyurl.com/dod50152*).

Wilkins adds that it is important to understand regulation related to content and document management—at the federal, state and local levels, if applicable—and to ensure the chosen ECM solution allows a CU to comply with the varying requirements effectively. He notes that DoD 5015.2 certification, while thorough, is a technical requirement for the Department of Defense and other federal agencies and may be overly complex for other organizations. Cowan predicts that while document imaging is an area that is typically overlooked by National Credit Union Administration auditors today, compliance with DoD 5015.2 or a similar standard will be necessary in the future. Choosing a compliant system now will reduce the burden to meet those standards later.

BE REALISTIC

It's important to understand what is and isn't realistic in terms of workflows and results based on resources and a CU's commitment to change, concludes Cowan. "For maximum ECM success, communicate with employees early and often, and convey that change is coming. ... Assign an internal champion for ECM, and remember that content must be organized, and it must be good."

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

MORE ON CONTENT MANAGEMENT

Data Explosion Could Burn Credit Unions (*cumanagement.com/110818skybox*)

HR Answers: Conquering Challenges With Document Management (*cumanagement.com/1018hranswers*)

Are You Budgeting For Document Management? (*cumanagement.com/090915skybox*)

Cut Bait *or Phish*

DON'T NEGLECT EMPLOYEE EDUCATION WHEN FORMULATING YOUR SECURITY STRATEGY.

BY EMILY ERICKSON

The way we access information and engage with technology is constantly evolving. Technology has become prevalent, often spanning both the personal and professional facets of our lives; you would be hard-pressed to find an individual who has never logged into Facebook or checked his or her personal email in the office. Conversely, it is common to see people responding to work email via their personal mobile devices. This relationship with technology can have a major impact on your credit union's data security.

One of the most common ways both individuals and organizations fall prey to information hijackers is through phishing—in fact, 76 percent of organizations responding to Wombat Security's 2018 "State of the Phish" survey report experiencing phishing attacks in 2017 *(tinyurl.com/barkly-phish2018)*. Phishing is an attempt to obtain confidential information—including passwords, financial data and sensitive employee data, like personal health information and personally identifiable information—by tricking the victim into providing it (or into allowing the information to be obtained). Attackers can then use this information for personal financial gain, to gain an edge on competitors, and for blackmail or leverage.

Tiffany Tucker, systems engineer at Chelsea Technologies LLC *(chelsea-tech.com),* a business technology solutions provider based in New York, explains in an article by data protection provider Digital Guardian *(tinyurl.com/dgphishing)*, "A phisher's success is contingent upon establishing trust with its victims. We live in a digital age, and gathering [sensitive] information has become much easier ... We are well beyond the dumpster-diving days."

Understanding common phishing techniques is an organization's first line of defense. Although phishing tactics evolve alongside technology and security solutions, being aware of common practices assists in being proactive in defending against costly data breaches.

According to the Digital Guardian article, some of the most common phishing techniques include:

- embedding links in emails or ads that redirect users to an unsecure website where they are prompted to provide passwords or other sensitive PII;
- installing malware—or causing unsuspecting users to install malware by downloading innocuous-looking attachments, for example—with the specific intention of accessing otherwise-protected information through loopholes in virus protection software;
- faking the identity of an email sender to appear as a legitimate source and requesting sensitive personal or company information; and
- impersonating personnel, like members of an IT department or a known third-party vendor over the phone, in an attempt to obtain safeguarded data and information.

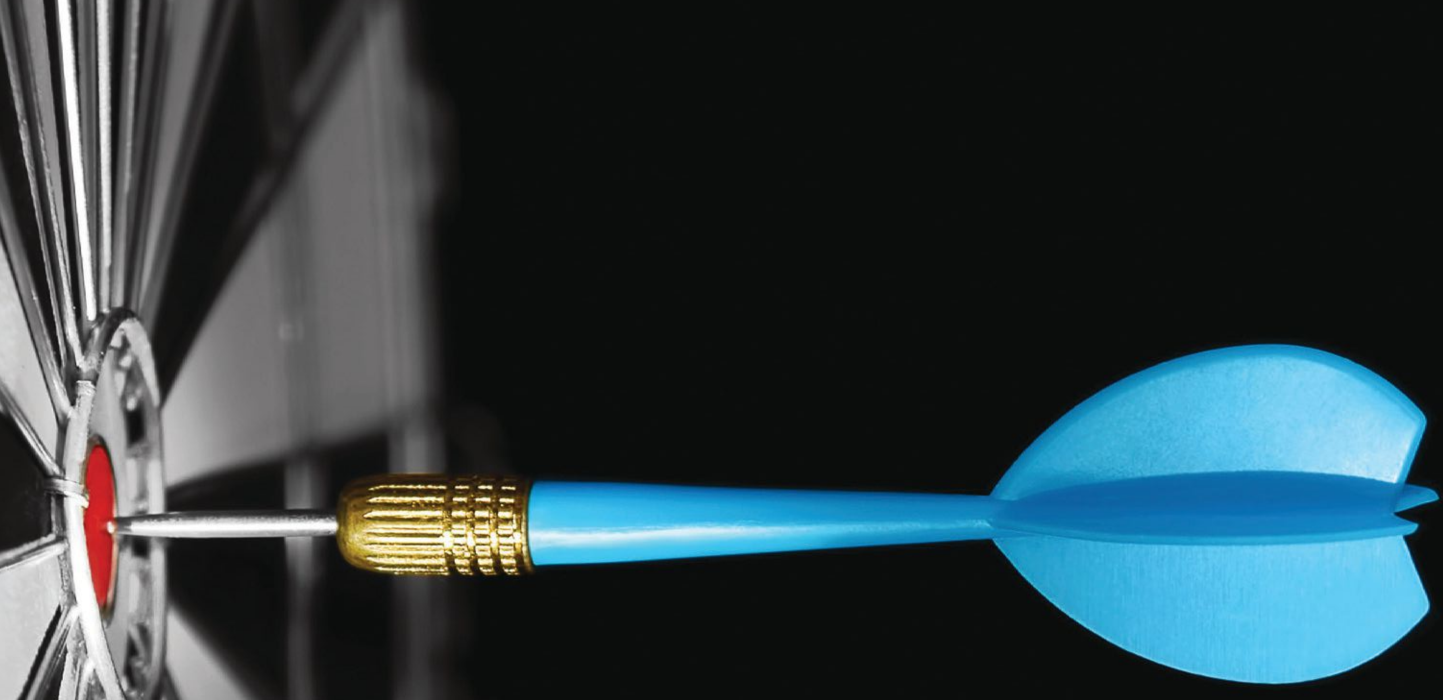
"When it comes to phishing, there is always something new," says Jim Stickley, CEO of Stickley on Security *(stickleyonsecurity.com)*, La Mesa, California. "One of the biggest problems people face is that they have seen phishing emails in the past, and they start to think they can recognize the difference between a legitimate email and a phishing scheme. For that reason, the criminals continue to change their techniques.

"One day, you might receive an email that looks like it was sent on behalf of Microsoft, informing you that your emails have been quarantined and you will need to follow a link in order to get the emails released. The next phishing attempt might look like it was sent from a co-worker—the email could include your name, specific references to the type of work that you do and a message as simple as 'Please take a look at this document and let me know if you think I should change anything.'

"For the average person, it is almost impossible to tell that the attachment is actually malware designed to take over their computer. Ultimately, any email can be malicious, and just when you think you can tell the difference between fake and legitimate, the criminals will change it up again."

To combat these attacks, CUs can implement security technology and procedures. A Cloud Security Alliance report, "The Treacherous 12: Cloud Computing Top Threats" (*tinyurl.com/yamxt2pr*), outlines several key safeguards: antivirus and spam-blocking software, adhering to a process for regularly installing patches and updates, firewalls, strong password requirements and multifactor authentication, and requiring encryption when transferring sensitive or confidential information—both for in-office and telecommuting employees.

But it is also critical to empower employees to protect themselves by educating them on best



MORE ON CYBERSECURITY

Data Security for HR (*cumanagement.com/1117hrsecurity*)

Successful Cybersecurity Strategy (*cumanagement.com/1117cyberstrat*)

Cybersecurity, an Interview with Jim Stickley (*cumanagement.com/podcast13*)

Wire Transfer Fraud: Confirm Before You Wire (*cumanagement.com/0817wirefraud*)

Tech Time: The Financial Sector's Best Cybersecurity Practices (*cumanagement.com/1217techtime*)

> **"The more information you post about yourself, the more it can be used against you."**
>
> – Jim Stickley

practices for keeping both their personal and work devices and accounts secure. Stickley notes that many organizations understand the need to run simulated phishing tests to aid this training.

"What we are finding is that this [simulation] seems to be the beginning and end of the cybersecurity education process for most," he says. "While testing your employees with fake phishing emails is important, it is only one small step when it comes to education and awareness. Cybersecurity is dynamic, and the risks you face change from day to day. For this reason, organizations need to implement year-round education and awareness training.

Stickley suggests providing comprehensive training quarterly as well as daily access to "awareness content." "Training should be designed to teach employees about the risks they face and how they can protect themselves and their organization," he explains. "Daily awareness is generally done through articles that cover the latest scams, breaches and vulnerabilities that have taken place over the past day or two."

Keeping employees up-to-date with the very latest techniques will help them spot and avoid new forms of attack. Ingraining an understanding of how day-to-day activities can affect their security and the security of the organization as a whole is also key.

The Digital Guardian's expert panelists suggest these best practices:

- Avoid mindless internet and social media browsing. You are much more likely to fall for a phishing attempt when you're being careless.
- When using social media sites like Twitter, be wary of impersonators of major brands. Look for slight misspellings or inconsistencies, especially when a company is requesting information from you. Legitimate companies will have blue check marks next to their handles to signify a verified account.
- Use caution when opening links from unfamiliar senders as well as when downloading anything from your direct message inboxes. "Links posted in social media can be just as malicious as links sent to you via email," says Stickley. "It's important to remember that your friends' social media accounts can be hacked, and those hacked accounts can be used to post links to malicious websites. The problem is that until you click the link, you don't know for sure if the site is legitimate or not. For this reason, you have to be very cautious about clicking on any link, even if posted by your best friend."
- Likewise, use caution when opening emails with attachments from unfamiliar senders. And even if a seemingly familiar person is requesting sensitive information, confirm with the supposed sender that the email is legitimate before disclosing confidential information.
- Understand that no credible website or company would request sensitive information like passwords, Social Security numbers, birth dates, etc., over email.
- Read web addresses carefully. If a site claims to be secure but the address does not begin with "https," it is fraudulent. Sites that begin with a numeric IP address rather than a human-readable domain name are often a scam.
- When using personal mobile devices on company Wi-Fi, avoid downloading apps that sync contact lists or have access to email accounts, as you may be exposing your colleagues to targeted "spear phishing" attacks by sharing their contact info with third parties. Also avoid clicking on ads and suspicious links, just as you would on a company computer.

Stickley adds a final warning related to social media—avoid providing criminals with bait to make their attacks more believable. "The more information you post about yourself, the more it can be used against you," he explains. "A great example is LinkedIn. Whenever I am hired to 'rob' an organization, the first thing I do is find all the employees who have LinkedIn accounts. From there I can learn who does what, often times even discovering critical systems that the organization deploys [based on job descriptions or listed skills].

"In addition, I can see how long an employee has been with the organization," Stickley says. "If I come across employees who have only been there a couple months, I target those individuals first, since they are far more likely to make mistakes and be tricked via spear phishing emails that appear to come from their boss."

When it comes to protecting your confidential data, being diligent, promoting education and continually updating and reinforcing security protocol are all key to maintaining the safety of both your employees and your organization.

Emily Erickson *is the proprietor of Emily Articulated* (emilyarticulated.com)*, based in Sagle, Idaho.*

Andrea Heger

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A leading credit union says this: "Franklin Madison goes above and beyond to put our members first. Their solutions are extremely relevant to our members, and they do an exceptional job executing focused marketing campaigns that are based on our goals and produce the outcomes we desire."

Another client says, "As a credit union that has provided accidental death and dismemberment coverage to our members in the past, we decided to add hospital accident plans and recuperative care coverage in April 2016. We could not be more pleased with the results. All three insurance solutions have been embraced by our members, and our credit union has consequently realized a lift in compensation."

Using Mobile to Provide *Instant Gratification*

BY STEPHANIE SCHWENN SEBRING

Mobile. It provides instant gratification and is the norm for practically everything. Think about its role in your typical evening out: deciding on a restaurant, getting directions, figuring out what to eat and buying movie tickets for afterward. And it's no different in a member's financial world.

"Understanding what your members want and instantaneously fulfilling their needs are non-negotiables in today's financial experience," stresses Cindy McGinness, manager/digital channels for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida. "The consumer not only wants but expects this instant gratification, without asking anyone for help."

Most CUs already offer a good mobile app, she notes, one that lets members manage their accounts and transact business. "However, it's crucial to use mobile to engage your members, to show what you can do for them and how you can fulfill their needs via the mobile experience," McGinness adds. "Ensure your app provides the immediacy your member craves, whether it's checking a balance, turning a card off or on, or making a quick payment."

"If you can't provide the tools that do this, look for partners that can," she continues. "Members will benefit from the enhanced capabilities, and you'll rest easy knowing that functionality and technology expertise doesn't rest with your mobile app alone."

The mobile experience should focus on ease of use, including the front-and-center display of key information, including whether the card is turned on or off, when the next payment is due and current balance information. McGinness explains these are the things that matter most to members and can help create confidence and convenience in the experience.

For example, PSCU's new digital offering, DX Mobile, combines features like card control functionality, payment options and fraud alerts. Members enroll directly within the app and, when logged in, can view transaction history; schedule and confirm payments, view previous payments and cancel payments; dispute transactions and request full or partial refunds; and report lost or stolen cards and suspicious transactions.

"We want to keep a credit union's card top-of-wallet and ensure it's not vulnerable to losing business because of a lack of mobile functionality," McGinness says.

As a longer-term strategy, McGinness says to watch for the digital issuance of cards so members can replace a lost or stolen card immediately. "Using their app, members will have their card credentials re-assigned digitally, with no lapse in service. This will allow a CU's card to stay top-of-wallet and could even be used to give new cardholders immediate access to card information."

When it comes to mobile, don't make the mistake of chasing the newest, shiniest technology, concludes McGinness. "Most important is understanding what your members want, and how you can fulfill those needs with a mobile experience that is quick, easy and intuitive—that provides instant gratification."

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

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Cupps Named 2018 *Next Top Credit Union Exec*

Lynette Cupps with CUES President/CEO John Pembroke

Lynette Cupps, VP/organizational development with $1.3 billion MAX Credit Union in Montgomery, Alabama, was named the 2018 CUES Next Top Credit Union Exec last month at CUES CEO/Executive Team Network™ in Nashville.

Her project, how to support non-profit organizations by partnering to provide training for their staff and volunteers, was chosen from a group of international applicants, all age 35 or under, whom a team of judges named as Finalists back in August. As one of five Finalists, Cupps posted blog and video updates over the past few months to provide the industry with insight into the project's progress, which culminated in a final presentation at CEO/Executive Team Network. Cupps emerged the winner after a four-part scoring process that included judging panel results, a measurement of her social media engagement, plus audience and online voting.

After having a conversation with an executive director at a local non-profit about the challenges they faced, Cupps developed her idea. Her project is a way to offer a strategic partnership with local non-profit organizations that often have passion and a volunteer base but lack formal training or processes to support their mission.

"Attendees at our CEO/Executive Team Network conference were excited that Lynette Cupps and the rest of this year's NTCUE Finalists continue to demonstrate that the future of the credit union movement is strong and the plans and ideas coming from this next generation of leaders are both smart and achievable," says CUES President/CEO John Pembroke.

The other four Finalists were:

- Blaine Bartholomew of $1 billion Unitus Community Credit Union, Portland, Oregon;
- Clark Duncan of $1.5 billion Fort Knox Federal Credit Union, Radcliff, Kentucky;
- Emily Strybosch of $4.4 billion Libro Credit Union, London, Ontario; and
- Jodi Maus of $1.0 billion Central Minnesota Credit Union, Melrose, Minnesota.

Cupps wins a $20,000 educational prize package that includes registration, accommodations and economy airfare to any two of the coveted CUES CEO Institutes—one in 2019 and one in 2020—and two remote coaching sessions from DDJ Myers Ltd., challenge sponsor and Silver CUESolutions provider for succession planning, executive recruitment and leadership coaching services. Watch for further updates on Cupps' project at *NextTopCreditUnionExec.com*.

CUES Inducts Three *Into Hall of Fame*

From left: CUES Immediate Past Chair/Director Chair Kim Sponem, Eileen Rivera, Marty Komsa, Cathie Tierney, CCUE, and CUES President/CEO John Pembroke

CUES is pleased to announce three credit union executives were inducted into the CUES Hall of Fame at CEO/Executive Team Network in Nashville last month:

- **Marty Komsa**, executive advisor/strategic planning and retired president/CEO of Windsor Family Credit Union, Windsor, Ontario;
- **Eileen Rivera**, recently retired president/CEO of SkyOne Federal Credit Union, Hawthorne, California; and
- **Cathie Tierney**, CCUE, president/CEO and treasurer of Community First Credit Union, Appleton, Wisconsin.

The CUES Hall of Fame recognizes a lifetime of achievement and dedication to the credit union movement. These extraordinary leaders were chosen by CUES' board of directors for their contributions to their profession and the industry; involvement in community service; and education and history of self-improvement.

To learn more about CUES Awards, visit *cues.org/recognition*.

Webinars

CUES members can attend all webinars (*cues.org/webinars*) for free and access a library of webinar playbacks.

DECEMBER 11 AND JANUARY 10
1 p.m. Central
More Benefits, More Value: Maximizing the Return on Your Investment—A Look at the New CUES Membership

DECEMBER 11
1 p.m. Central
CUES Execu/Net Session Follow-up: Board Obligations on Cybersecurity

DECEMBER 12
1 p.m. Central
Best Practices for Addressing Cyber Risks and Cyber Insurance

JANUARY 16
1 p.m. Central
The Dramatic Impacts of Document Tracking in Lending Automation

FEBRUARY 12
1 p.m. Central
Smart Makes the Difference: Using AI to Modernize Payments Business & Strategy

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A New Approach *to Growth*

What can not-for-profit hospitals and community banks teach credit unions in today's hyper-competitive and fast-changing business environment?

"Credit unions can learn from hospitals that 'shades of gray' structures can overcome concerns about maintaining organizational independence while allowing participating institutions to capture economies of scale," says Stephen Morrissette, Ph.D., adjunct associate professor of strategic management at the University of Chicago Booth School of Business, in "Shades of Merger Gray" (*cumanagement.com/0618shades*). "They can learn from banks about a holding company structure as a proven and successful shade-of-gray structure."

At Strategic Growth Institute™, to be held July 22-25 at the University of Chicago Booth School of Business Gleacher Center, attendees will learn how to identify and map out the right growth strategy for their credit unions. Expert faculty members Morrissette and Marc Knez, Ph.D., clinical professor of strategic management at the University of Chicago's Booth School of Business, will examine tactics for determining if a merger, acquisition or alliance is the best fit, the pros and cons of each, and how to seize these lucrative growth opportunities.

The four-day institute will leverage cross-industry case studies and peer consulting while conducting a thorough examination of the possibilities and challenges presented by mergers and the "shades" of affiliation available to credit unions.

Attend Strategic Growth Institute™ (*cues.org/sgi*), July 22-25, 2019, at the University of Chicago Booth School of Business Gleacher Center.

"Some shades are very light," says Morrissette. "These include simple cooperation agreements. Others are more complex joint ventures, analogous to some of the more complex credit union service organizations owned by more than one credit union. Others are 'darker gray,'" he explains, citing hospitals that join or merge with a hospital group but retain certain powers at the local institution level.

CEOs, operations and finance executives, and other executives involved in mergers, acquisitions and new business ventures are encouraged to attend Strategic Growth Institute. Limited seats are available for board members, so be sure to register early at *cues.org/sgi*!

2018-2019

CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE
Jan. 27-31
Grand Hyatt Baha Mar
Nassau, Bahamas

EXECU/SUMMIT®
March 10-15
Westin Snowmass Resort
Snowmass Village, CO

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 7-12
The Wharton School
University of Pennsylvania
Philadelphia

EXECU/BLEND™
April 28-May 1
Hyatt Regency Sonoma Wine Country
Santa Rosa, CA

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 28-May 3
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 5-10
UVA Darden Executive Education
Charlottesville, VA

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
May 6-9
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
May 6-10
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 2-5
Rotman School of Management
University of Toronto

CUES SCHOOL OF STRATEGIC MARKETING™
July 15-18
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 15-19
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

STRATEGIC GROWTH INSTITUTE™
July 22-25
University of Chicago
Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 29-30
Portola Hotel & Spa at Monterey Bay
Monterey, CA

DIRECTOR DEVELOPMENT SEMINAR
July 31-Aug. 2
Portola Hotel & Spa at Monterey Bay
Monterey, CA

EXECU/NET™
Aug. 11-14
Summit at Big Sky Resort
Big Sky, MT

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
Aug. 11-16
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

CUES SCHOOL OF MEMBER EXPERIENCE™
Sept. 9-10
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San Diego–Mission Valley

CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING*
Sept. 9-13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

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

CUES SYMPOSIUM

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- Tapping into talent to drive value creation
- How to lead an engaged and inclusive credit union
- The imperfect board member
- Driving performance and culture through trust

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Remember, the CEO and board chair must attend together, so sign up at the same time.

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The War to *'Develop' Talent*

BY GREG LONGSTER

I bet you're seeing "the war for talent" everywhere in your reading right now.

That's because it's real.

This fight comes from lots of companies vying for the available talent as baby boomers retire from a great number of leadership roles—more roles than the next generation can currently fill.

Winning the war for talent means getting creative. For example, some companies are hiring back former executives in contract roles. A key for credit unions will be making sure to win on a major battlefield: the one to develop talent.

As an executive recruiter, I'm often involved in succession and leadership development planning. I recommend starting down this road to developing talent by figuring out who on your team has the potential to move up to the next level in leadership. Talk with the people you identify to find out if they aspire to such growth. If they do, create a development plan for each individual on your list.

Since credit unions are often small organizations with plenty for each person to do already, an individual's development plan might include stretch projects like covering for a leader who's on leave, taking the lead on a core conversion or spearheading a new branch opening. Be sure to track your potential leaders' progress and to stop short of promising "you will be the next COO." Indeed, best practices suggest that you shouldn't automatically hire your internal candidates but rather consider them carefully alongside external applicants for an open position.

Even with your best efforts to broaden your candidate pool, today's market is so tough that you still might not find a single candidate who optimally fulfills every characteristic you seek. In this case, you might be best off promoting someone you know, who's already acclimated to your culture and can hit the ground running.

Maybe in a decade and a half, when the boomer retirements are largely over, there will be more balance in hiring, and credit unions will feel less pressure about it. But for now, winning the war on talent is critical. And winning the war to develop talent is a key battleground.

Greg Longster *is a partner in Leaders International Executive Search* (leadersinternational.com)*, Vancouver, British Columbia, CUES' strategic provider of executive recruiting services.*

Leave a comment on this post at cumanagement.com/100318skybox.

Our Favorite *Recent Posts*

"With board involvement in a well-planned CEO transition, there is potential for a seamless changing of the guard, engaging everyone involved. Boards should have a primary voice in these important decisions and are vital to planning well before a transition begins."

Mary Van Skiver, senior manager, and Heidi Bolger, founding principal of the Rehmann consulting division (*rehmann.com*), Troy, Michigan, in "The Guiding Light Of CEO Succession" on CUES Skybox: *cumanagement.com/101518skybox*

"Data visualization … can help [credit unions] make decisions with greater confidence and accuracy on activities related to enhancing member experience, growth, loyalty and engagement. … Right at the onset, credit unions should internalize the three most important principles of good visualization, the three s's: simple, standard and scalable."

Karan Bhalla, CEO of CU Rise Analytics (*cu-rise.com*), Vienna, Virginia, in "Three Principles of Good Visualization" on CUES Skybox: *cumanagement.com/110518skybox*

"Another method I have found very successful in creating a culture of security and building good security habits is consistency. Security must not be something we talk about just once a year, or (even worse) only during new employee orientation. Security must stay front of mind. Can you send out a monthly quiz? … Can you send out videos or a challenge every month to all users?"

Andrea DiGiacomo, COO of Think|Stack (*thinkstack.co*), Baltimore, in "Building a Culture of Security" on CUES Skybox: *cumanagement.com/102218skybox*

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