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MARCH 2018 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

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Why? What can be done?

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Rethinking overdraft fees

MARKETING
Hispanic market opportunity

RESEARCH
CU holding companies explained

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CUES Podcast

Episode 47: The State of CU Governance

In this episode, we discuss the *State of CU Governance, 2018* with Michael Daigneault, founder and CEO of Quantum Governance L3C. Based on CUES' Board Governance Assessment data collected over five years, this report draws six key conclusions about the current state of credit union governance.

Subscribe via iTunes, Google Play or Stitcher (*cues.org/podcast*).

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YOUR THOUGHTS

WHY ARE CREDIT UNIONS THE BEST KEPT SECRET IN THE FINANCIAL WORLD?

>> Email **theresa@cues.org** and let us know your answer. Your response could appear in a future issue or on our social media sites.

Having Our Pie *and Eating It, Too*

Welcome to the new and improved *CU Management*. Our talented team of designers and editors has been hard at work to enhance this magazine, your favorite CUES member benefit.

As the credit union industry is changing, so is the magazine world. The death of brick and mortar has been foretold for years, and so has the death of print. But neither credit union branches nor print is really going away. Indeed, the function and format of branches have evolved to be part of a broader, omnichannel member experience. We're doing something very similar with *CU Management* and its online counterpart (*cumanagement.org*), evolving to best take advantage of each channel's strengths.

Just like you try to give members a great experience with each of your delivery channels, we are striving to bring you, our readers, the best possible experience in each content format. Our survey says you spend 46 minutes with a typical issue, and we want those 46 minutes to be terrifically useful and inspiring.

In the print pages of *CU Management*, you'll find in-depth information for credit union leaders, including analysis and strategic ideas for addressing the issues you're most concerned about. For example, this month's cover story, "Same Size Slice" (p. 12), is a longer feature that dives into the question of why credit unions aren't more popular with consumers, even though they're such a great idea for them. It's a question that is discussed at almost every industry gathering. We explore what some credit unions are doing to grow in their markets and what more can be done.

One way some CUs are increasing the size of their slice of the financial services industry pie is by reaching out to Spanish-speaking members and potential members. Read how four credit unions are finding success with this demographic in "Speaking Their Language," p. 24.

CU Management readers also help to raise our industry's profile. For those of you who want to take your career to the next level, read the stories of two credit union executives who do way more than just run their own credit unions on p. 18, and another online at *cues.org/0228skybox*.

That brings me to the online portion of our publication. On the last page of each print article, you'll see a listing of three to four (and sometimes more!) related online articles or other resources. At *cumanagement.org*, you'll find a robust website with thousands of articles. There, we are able to provide quicker takes on breaking news and provide more content for everyone, from next-generation leaders to the CEO and everyone in between.

Finally, in the new *CU Management,* we are tackling the problem of silos. We think each print article should be read by every credit union leader and board member. But we recognize that you are very busy. So, for when you don't have the full 46 minutes to read the magazine cover-to-cover, we've made it easy to see which articles are most relevant to your role. Look in the top left and right corners of the pages for guides like "C-Suite," "Board" and "Marketing."

We hope you like our new look, and we're eagerly awaiting your feedback. Email *theresa@cues.org* to share your thoughts.

P.S. Doesn't this cover make you want a piece of pie? What is your favorite flavor?

Theresa Witham

Theresa Witham
Managing Editor/Publisher

CU Supports *Business Education*

First Florida Credit Union has committed $250,000 over five years to support business education initiatives at Florida State College at Jacksonville, including a new Business Speaker Series and funding for the college's Financial Skills Academy.

The Business Speaker Series launched in the fall, featuring business leaders discussing topics including entrepreneurship, taxes, health care, investing and other issues. The presentations are open to college and high school students, military personnel and other groups, with the goal of enhancing financial education in the community.

Support for the Financial Skills Academy is intended to broaden outreach about the program, which is offered at no cost to FSCJ students and faculty. The academy sponsors four certification courses through classroom and online learning on topics from basic personal finance management to investing.

The college and $846 million First Florida CU share a commitment to financial education, says Brent E. Lister, president/CEO of the Jacksonville credit union (*firstflorida.org*). "Our missions are closely aligned in this cause, and the Financial Skills Academy programming complements the lessons we strive to teach our members through outreach and educational initiatives at the credit union."

Speakers for the business education series are selected by a committee that includes FSCJ professors, executives and foundation representatives and members of First Florida CU's board and senior management.

"When exploring how we could make a broader impact, we kept coming back to a question that struck a chord with our team: How do we create a forum where our students—our future workforce—can have access to the current business leaders in our area?" Lister says. "Our partnership with FSCJ is a perfect fit as we're educating not only local students, but also the community at large, so that they (the students) can become our future business leaders."

LETTER TO THE EDITOR

AVOID CRACKS IN YOUR MEMBER RELATIONSHIP STRATEGY

In this CUES Skybox blog post, Patrick True *writes about four pillars of relationship management. Read the post at* cues.org/010818skybox.

These are absolutely wonderful pillars and spot-on. To take care of these four pillars, I would recommend that credit unions make their relationship management strategy a system. Who is going to do what and when? Everyone (from the CEO to the branch managers to the marketing director to the tellers) has a role to play. Whether it is sending a video message or writing a personal note, developing a member relationship strategy takes a great deal of coordination and detail work.

Mark Arnold
President
On The Mark Strategies
Carrollton, Texas
markarnold.com
Via *cues.org*

"Strategy—it always sounds good until it meets the realities of the marketplace .... Good strategic thinking builds in contingencies. It's constantly asking the question 'what if?'"

Jim Austin, president of JH Austin Associates (*jh-austin.com*) in the video "What is Strategy" (*tinyurl.com/ybdlrlo2*). He will lead a session on strategy at CUES' Execu/Blend, April 29-May 2 in Santa Rosa, Calif.


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Same Size *Slice*

AS THE FINANCIAL SERVICES PIE HAS GROWN, CUs' PIECE HAS NOT. WHY? WHAT CAN BE DONE?

BY KAREN BANKSTON

By many measures, U.S. credit unions have made big gains over the past decade. More than a third of all Americans are now members, and total assets held by federally insured credit unions have grown 81 percent since 2007 to $1.36 trillion. A longer look back in a recent study by the Federal Reserve Bank of Philadelphia shows that credit unions have grown faster than both large and small banks since 1984, as a percentage of total asset growth.

That's the good news.

On the downside, according to the same study, credit unions' total share of all assets and loans held by U.S. depository institutions remains a relatively meager 7.1 percent (based on 2015 data). As the economy has rebounded in recent years, the CU industry has grown—without making significant gains on the competition. Though CUs have burnished their reputation as the place to go for car loans, they continue to struggle to win their members' mortgage, card and deposit business.

Any discussion about what's holding CUs back and how they can gain ground must acknowledge that size matters and not all fields of membership are created equal. There is a growing gap between large and small organizations in increasing member ranks and wallet share. CUs with $500 million or more in assets, which account for 9 percent of all federally insured credit unions but hold 76 percent of total assets, made steady gains in membership, loan volume and total assets for the year ending Sept. 30, while smaller credit unions, on average, posted losses in those areas.

Their defined fields of membership and regional economies also afford some credit unions market advantages. While some small financial cooperatives are engaging successfully with their member base (*read about some of them at* cues.org/0118tiny), for the most part, scale affords a significant edge in executing growth strategies.

That advantage is most obvious at the top of the financial services food chain, dominated by the largest U.S. banks. Chase by itself holds more domestic assets ($1.6 trillion) than all U.S. CUs combined. Such scale and name recognition give big banks an advantage that scathing headlines and loudly broadcast consumer complaints can't dent, contends Mark Rosa, CEO of $900 million/62,000-member Jefferson Financial Federal Credit Union (*jeffersonfinancial.org*), Metairie, La.

"Even people who say they hate the big banks—that's where they bank," says Rosa, a CUES member.

At the same time, CUs that have expanded their fields of membership to welcome wider swaths of people through community charters and a commitment to serve underserved areas must still contend with persistent misconceptions.

"We're putting up billboards for everyone to see, but people still assume membership is bound to employment with certain companies," Rosa says.

"If they know what credit unions are at all, they think about them the way they were in the 1980s. Credit unions face an ongoing challenge to convey our value proposition. We just keep plugging."

USE ALL AVAILABLE TOOLS

Jefferson Financial FCU's tenacity has paid off in steady organic growth, which in combination with several mergers, made it the largest state-chartered credit union in Louisiana. And when the credit union ran up against the limitations of state regulations, which do not permit community charters to widen the scope of membership, it converted to a federal charter in late 2016.

With that conversion, Jefferson Financial FCU was able to add Orleans and St. Tammany parishes to its field of membership, widening its market in greater New Orleans. It also completed two mergers that added $160 million in assets to its books.

To further expand its ability to serve members, Jefferson Financial FCU worked with the CUSO CU Capital Market Solutions (*cucapitalmarketsolutions.com*), Overland Park, Kan., to develop a $12 million secondary capital plan, prepare the National Credit Union Administration application and fund the capital, which came from credit union organizations. As one of the first CUs in the country to put a secondary capital plan in place, it plans to use the income from this infusion of capital to invest in technology, products, services and infrastructure to better serve members and fulfill the intent of its low-income designation.

"Members come in and put down $5 to join and then borrow $10,000 to buy a pickup truck to get to work. You don't need many of those loans to get up to 100 percent loan-to-share," Rosa notes. "We're serving the people we set out to serve, but we need nonmember deposits and secondary capital to do that."

GET NOTICED

Ongoing consolidation should help larger continuing credit unions expand their profile in the communities they serve, he suggests. With Jefferson Financial FCU's 14 branches across Louisiana, "local advertising has a greater impact. People see multiple offices and more advertising, and they start to put it all together," he says. "We'll tell a local credit union that we're spending a $1.5 million a year on advertising, and they can't get close to that. That's just a reality."

Top-of-mind awareness is a challenge that each CU must tackle, says Glenn Christensen, president of CEO Advisory Group (*ceo advisory.com*), Kent, Wash. "Until we get that figured out, we'll ... climb an uphill battle in terms of building market share."

Over the years, CEO Advisory Group has conducted comparative research for CUs on awareness of financial institutions in specific markets. When asked about where they'd go for a checking account, car loan or mortgage, consumers typically don't list a credit union in their top three or four options, Christensen notes.

On the other hand, once credit unions are on consumers' radar, "people quickly understand their value proposition, and all the components that go into the selection process fall in credit unions' favor, whether it be price, access to knowledgeable employees or understanding that employees are working in members' interests to find the best solutions for them," he adds.

Delivering value worked to the advantage of several credit unions that made *Money* magazine's 2017 "Best Bank in Every State" list (*time.com/money*). CUES member Jeff Disterhoft, president/CEO of $4.6 billion/170,000-member University of Iowa Community Credit Union (*uiccu.org*), sees his organization's inclusion on that list as a reflection of its commitment to offer competitive pricing and consumer-friendly fees and account requirements. More important than that national notice has been its growing market share in core financial products—auto, mortgage and credit card lending and deposits—at about 20 percent annually.

"In the core four markets we serve, our automotive market share has grown from 12 percent to 18 percent over the past five years, and we're frequently the largest automotive lender in the state of Iowa now," Disterhoft says. At the same time, the North Liberty, Iowa, credit union has gone from being the third largest mortgage lender in its local market roughly 10 years ago to the largest purchase-money mortgage lender in the state. Its deposit growth makes University of Iowa CCU the state's third largest depositor among both banks and credit unions.

He credits that to being "myopically focused" on providing members "the most cost-effective products available in the market. That all starts with our business model, which calls for relatively low operating costs allowing us to pass those savings on to our membership in the form of great rates on both loans and deposits."

First Tech Federal Credit Union (*firsttechfed.com*) made *Money*'s 2017 list for both California and Oregon and was named its "Best Credit Union for Everyone" in 2016. It was also touted in a *Forbes* (*forbes.com*) roundup of "best mobile banking apps of 2017" for the "overall most improved app" based on an annual study by MagnifyMoney. That kind of positive buzz adds to CEO Greg Mitchell's confidence that the $11.3 billion CU, already the seventh largest U.S. CU by assets, will achieve its goal of doubling its current 500,000 members over the next five years.

Beyond favorable rates, including dividend reward checking with a current 1.75 annual percentage yield, the CU is committed to "sharing the love" with favorable pricing and top-rate digital services that meet the expectations of its membership, which includes employees of Amazon, Microsoft and Intel, says Mitchell.

Toward that end, First Tech FCU was the first CU to join the consortium behind the P2P mobile payment solution Zelle® (*zellepay.com*), which includes Chase and Bank of America, as part of its commitment to develop "a winning brand that delivers great experiences."

In addition, "we want the experience of walking into a First Tech branch to be uniquely different than walking into any other financial institution," Mitchell says. "It's unusual in the U.S. economy for individuals to walk out of a financial institution and say, "I feel that this organization is really advocating for me and my family.' This approach has created significant improvements in our Net Promoter Scores. Our members are saying, 'We like what you're doing. Keep it up.'"

FOCUS ON PRODUCTS WITH POTENTIAL

The gains made by these credit unions illustrate a fundamental strategy: Rather than setting a goal to build overall market share, target specific product lines and the competitors in those sectors, recommends Steve Williams, principal with CUES Supplier member and strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz. He shares data from reliable sources in key product lines, as of Sept. 30:

- Credit unions held a 19 percent share in auto lending, according to AutoCount (*autocount.com*) from Experian Automotive.
- Just over 9 percent of the U.S. domestic deposit market was held by credit unions, according to SNL Financial (*marketintelligence.spglobal.com*).
- The Mortgage Bankers Association (*mba.org*) reports that credit unions hold 8.1 percent of first mortgages.
- Credit cards may hold the greatest potential for growth, as credit unions account for 5.7 percent of revolving loan balances, according to the Federal Reserve (*federalreserve.gov*).

"Generally, credit unions are making progress in all those areas, but they should be talking about their auto loan market share, their mortgage market share, their credit card market share, and their checking and deposit market share individually, because the competitors and strategies are very different for each of these markets," Williams says.

Of course, CUs could still grow their share of auto loans, but they are holding their own in that sector, he suggests. Each of the other product lines is dominated by a different lineup of big national companies—the top 10 credit card companies, the top 10 mortgage lenders and the top 10 banks for deposits and checking accounts.

"They're trying to compete in these areas where there are big-scale players, and that can be intimidating," Williams acknowledges. "How do credit unions keep up with Chase's mobile app and Capital One's credit card offerings and Quicken Loans' mortgage technology all at the same time? They're fighting for awareness and consideration as customers are making product decisions, so they need to shore up their product and marketing sophistication."

PARTNER UP

Gaining market share in those key product lines requires that credit unions partner with strong technology vendors and maintain a talented internal IT staff to lead efforts "to mature up their product offerings and figure out new ways to market to and engage members via digital channels," Williams adds.

Credit union service organizations continue to offer opportunities for CUs to grab more market share in crucial product lines. CUDL from CUES Supplier member CU Direct (*cudirect.com*), Ontario, Calif., was instrumental in helping CUs start to compete on a national level for auto loans, and CUES Supplier members PSCU (*pscu.com*), St. Petersburg, Fla., and CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, Calif., provide platforms to achieve scale in the payments arena, Williams notes. Other CUSOs may introduce the "next big thing" in mortgages or digital services.

Canadian CUs are working together to chip away at the "best-kept secret" problem. The Canadian Credit Union Association (*ccua.com*), Toronto, and its National Marketing and Advisory Committee commissioned the National Credit Union Awareness and Perceptions Study in 2016-17 with a focus on nonmembers ages 20 to 44. A central finding was that 39 percent of nonmembers across the country don't know anything about CUs, with a higher rate in Ontario where financial services are dominated by five big banks, says CCUA President/CEO Martha Durdin.

To overcome that barrier and help Canadian CUs build on their current 9 percent market share, the study recommended developing and adhering to a simple, common definition for staff and members: "Credit unions are financial institutions, just like banks in most ways, and they are open to anyone."

The Canadian CU scene shares some market challenges and opportunities with financial cooperatives in the U.S.; for example, the dominance of big banks is offset in some regions where CUs have established a greater foothold. Caisses populaires (people's banks) command a large market presence in Quebec and Manitoba, and Vancouver, British Columbia, is a CU-friendly city. In some regions, credit unions do well in real estate lending; in some small markets, CUs have a significant business services

New NCUA *'CURE' for Growth*

OFFICE OF CREDIT UNION RESOURCES AND EXPANSION OFFERS SUPPORT FOR MARKET SHARE DEVELOPMENT.

BY KAREN BANKSTON

The National Credit Union Administration is supporting efforts to grow market share through its new Office of Credit Union Resources and Expansion. In introducing the office in January, its director Martha Ninichuk set out its charge simply: "Let us help you grow."

With a primary mission to assist credit unions through the stages of expansion and strategic development, CURE grew out of the reconfiguration of the Office of Small Credit Union Initiatives and parts of the Office of Consumer Financial Protection and Access. Its staff of "access coordinators" are assigned to assist with chartering, charter conversions, bylaw amendments, field-of-membership expansion, low-income designation, grant and loan programs, and a new program specifically designed to preserve and grow minority depository institutions. CURE (*youtube.com/user/NCUAchannel)* will also offer training on operations, governance and regulatory compliance.

presence, Durdin notes. The goal is to build on those foundations.

Canadian CUs have also seen their share of consolidation, with their ranks declining from 325 to 207 over the last three years. A difference from the U.S. market is that Canadian CUs have moved away from closed bonds; within their provinces, they can serve all consumers. There's also a federal credit union model, but currently only one financial cooperative is open for business across the nation, though several others are considering that option, she says. (*Read more on this in "The Launch Pad for Strategy" on p. 20.*)

CCUA has shared its research findings and recommendations with member CUs and incorporated new messaging into its communications and marketing. This year the association is launching a major social media campaign, primarily via Twitter, Facebook and Instagram, to reinforce the benefits of CUs.

"First, we have to tell them what credit unions are, because they don't know," Durdin notes. "The example we use is milk: If you don't know what milk is, there's no point in trying to sell it."

Social media offers the advantage of a cost-effective reach across a big country, with the ability to target audiences and take advantage of "evangelists"—existing individual and business members who love their CUs and are willing to pass the message on, says Suzanne Peters, CCUA's AVP/communications and member relations.

FROM ANALYTICS TO RELEVANCE

Not every CU is actively pursuing new member recruitment, notes Mark Weber, CEO of Weber Marketing Group (*webermarketing.com*), a CUES Supplier member in Seattle. Some focus instead on building wallet share, a potentially more profitable approach given the lower costs of marketing directly to existing members who know (or should know) their credit union's value proposition.

Sooner or later, though, credit unions recognize that they must grow membership to shore up an aging member base and gain relevance and their share of existing and new markets. And that's when the going gets tough for many organizations.

"The farther they get away from the core membership they've served for years and years, the harder it is to build awareness and grow market share," Weber says. "What worked in the market they've been serving for 30, 40, 50 years doesn't necessarily make them successful and relevant in a market where their brand is not known."

To begin to address that challenge, Weber recommends CUs first identify their current "power users" and then extrapolate that model into the market of potential members: Who's been joining over the last several years? Which member segments create the most loans, checking accounts, active credit cards and other payments? Which of those ideal segments will likely grow in the next five years? By answering such questions, CUs can identify the types of members who gravitate toward their services and build their growth strategies around those profiles.

The science of lifestyle segmentation—moving behind simple demographic classifications to more specific member attitudinal profiles—is getting "stronger, richer and deeper," Weber says. Weber Marketing Group's segmentation model classifies financial consumers into 58 distinct segments, including 11 for millennials alone based on marital and family status, buying power, plans for homeownership and levels of student loan debt, as examples.

"Once you've identified that strategy, you can begin to humanize it for all employees in the form of 'persona mapping.' You can build in behavioral data, product, payment and channel usage, where people live and shop, and a slew of information and big data insights about their values, media consumption and habits," he explains.

Based on these profiles of ideal member segments, CUs can build a brand focused on their needs and preferences, find the best branch locations, and tailor their offerings.

"Instead of pushing generic products through a sales culture, credit unions can become completely personalized to each individual member at the right moment in the right channel," Weber adds. "They want help that is specific to their needs, and you can be right in front of them with the right content and products at the right time, not a bunch of irrelevant product cross-selling."

> **"I don't think credit unions can afford to be bland in ... how they reach out to these different segments."**
> — Glenn Christensen

SEEK OUT NICHES

Christensen recommends understanding what's essential for a sub-segment of the market with specific needs for financial services that aren't widely available. Begin by gearing efforts narrowly toward that market, which might be defined by demographic, business types or other commonalities (such as solar panel loans). Then, find novel ways to convey how the CU can meet those needs as a means to optimize the return on a small marketing budget.

"I don't think credit unions can afford to be bland in terms of how they reach out to those different segments," he adds. "Especially small and medium-sized credit unions can't be all things to all people. Resources are limited, so they have to pick and choose the strategies they want to pursue."

For CUs looking to tap a market with significant growth potential, Miriam De Dios Woodward suggests investigating ways to better serve Spanish speakers in your community. This group is among the fastest-growing and youngest in the country, says De Dios Woodward, CEO of Coopera Consulting (*cooperaconsulting.com*).

"For every credit union looking for ways to lower the average age of membership, this is a very young market," she notes. "And Hispanics are one of the most financially untapped groups in the United States." (*Read more in "Speaking Their Language" on p. 24.*)

BUILD AND ALIGN TO YOUR BRAND

CUs can overcome a slew of obstacles to building market share by identifying what sets them apart from the competition and building their brand on those distinctions, Weber says.

"When credit unions define and focus on their brands and identify the relevance of their brands to a specific set of target audiences, everyone heads in lock-step toward that future," he says. "Everyone can articulate what makes them different—beyond low prices and good service. And it can unleash innovation in service and technology."

Developing a distinctive brand can also transform the corporate culture, from the frontline to the back office to the C-suite and boardroom with the right training and shared language, Weber notes.

"Don't just think about millennials as prospects and members. Think about millennials on the job," he advises. "They will make up 65 percent of the workforce within the next four years. What motivates and inspires millennials? Working at a place that knows what its brand is—and being able to look out to the future, knowing exactly who we are serving and what makes us unique can inspire and engage employees in a shared purpose."

Disruption won't come just within financial services, Weber cautions. CUs should be at the potential dwindling of their bread-and-butter auto loan business given disinterest among young consumers and the shift toward ride sharing and self-driving vehicles, he recommends.

"That may be jumping way ahead, but I think it's reflective of realizing how fast technologies like artificial intelligence and consumers are changing and how significantly credit unions need to be rethinking what their focus should be to stay relevant," he adds.

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

The Many Dimensions *of CU Market Share*

OVERALL TRENDS IN THE CU INDUSTRY

NCUA reports a good year:

- Total assets in federally insured CUs rose by $86 million (6.8 percent) over the year ending Sept. 30, to $1.36 trillion.
- Total loans outstanding increased $90 billion (10.6 percent), to $937 billion.
- Federally insured CUs added 4.3 million members, for total combined membership of 110.5 million.

BUT gains are concentrated in largest CUs:

- $1 billion+ CUs grow in numbers (to 284, up from 268, holding $858.8 billion in assets, 63 percent of total); loan growth of 14.7 percent, membership up 9.2 percent.
- CUs in $500 million-$1 billion range (246, up from 230, holding combined $173 billion, 13 percent of total); loan growth 9.9 percent; membership up 4.9 percent.
- For CUs under $500 million, average membership declined; for 3,362 CUs with under $50 million, average loan volume and net worth declined.

MORTGAGE LENDING

CU real estate loans rose $41.5 billion (9.9 percent) over the year to $462.5 billion, according to NCUA's Q3 2017 report. Experian reports that CU mortgage originations for Q1 2017 rose 7 percent over two years, while originations by banks dropped from 37 percent to 33 percent.

BUT banks are no longer the biggest competitors in the home loan arena. Nonbank lenders like Quicken Loans originated half of all mortgages in Q1 2017.

AUTO LENDING

Experian reports CU auto loan originations increased from 1.54 million in Q1 2015 to 1.93 million in Q1 2017 (up 25 percent). In Q1 2017, CUs led in auto loan originations (28 percent share) over banks (25 percent), captive financing (25 percent) and finance companies (21 percent).

BUT auto loan prowess doesn't carry over into other loan products. Banks continue to hold the lion's share of credit card business, originating 96 percent of that product line in Q1 2017, compared to 4 percent by CUs.

CREDIT CONSUMERS

A quarter of U.S. consumers have one or more CU lines on their credit reports, according to Experian.

BUT only 20 percent of consumers with CU loans are millennials; only 1 percent are Gen Z.

Sources*:* NCUA Releases Q3 2017 Credit Union System Performance Data (*tinyurl.com/q32017ncua*); Experian's State of Credit Unions 2017 report (*tinyurl.com/expstateofcu2017*); Housing Wire: Here are the top 10 lenders dominating the mortgage market (*tinyurl.com/housingwiremortgagerport*)

MORE ON GROWTH

Why Choose Our Credit Union? (*cues.org/0218choose*)

Acts of Redstone (FCU) Brightness (*cues.org/0218acts*)

Avoid Cracks in Your Member Relationship Strategy (*cues.org/010818skybox*)

CFO Focus: Should You Be Serving Political Subdivisions? (*cues.org/0118cfofocus*)

CUs Will Feel the Decline of the Middle Class (*cues.org/0118cus*)

Tiny, But Fierce (*cues.org/0118tiny*)

Strategic Growth Institute, July 23-26, University of Chicago (*cues.org/sgi*)

Raising *Your Profile*

TIPS FROM INDUSTRY LEADERS ON HOW TO HAVE A POSITIVE IMPACT ON THE MOVEMENT IN ADDITION TO YOUR OWN CREDIT UNION

BY PAMELA MILLS-SENN

For some credit union executives, it's enough to lead their own organizations; others aspire to become industry influencers. Achieving influencer status requires time, commitment and passion for the greater good.

But what exactly does being an industry leader mean? And, how does one go about attaining this?

"An industry leader is someone who is recognized by his or her peers within and outside of the industry as an expert in the field," says Greg Longster, partner with CUES strategic partner Davies Park Executive Search (*daviespark.com*), Vancouver, British Columbia. "To become an industry leader, someone has to have gained a high profile in the industry. This is largely achieved by holding a senior and influential position within a major organization within the industry. However, it's also based on accomplishments and achievements that are viewed as influential or innovative."

How to start? Look for opportunities that stand to impact your CU and potentially the industry as a whole. Looking for ways to help other CUs will enhance your profile and will help others to see you as a "thought leader," Longster explains.

But be selective and strategic, he advises. "Someone should first think about what he or she would like to be known for and why. Ideally, they have a particular interest, passion and/or skillset in an area they can pursue and leverage.

"Volunteering in areas that don't align with the objectives can actually do more harm than good in terms of building a reputation and a profile," he cautions. "It can cause market confusion and be 'off-brand.'"

The industry leaders interviewed here share two commonalities—a willingness to work hard and become involved, and a passionate desire to promote, protect and serve the CU industry.

BILL KISS, CO-CEO

It may seem as if having to share the spotlight would grate, but in fact, CUES member Bill Kiss, CCD, co-CEO of $1.9 billion G&F Financial Group (*gffg.com*), Burnaby, British Columbia, sees nothing but pluses in splitting the duties with co-CEO Jeff Shewfelt, also a CUES member. For one thing, says Kiss, his ego remains in check, keeping him open to listening to other points of view. It has also given him more time to collaborate with various credit unions across Canada and the U.S., learning from them what works and what doesn't.

Kiss has been with G&F Financial Group since 1996, serving in his current position since 2011. His leadership activities are numerous and ongoing. These include, but are not limited to:

- **serving on the board of directors for Central 1** (*central1.com*), the primary liquidity manager, payments processor and trade association for its member CUs in British Columbia and Ontario. This is his fifth year with Central 1 and his second as vice chair of the organization.
- **serving in his fifth year as director of CUMIS** (*cumis.com*), a division of the Co-Operators Insurance Company, which provides 85 percent of Canadian CUs with insurance products and services.
- **serving on the CEO Payments Strategies Committee**, a national committee comprised of CEOs and formed with the objective of modernizing and evolving the payment system in Canada.

For Kiss, an industry leader focuses on the good of the *entire* credit union system, getting credit unions talking with each other and fostering collaboration. Given this perspective, it's little surprise that when asked what it takes to be such a leader, Kiss cites building a large network within the CU industry, enabling collection of many different viewpoints. He also describes establishing a network as one of his own best career decisions.

"Getting to know as many people as possible and building close relationships with them encourages greater sharing of strategies and helps you understand what is going on around you," he says. "This enables you to make better decisions that benefit not just your individual credit union but the credit union system as a whole."

To this end, he attends as many conferences as possible and advises others to do the same. It's not just because there is value in the conferences themselves, he adds, but because there's also a huge value in the people you'll get to meet.

His tip for those who want to assume a greater leadership role in the industry? "An important part of being a leader is finding a cause that requires leadership. It's not about you but about the change you're trying to bring about. Also, encourage your team and others in the organization to become involved. This will not only result in greater recognition of your own leadership, but will lead to greater recognition of the skills of your organization."

LYNETTE W. SMITH, PRESIDENT/CEO

Ask her what it means to be an industry leader, and CUES member Lynette W. Smith, president/CEO of $109 million Washington Gas Light Federal Credit Union (*wglfcu.org*), Springfield, Va., will initially bat away any suggestion that she, in fact, is one.

"But when I look back over my journey, I *have* made an impact. I guess I really *am* a leader," she says. "It's very easy to do something you're passionate about," Smith continues. "Credit unions have done so much good to help their members achieve their financial dreams. So raising the awareness of politicians and potential members became my mission and my goal for the credit union."

Of her 29 years in the credit union industry, Smith has been in her current position with Washington Gas Light FCU for almost 10.

Accepting the job as president/CEO was one of her best career decisions, since it has allowed her voice to be heard in the industry, says Smith. A short list of her involvements includes:

- **representing the credit union industry on Capitol Hill**, delivering three testimonies to the U.S. Congress's Financial Services Committee;
- **being elected in 2009 as a member of the Virginia Credit Union League's Government Affairs Committee**, which represents the legislative efforts of that state's CUs at the state and federal levels;
- **currently serving on the board of the African American Credit Union Coalition** (*aacuc.org*). She has been involved with the AACU for more than seven years; and
- **serving on the board of the Metropolitan Credit Union Association.**

Along with financial literacy and regulatory relief, Smith is passionate about growing the CU industry and developing future leaders.

"When I first came into the industry 29 years ago, there were 12,000 credit unions," she says. "Now there are fewer than 6,000. We want to save all credit unions. We need to try and preserve the industry and to continue to strengthen the credit union movement. Becoming involved, speaking out and networking is how we as an industry can make a difference to credit unions as a whole."

Her tip for those who want to assume a greater leadership role in the industry? "Get involved. Attend local and national credit union conferences, workshops and networking events. These exist for all credit union topics. You have to be out there. But don't overcommit. You have to work on balanced time management. Otherwise your own credit union could suffer."

WORDS OF CAUTION

For those thinking about expanding their leadership profiles beyond the confines of their organization, Longster advises caution.

Although, he says, most employers see the advantages of employees developing a strong industry profile outside of the organization, problems can arise, such as when the person isn't as available as he or she needs to be to effectively manage the internal day-to-day issues.

"It's also important to keep in mind that profile and reputation are earned over time," Longster adds. "There is no quick fix, and it's not something someone can dabble in from time to time."

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

LEADERSHIP RESOURCES

Becoming an Industry Leader (*cues.org/0228skybox*)

Connected and Collaborative (*cues.org/0118sponem*)

He Leads or Gets Out of the Way (*cues.org/1017outstanding chiefexec*)

What to Expect When Testifying Before Congress (*cues.org/ccube*)

Leadership Matters: Confidence Compounds (*cues.org/0917leadership matters*)

CEO Institute (*cues.org/inst1*)

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

Tips & *Advice*

"To be a leader, you have to fulfill needs, so don't take on too much. There can be significant time commitments involved. You need to be able to take the time to understand the needs because only then will you be able to add the ultimate value to your efforts." *– Bill Kiss, co-CEO, G&F Financial Group*

"Before you can become an industry leader, your own credit union needs to be in order. You have to give 100 percent to your job as CEO before you can even think about being an effective industry leader." *– Lynette W. Smith, president/CEO, Washington Gas Light Federal Credit Union*

"Being an industry leader takes time and will require a consistent and ongoing effort. It is critical that someone who is spending time on projects and initiatives outside of their scope of employment has the full endorsement of their employer." *– Greg Longster, partner with Davies Park Executive Search*

The Launch Pad *for Strategy*

A CREDIT UNION'S STRATEGIC PLAN MUST BE BUILT ON ITS UNIQUE MARKET AND MEMBERSHIP SITUATION.

BY JAMIE SWEDBERG

Credit union strategic planners do well to ground themselves in their credit unions' membership, charter and tax status before setting lofty goals. These keystones must inform the planning process—until it's time to shake things up.

SPECIAL REQUEST SPARKS CHANGE

In 2013 and 2014, $536 million/45,454-member Crane Credit Union (*cranecu.org*), Odon, Ind., with 130 employees, was a federal SEG-chartered credit union facing some tough issues.

"Our member growth and loan growth were struggling immensely," says President Kevin Sparks, CCE, a CUES member. "One percent loan growth and stuff like that. We're in southern and central Indiana and, at the time, we had 11 or 12 branches. But still the challenges of trying to get businesses to join (as a select employee group) to get new members was getting harder and harder.

"As we continued to not see a lot of member growth, our asset growth and share growth struggled as well," he adds.

Then, at its annual strategic planning session in November 2014, the board made a special request of the Indiana Credit Union League consultants who come on site to facilitate the meeting. Help us understand, the board asked: What are the pros and cons of federal and state charters for a credit union like ours? The directors wanted to see if a switch to an Indiana charter might help the institution improve its situation.

"The league did a really good summary chart comparing the pluses and minuses of both charters," Sparks recalls. "We just kind of went line by line on interest-rate caps, loan fees, all the way down. In the end, it came down to field of membership. Under the federal charter, you had to have the business [as a SEG] before you could get the member. The state was definitely more liberal."

Fast-forward to late 2015, Sparks says, and Crane CU has an Indiana community charter allowing it to serve 26 counties. The credit union launched its new lease on life with a grand marketing campaign advertising itself to all who live, work or worship in its service area. It's quite a large change to have come from a single strategic planning session.

TOUGH COMPETITION AND QUESTIONS

"Strategic planning sessions are getting more and more advanced," Sparks muses. "There's more and more pressure; the members want more and more. So the planning sessions are a great time to talk about where we're going."

Indeed, radical changes are on the table at many strategic planning meetings these days. Christopher Pippett, an attorney specializing in credit unions at the Pittsburgh law firm Fox Rothschild (*foxrothschild.com*), says it's happening because the challenging financial services market is making credit unions seek out efficiency and economies of scale.

"The margins tend to be pretty thin, so especially with this interest rate environment, you have to be able to provide services to your members in a cost-effective way," he says. "I think it's getting harder and harder for credit unions to compete."

That means big structural issues like fields of membership, charters, mergers and acquisitions, and credit union service organization affiliations are at the top of the agenda. And it means boards are hammering out answers to tough questions, such as what changes in tax status might mean for the long-term viability of the organization.

"For example, CUSOs have long been a way for credit unions to get economies of scale," Pippett says. "There are some good ones out there for things like payment processing, credit cards and member business lending, which is one in particular that they've been able to benefit from, because credit unions haven't traditionally been set up to do that type of lending. It really does take some gearing up and taking on a different mindset."

Often, one big decision can open the door to another. In the wake of its change to a state charter, Crane CU found itself able to expand into geographic territory that wouldn't have been available to it before the switch.

"One of the things that changed in that November 2014 planning session was that we would go after mergers," he says.

"We made a strong push to try to find some credit unions to merge into us, and we were able to find two in 2015 to merge in. In April we did one merger of a small, probably $10 million credit union, and then in July we did a $30 million credit union. The $30 million one took us more south toward the border of Indiana, expanding our footprint and our membership."

BEYOND THE WALL

Of course, charter changes aren't a one-way street. Fifteen hundred miles northwest of Odon, Ind., in Swift Current, Saskatchewan, $3 billion Innovation Credit Union (*innovationcu.ca*) with 51,000 members and around 400 employees, recently had its own big decision to make. CEO Daniel Johnson provides a little background.

"In Canada, until a couple years ago, we did not have any federal credit unions," says the CUES member. "All the credit unions in Canada ... were regulated provincially, and they didn't have the ability to proactively go after business beyond their provincial walls. But recently, about four years ago, the federal government changed the environment so that they would accommodate or allow credit unions to continue as a federal credit union. So far, one credit union on the east coast has become a federal credit union; they've gone through the process of having a membership vote and then also working with their new [federal] regulator, which is OSFI, or the Office of the Superintendent of Financial Institutions."

Innovation CU is in the process of doing the same thing, he says. It has approval from its membership, so now it will have to work through the process of applying to become a federal credit union. It expects the process to take a little more than a year. And that, Johnson expects, will give the credit union a big boost.

"We're in a province that has a heavy concentration of credit unions," he explains. "We have a large market share of the collective group. At the same time, only 3 percent of the population of Canada lives in Saskatchewan. In order to generate more growth and to have better flexibility to execute our strategy, we believe that having that other 97 percent of Canadians is important to us. And a big part of that is having access to those younger members, because in our province, we're experiencing kind of flat population growth and aging members."

> **"There's more and more pressure; the members want more and more. So the planning sessions are a great time to talk about where we are going."**
>
> — Kevin Sparks, CCE

BECOME EFFICIENT

Going beyond the provincial walls won't necessarily mean big building projects. The expansion will be primarily digital, Johnson says, growing the organization without erecting additional—and inefficient—delivery channels. No mergers or acquisitions are planned outside of Saskatchewan, but Johnson feels the prospect of a federal charter is making Innovation CU more attractive to other credit unions within the province that are seeking to be merged or acquired. It's all part of the strategy that the board has hammered out in the last several strategic planning sessions.

"I don't want to say that becoming efficient is the only answer, but it has to be a part of (things) no matter what you do, because in every case that we're finding, competition is increasing," he says. "We have the traditional competitors and the new entrants, the fintechs. Bit by bit, our margin, where we generate most of our revenue, is decreasing. So if you're not working really hard on becoming more efficient and, at the same time, working really hard on creating a flexible environment, like becoming federal or going through a merger or consolidation, then it's going to be very difficult, I think, going forward. You almost have to have a multi-pronged approach to these processes."

A FLUID SITUATION

Field of membership is just as big an issue as charter type around credit unions' planning tables. Certainly, many

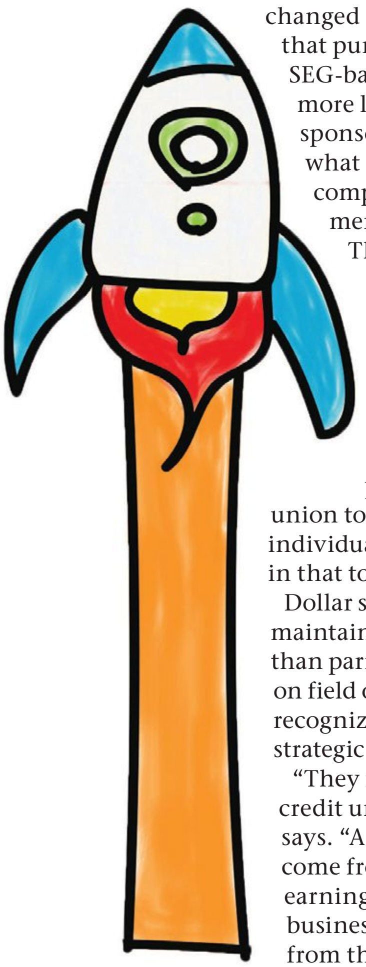
CUs have already swapped their SEG or trade, industry and professional charters for community ones, but the field is still in play, and credit union boards are constantly seeking ways to bring new members into the fold.

"Field of membership, while perhaps an outdated concept, is still a legal requirement that progressive credit unions must navigate," says Dennis Dollar, principal partner at Dollar Associates LLC (*dollarassociates.com*), in Birmingham, Ala., who was chairman of the National Credit Union Administration board from 2001 to 2004.

"Our firm receives about 30 calls a month from credit unions looking to maximize their fields of membership—about an equal number from state charters and federal charters. And FOM is definitely a major strategic planning topic. Perhaps as many as half of our 2017 strategic planning sessions were specifically focused on FOM options and opportunities, and we don't expect that trend will slow down in 2018."

2017 saw a federal membership rule change that revises the definitions of "well-defined local community" and expands options for widening membership and adding potential members. The change in the environment has resulted in many credit unions looking at potential expansions of their existing community or sponsor-group charters. The rule (*tinyurl.com/fomrule*) is being challenged in court by the American Bankers Association, but credit union boards are having the discussion nonetheless.

"It has to do more with expansion of your membership base, and that I have seen a few credit unions have changed [their field of membership] for that purpose," says Pippett. "If you're a SEG-based credit union, you could be more limited to employees of [your sponsor] company, and sometimes what I've seen is a lot of those sponsor companies have been shrinking or merging or otherwise going away. That requires the credit union to build a base.



"With a community charter, there's a little less that you have to worry about in terms of verifying that new members are within your field of membership," he adds. "It just makes it easier for the credit union to justify the membership of an individual. You either live, work or worship in that town or county, or you don't."

Dollar says most state regulators are maintaining parity (or something more than parity) with the federal rule changes on field of membership because they recognize the issue's importance in strategic planning for a competitive future.

"They recognize its essentiality to credit union safety and soundness," he says. "After all, safety and soundness come from capital. Capital comes from earnings. Earnings come from the business members bring. Members come from the field of membership.

"You cannot separate safety and soundness from the ability to achieve managed growth through a healthy field of membership," Dollar adds.

FUTURE FORECASTING

Unlike a charter or a field of membership, tax status is not something a board generally can alter in the wake of a strategic planning session. U.S. credit unions do lobby, by themselves or as members of trade associations, in hopes of keeping their federal exemption.

"We always have to stay vigilant on our tax exemption," says Sparks. "I think it's always under threat to get revoked. Our board doesn't really get much into lobbying efforts; it's more to our management group. I actually joined the Indiana Credit Union League board to get more involved with the effort of lobbying—to help protect our tax-exempt status, but also (to work on) regulations.

"We're still getting regulated very hard, and it makes it harder and harder every day to serve the membership with all the regulations. The board has been very supportive of me joining the league board to represent Indiana in our lobbying efforts, he adds."

Sparks says while the management at Crane CU gets involved in advocacy, the board is more involved in running what-if scenarios during the strategic planning sessions. It's part of their responsibility to plan for the current reality with a tax exemption, as well as an alternate future without one.

That means running all the numbers and making sure they still make sense if, for example, the credit union were to operate under the same tax structure as a bank. And if those numbers don't work, they need to find ideas that will help the credit union grow, diversify and/or become more efficient.

Still, it may be worth a line or two on the strategic planning agenda to consider how the board can support advocacy for the movement. Consider what happened to Canadian credit unions.

"We have an exemption, but not as favorable as the credit unions in the United States," Johnson explains. "We did have a special consideration both at the federal and provincial level that allowed us to pay quite a bit less than companies similar to our size. And then a few years back, the federal government eliminated that exemption at the federal level, and then a number of the provinces followed suit. So that practically eliminated that tax advantage for credit unions."

MORE WITH THE SAME

Innovation CU had been lobbying at both the state and provincial level, and Johnson says the effort might not have been a complete failure—it may have delayed the change, or helped ensure it would be phased in rather than implemented all at once. At the same time, though, they'd been planning for the eventuality of paying more taxes.

"We spent a lot of time trying to deal with what that would look like as far as becoming more efficient, understanding that we're a successful organization, so we essentially should be paying some level of tax," he says. "In order to gain efficiency, you can focus on cost, and I think it was important to do that. But we spent more time understanding the other side of the efficiency equation.

"How do we generate more with the same? Is that through scale? Is that through things like becoming a federal credit union? Is it ramping up or evolving our relationship management and sales engines so we can generate more revenue with the same infrastructure?" Johnson asks.

"Those are the strategic efficiency concepts that we talked about," he adds. "It wasn't just about closing locations or reducing costs because now we have to pay more tax. It was more about trying to generate more with the same structure."

ABOUT THAT TAX EXEMPTION ...

Back in the States, Dollar notes that the major tax overhaul passed by Congress in late 2017 protected the credit union tax exemption. He believes politicians won't risk offending voters for a relatively small payday, since the taxing of credit unions at the new corporate rate of 21 percent would generate less than $2 billion in tax revenue per year.

"I am convinced that American credit unions have learned a valuable lesson from [Canadian CUs'] experience across the border and are better positioned to fight to protect their tax exemption as a holy grail issue," he says.

U.S. credit unions should lobby bearing in mind that their neighbors to the north have little hope of getting their exemption back the way it was, Dollar advises.

"Unfortunately for our Canadian brethren, it is hard to get taxation removed once it has been put in place," he says. "That is a lesson for American credit unions, [which are] sometimes open to taxes on certain classes of larger credit unions. Taxation always creeps, often leaps, but never retreats."

That prospect should keep credit union boards and senior leaders busy strategizing for some time to come.

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

> **"Field of membership, while perhaps an outdated concept, is still a legal requirement that progressive credit unions must navigate."**
>
> — Dennis Dollar

MORE ON STRATEGY

Buying a Bank Is in Line With Growth, p. 30

Specialized Strategic Planning Software (*cues.org/0218specialized*)

The Corporate 'Why' (*cues.org/1117why*)

Cornerstone Advisors strategic and risk management consulting (*cues.org/cornerstone*)

Strategic Growth Institute™ (*cues.org/sgi*)

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

Speaking *Their Language*

CREATING A MORE DIVERSE MEMBERSHIP MAKES GOOD SENSE FOR CREDIT UNIONS, *IF* EFFORTS ARE CULTURALLY RELEVANT.

BY PAMELA MILLS-SENN

As credit unions seek to grow their memberships, some are focusing on attracting more Hispanic members, since in many areas this demographic is growing faster than any other. As an additional inducement, this market is one that is frequently underserved, therefore representing a significant opportunity for credit unions.

Consider $1.5 billion Kern Schools Federal Credit Union (*ksfcu.org*), with 400 full-time equivalent team members, Bakersfield, Calif. Hispanics comprise about half the population of the communities they serve, says CUES member Michael George, CCE, SVP/chief marketing, innovation and advocacy officer. Although they originally started looking at Hispanic marketing as early as 2002, they began specifically targeting this demographic in 2016, desiring to have their membership more closely mirror the community.

"As we were coming out of the financial crisis in 2010—and Bakersfield was hit particularly hard—we decided to conduct research to find out who our members were, what our community looked like and if we reflected that," he recalls. "We discovered, given the demographics, that it made sense to market more deeply to the Hispanic population."

Since the CU began courting this population, Hispanic membership has risen from 39 percent up to 42 percent, reflecting an 8.52 percent growth in Hispanic members (from April 2016 through June 2017).

At $28 million Wakota Federal Credit Union (*wakotafcu.org*), South St. Paul, Minn., Hispanics make up 10 percent of membership. Of these, 63 percent prefer speaking Spanish and 89 percent identify as Mexican, says Mary Matheson, president/CEO of the CU, which has nine full-time and three part-time employees. The CU's research, conducted with the assistance of a Hispanic consulting firm, revealed that the local community's Hispanic population was growing more than any other demographic.

During a 2013 planning session, Matheson says the CU's leaders discussed this increase and the fact this population seemed to be ignored by financial institutions.

"We were not aware of any credit unions reaching out to this potential membership," she says. "The board and management decided research on how to assist this demographic would be part of our five-year growth plan. Our community credit union was seeing very little traditional growth. Not only did we want to serve this underserved demographic, but we also felt this would help grow our younger membership."

Thanks in part to this outreach, "our credit union has more growth with Hispanics than with any other demographic," says Matheson. While many other small credit unions have experienced negative membership growth, Wakota FCU continues to see its membership growth increase by 2 to 3 percent annually. Loans and deposits have risen as well.

ESSENTIAL INGREDIENTS

Overlooking this generally underserved demographic could cost credit unions dearly—it's one of the fastest-growing, largest and youngest markets in the U.S., says Miriam De Dios Woodward, CEO of Coopera Consulting (*cooperaconsulting.com*), a Des Moines, Iowa, Hispanic marketing firm.

"Credit unions must remain relevant to the communities they serve, and when one in six U.S. residents today is Hispanic, there should be no excuse for not being representative of this demographic," she says, adding that almost one in two U.S. Hispanics are "unbanked or underbanked."

But don't assume when trying to reach this market that one strategy is going to fit all; De Dios Woodward cautions that tactics must vary depending on the segment a credit union is targeting—there are 22 Spanish-speaking Latin American countries, and U.S.-born Hispanics may be very different from their parents or grandparents, she says. However, despite the variables, key elements remain constant: building trust and offering a culturally relevant experience.

CUES member Greg Hanshaw, president/CEO of $610 million Community 1st Credit Union (*c1stcu.com*), with 243 employees in Ottumwa, Iowa, says trust is integral to their work with the Hispanic market.

Overall, Hispanics comprise 5.2 percent of the CU's total membership, says Hanshaw, with 63 percent preferring to speak Spanish. Before launching a Hispanic growth initiative three years ago, this demographic represented 4.4 percent of membership. Hanshaw says since starting its outreach, the CU has experienced consistent growth.

"We identified the Hispanic market as a segment to which we could provide needed financial assistance and guidance," he explains. "Educating and growing the bilingual segments of our markets would help us grow as an organization and provide products and services that weren't being provided successfully by area competitors. And clearly, they are more likely to do business with someone they know and consider their friend."

Hanshaw says Community 1st CU transmits this message in several ways. In addition to using traditional advertising vehicles like radio and newspapers, they also:

• rely on community outreach to build trust and recognition, provide financial education, fund Hispanic community events, volunteer ("countless hours," he says) and forge relationships with local organizations that provide community support;

• use the credit union's newsletter, website and brochures to bring in new members, many of which are printed in both English and Spanish;

• create products and services specifically targeting Hispanic members, such as the launching of remittance services with MoneyGram (*moneygram.com*);

• ensure bilingual staffing is in place and that all documents and communications are properly translated; and

• achieved several key milestones, such as receiving the Juntos Avanzamos designation from the National Federation of Community Development Credit Unions (*cdcu.coop*) in 2016. "This ensures the Hispanic community we're here for them and are a preferred place of business," explains Hanshaw.

In addition, the CU obtained certification as a Community Development Financial Institution in 2017, enabling it to apply for grants to be more inclusive and offer more services to the Hispanic market (among others).

"We've also found success by launching products and services missing in this segment, such as ITIN lending and immigration loans," says Hanshaw. "We've also trained select staff to be ITIN-certified acceptance agents. We're working hard to become a one-stop financial services shop for our Hispanic members." (ITIN, or individual tax identification number, is used by individuals who don't qualify for or cannot obtain a Social Security number.)

Matheson says as Wakota FCU began exploring how to win the trust of the Hispanic community and how to best serve them, her team became aware there was a large population of non-citizens who avoided financial institutions over fears of deportation.

> **"Credit unions must remain relevant to the communities they serve, and when one in six U.S. residents today is Hispanic, there should be no excuse for not being representative of this demographic."**
>
> — Miriam De Dios Woodward

"This group is gainfully employed and pays taxes using assigned ITINs," she says. "Their main need wasn't having a place to safely deposit their wages but having a place that would finance reliable autos without high fees and interest."

In response, in late 2015, the credit union began offering thin-file or no-credit non-citizen loans, adjusting the underwriting to mitigate risk. (At the time, these loans were designated "B credit" and priced 2 percent higher than "A credit.") Word spread, says Matheson, and the CU was "inundated" with auto loans, more than it was able to safely approve.

"In early 2016, we became painfully aware we hadn't mitigated underwriting risk nor priced correctly for the risk we'd taken on," she recalls. "We temporarily discontinued the non-citizen lending program.

"However, we were accepted into a non-citizen pilot program

HUMAN RESOURCES

Hiring *for Diversity*

A diverse staff is almost a necessity for credit unions seeking to attract more Spanish-speaking members; otherwise their customer experience isn't going to be nearly as welcoming or as seamless as it should be, says Michael George, CCE, SVP/chief marketing, innovation and advocacy officer at $1.5 billion Kern Schools Federal Credit Union (*ksfcu.org*), Bakersfield, Calif. Without such employees, the credit union's practice isn't going to match the message, he explains. Still, finding the right employees isn't always an easy proposition, George says, adding that they're making a "concerted effort" to hire more bilingual team members.

How to go about the task more effectively? Here's some hiring advice from those on the front lines:

"We've successfully used bilingual newspapers to place ads. Our bilingual community development manager has been a great resource, since he has contact with so many potential candidates and spheres of influence who are aware of good candidates. Our current bilingual staff also does a great job of encouraging and bringing in qualified candidates," says Greg Hanshaw, president/CEO of $610 million Community 1st Credit Union (*c1stcu.com*), Ottumwa, Iowa.

"Word-of-mouth has worked well for us. We utilize Spanish groups, members and other staff when positions become available. We've found bilingual candidates on free job sites—however, for the most part, those employees seem not to work out in the long term. We've also obtained several resumes via Facebook job posts and ultimately hired one who has proven an excellent addition to our team," says Mary Matheson, president/CEO of $28 million Wakota Federal Credit Union (*wakotafcu.org*), South St. Paul, Minn.

"A best practice for hiring in general is to never close your pipeline. It takes a while to build momentum; team members from frontline to management should always be on the lookout for engaging community members who are mission-aligned with the organization. Another best practice is leading the hiring process by highlighting the cooperative's values, not just products and services. Sharing our value set has specifically drawn candidates at all levels to apply at Point West," says Amy Nelson, CEO of $100 million Point West Credit Union (*pointwestcu.com*), Portland, Ore.

through Filene Research [Institute] (*filene.org*) in May 2016," Matheson continues. "We gained best practices from other non-citizen established credit unions."

Despite the hiccup, Matheson says serving non-citizens has been one of Wakota FCU's most effective tactics in reaching this market, as has partnering with Hispanic businesses. Word-of-mouth from existing Spanish-speaking members and staff has also proven successful.

Still, the majority of their new members—particularly those interested in obtaining auto loans—come from Wakota FCU's indirect loan program with Latino dealerships. "We do require non-citizens to come to our office to close," says Matheson. "However, Hispanic citizens with Socials are able to close at the dealership."

ADVERTISE IN THEIR LANGUAGE

Matheson says Wakota FCU markets in both Spanish and English. In addition to "actively engaging with their Latino dealerships" throughout 2017, the CU continually advertises, both in Spanish and English, in *La Voz*, a free local Spanish language newspaper for the southwest metro Twin Cities area.

The CU also advertises on social media, and this year it plans on adding a commercial in Spanish by updating an existing animated ad about the credit union difference. The ad will be placed on internet sites, social media and local cable channels.

But the best results come from working with Hispanic organizations in the community.

"For now, our relationships within the Hispanic community seem to generate enough new members for us to accommodate with our current bilingual staff," she says.

PARTNERSHIPS AND GRASSROOTS

Point West Credit Union (*pointwestcu.com*), a community credit union with $100 million in assets, also relies on partnerships to attract Hispanic members, along with word-of-mouth, says CUES member Amy Nelson, CEO. Situated in Portland, Ore., the CU's 36 employees serve 9,800 members within the Portland metro area.

"Following the Great Recession, we refocused our mission, dedicating ourselves to community development," says Nelson. "We received our Low-Income Designation from NCUA in 2013, and received our community charter and our CDFI certification from the U.S. Treasury in 2016. In 2016, we received our Juntos Avanzamos designation for our service to and support of the Hispanic community."

Hispanic and Latino members comprise 18 percent of the credit union's membership, whereas this demographic accounts for 9.4 percent of Portland's Hispanic population.

Point West CU, which doesn't rely on traditional advertising to reach immigrant members, has found success in attracting this population through establishing partnerships with entities like the Mexican Consulate of Portland, Centro Cultural, Virginia Garcia and Hacienda CDC, engaging with the community through various events, programs and onsite collaborations.

"Still, the credit union's most prolific source of new multicultural members is through referrals from current clients who share their positive experience with family and friends," Nelson says. "... Point West CU's fastest-growing demographic is its Hispanic membership."

Developing partnerships is one of the best ways to reach this group, build trust and become culturally relevant, says De Dios Woodward, who advises credit unions to do more than just in-language or bilingual messaging through the usual advertising vehicles.

Instead, marketing effectively to this population may require co-branding or co-marketing with community organizations already serving that population and deploying more grassroots tactics, she says.

Along with the usual marketing methods—bilingual print, radio and TV, in-branch signage, website and social media—Kern Schools FCU also favors a grassroots approach, says George.

"We have a 'Crew of the Week,' where every other week, we partner with a local radio station and go out to the agricultural fields to educate the workers about the credit union," he says. "We began doing this in 2016, and we've seen an increase in the level of sophistication about the use of the credit union."

There is also a shopping area in town called the Mercado Latino, which attracts primarily Hispanic shoppers. Credit union staff goes there once a month, partnering with a local Univision channel, to educate and meet people.

In addition, Kern Schools FCU holds workshops on home and auto buying, conducted in Spanish, and is also part of the Kern County Hispanic Chamber of Commerce.

"For any community you want to reach out to, you have to build trust, and you have to do this by going out into the community, letting them know 'we want to serve you,'" says George, mentioning that they're now also starting outreach to the area's large Indian population, for example, conducting workshops in Punjabi. "You can't just rely on advertising. Don't think you can put advertising out there and they will come."

De Dios Woodward says credit unions shouldn't target their diversity and inclusion efforts towards just gaining more Hispanic and multicultural *members*; it must be broader than this.

"Credit unions need to pursue the creation of diverse boards, management and employees if they want to remain relevant in the future," she says. "Diversity of background ethnicity, gender, thought and so on creates a richer environment with opportunities for everyone to learn and benefit from new ideas and ways of thinking."

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

MORE ON SPANISH MARKETING

Non-Citizen Lending? Not a Problem Part 1 (*cues.org/0317noncitizen1*) and Part 2 (*cues.org/0317noncitizen2*)

Avoiding *Marketing Missteps*

Effectively reaching out to the Hispanic market and growing your membership of this population requires credit unions to think carefully and proactively about their marketing strategy, says Miriam De Dios Woodward, CEO of Coopera Consulting (*cooperaconsulting.com*) in Des Moines, Iowa. Preliminary steps include establishing the right organizational mentality, building a comprehensive strategy and ensuring there's buy-in, she says.

"Then, define what success looks like and develop an implementation team that will be accountable for driving the strategy," she advises. "In addition, be sure to understand your local market by talking to community organizations serving the market, Hispanic-owned businesses, and conducting focus groups."

Taking this approach could help credit unions avoid missteps De Dios Woodward says could sabotage their efforts, such as:

- **Marketing too early**—for example, advertising a loan promotion in Spanish without ensuring there are bilingual loan officers at the ready to assist. Or sponsoring a booth at a Hispanic event, but not staffing that booth with bilingual/bicultural employees.
- **Using stereotypical images.** These would include things like sombreros, chili peppers and so on, says De Dios, adding that such images can be offensive. Other mistakes? "Assuming that all Hispanic individuals are Mexican or that all speak Spanish. Just as harmful can be the assumption that all Hispanic community members fall into an unbanked or underbanked category," she says.
- **Expecting one person to head up the growth effort**—something De Dios Woodward says she sees frequently. In addition to potentially overwhelming the individual, if that person leaves the credit union, the Hispanic relationships he or she has formed often go as well.

"A Hispanic growth strategy requires that the entire credit union participate," she says. "It isn't efficient or effective to have one person, or even one department, execute the effort in isolation."

Resizing *Fees*

THE BUSINESS CASE FOR LOWER OVERDRAFT CHARGES IS SHIFTING CU PRACTICES.

BY RICHARD H. GAMBLE

For business and service reasons, credit unions are moving away from considering overdrafts an abuse and fees as punishment to correct bad behavior. Instead, they're making overdraft protection—also known as "courtesy pay"—as just another service, offered at a fair price.

$3.5 billion Idaho Central Credit Union (*iccu.com*), Chubbuck, decided in 2010 to go this route. "We changed course to make it a legitimate service instead of a penalty," explains CUES member Brian Berrett, CCE, CFO. "We dropped the fee from $25 to $18.79 and took a haircut of about $1 million in noninterest income that year, but we made it all back in 18 months because members liked the new fee better and used it more as a service."

Since then the fee has gone up to $19.79, and revenue from those fees is now up to $1.6 million a month, he reports. Limits are tiered, based on member qualification. "We're the low guy in our market, but that's where we want to be," he says. Users are a mix of those who overdraw rarely and those who overdraw frequently, he adds.

Idaho Central CU's experience—increasing noninterest income by cutting overdraft fees—may seem counterintuitive, but holds up across the industry, says Michael Moebs. His Lake Forest, Ill., economic research firm, Moebs $ervices (*moebs.com*), collects and analyzes a lot of data. "The credit unions charging a reasonable fee for an overdraft—$20 or under—are making 22.6 percent more revenue than credit unions charging higher fees—over $20," he reports.

Overdrafts at Idaho Central CU are just one instrument in a kit of money management options, Berrett says. Members can get alerts when their checking account balance falls below a threshold they set, he explains. Or a transaction that would cause a negative balance could trigger an automatic transfer to cover it.

"We make it easy for them to transfer funds quickly from other accounts at our credit union or from another financial institution," he notes. "They can do it with their mobile device."

Some members use these tools to avoid overdrafts, he says. Others don't bother. "When we see a pattern where members are racking up avoidable fees regularly, we reach out through our collections department to offer them advice," he reports. "Some are grateful to get it. Others don't want us to bug them. We think member behavior should be up to the member."

LESS IS MORE

Moebs applauds what Idaho Central CU is doing. He has strong opinions about overdraft policies, based on 75 primary surveys of more than 3,800 banks, thrifts and CUs over 35 years. He thinks a rapidly shrinking majority of these financial institutions are getting it all wrong, and a growing minority are slowly leading overdraft strategies to a more rewarding future and better member service.

"Credit union leaders have got to get their heads out of the second millennium," he says. "For example, they're clinging to overdraft limits (the amount up to which a member can overdraw his or her account before the CU rejects the payment) of $300 to $500 that haven't changed since 1998. More than half of all CUs are still below $500 in overdraft limits offered. They're still thinking an overdraft is a financial sin that needs to be punished or at least corrected with a penalizing fee of $30 or more. This is old thinking. A member has either made a simple mistake that's unlikely to happen repeatedly, or they're deliberately using overdrafts as a tool to stretch liquidity because they're struggling financially. The fees most credit unions and banks are charging are way too high."

Fees are just part of the equation. $1.3 billion San Francisco Fire Credit Union (*sffirecu.org*) charges members the same $25 not-sufficient funds fee for checks and ACH items but offers a no-fee overdraft protection service so that members can use their own money to avoid NSFs in the first place, says CUES member Glenn Gortney, SVP/brand loyalty.

That service lets members link their checking accounts to other deposit accounts to cover a deficit, and the CU will transfer the funds automatically, he says. They can use more than one backup account and specify the order for tapping them. They can also opt into using their San Francisco Fire CU credit card as a backup, and the transfer will be booked as a cash advance. Doing so means members start incurring finance charges immediately instead of getting the grace period if they charged the purchase that overdrew the account to the card, he notes.

San Francisco Fire CU charges the same rate for cash advances as for regular purchases: prime + 4 percent for tier A credit, prime + 5.25 for tier B and prime + 8 for Tier C. All require the member to opt in, he says. About 85 percent of the CU's 67,000 members have checking accounts; 28 percent have a San Francisco Fire CU credit card, he reports.

Members can also take advantage of the CU's "courtesy pay" overdraft program. The fee of $25 will never be levied more than once a day and is only charged once the overdraft being paid exceeds $10 on a given day.

"We don't want our members getting a $25 courtesy pay fee if it was a $3 cup of coffee in the morning and then a $5 sandwich at lunch that put them in a negative balance position," Gortney says. He plays down the noninterest income benefits.

"It's a source of income, but we want our members to use whatever services and tools are available to avoid these fees, whether it's free overdraft protection or setting up account alerts to know their balances are getting low," he notes.

Like most CUs, San Francisco Fire CU has members who ignore these protections and regularly overdraw their accounts and pay the fees. "It's their choice," he observes.

The classic benefit of overdraft privileges is illustrated at $660 million Harvard University Employees Credit Union (*huecu.org*), Cambridge, Mass.

"We did see fee income drop when we initiated the overdraft privilege," explains James Lawrence, head of retail operations administration at the CU, which is open to Harvard faculty, staff, students, alumni and families. "We started paying NSF transactions instead of bouncing them. Members then paid one overdraft fee to the credit union instead of multiple fees from merchants and the credit union when items were presented multiple times for payment and returned. It saved our members a lot of money and inconvenience."

The overdraft privilege is automatic for members 30 days after joining unless they opt out, which few do, Lawrence reports. Harvard University ECU charges $25 for overdrafts over $10, only $5 for members over 65, and nothing under that threshold, he explains. The basic limit is $500, but that goes up to $750 if the member has direct deposits of at least $200 a month. If a member is overdrawn more than six days in a six-month period, Harvard University ECU offers financial counselling, he adds.

The CU relies on John M. Floyd and Associates (*jmfa.com*) to keep up with compliance changes and the wording of program communications.

"Financial institutions are starting to become helpful rather than adversarial with their overdraft users," Moebs says, "which fits with the spirit of the credit union movement."

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

MORE ON OVERDRAFT PROTECTION

CFO Focus: The State of Overdrafts (*cues.org/0817cfofocus*)

Overdraft on a Balance Beam (*cues.org/0416overdraft*)

On Compliance: Avoiding a UDAAP Lawsuit (*cues.org/1017oncompliance*)

Losing to *Payday Lenders?*

Are credit unions facing growing competition from payday lenders? Michael Moebs, head of the economic research firm Moebs $ervices (*moebs.com*), Lake Forest, Ill., thinks so. When it comes to helping consumers with tight or occasionally negative cash flow, he says, credit unions could take a lesson from payday lenders.

"Smart millennials are catching on and going to payday lenders or fintech firms instead of banks and credit unions because they get a better deal there," he notes.

He uses his Chicago-area home turf as an example. There the average charge for an overdraft is $34 at a bank and $29 at a CU. A typical payday lender charges $18.50 for a two-week advance on $100, he reports. "If you have the median overdraft balance, which is $40, the bank or credit union charges $34 or $29 and expects you to repay the amount in 24 hours. The payday lender gives you $100 for two weeks and charges $18.50. Which is the better deal?"

People wising up to this inequality are causing a big market shift, Moebs reports. "More consumers are going to payday lenders to make up a cash shortfall than to all banks, thrifts and credit unions combined," he notes. "In 2000, payday lenders had less than 10 percent of the overdraft business. Now it's close to 55 percent."

Buying a Bank *Is in Line With Growth*

CREDIT UNIONS ADD BANK AND BANK BRANCH ACQUISITIONS TO THEIR EXPANSION STRATEGIES.

BY VINCENT HUI

Credit unions looking to build market share generally have had two options: build from scratch in a geographic area with growth potential or merge in other institutions.

Building from scratch, also known as going *de novo*, is capital-intensive and offers no guarantees of achieving targeted market penetration and financial returns. Mergers may be more promising in terms of building market share, especially if credit unions expand their merger concepts to include the possibility of acquiring a community bank or bank branch and the new members that often come with such a transaction.

As with any merger or acquisition, buying a bank is a complicated endeavor. But interestingly, some aspects of buying a bank or acquiring a bank branch may actually be more straightforward than negotiating a merger with another credit union. This may be a reason why interest in bank acquisition among credit unions has been accelerating over the last 12 to 18 months.

Completed bank acquisitions have gone from about one a year to two to three a year, and more credit unions are looking to buy banks. The size of banks that credit unions might consider acquiring also has been rising.

WHY BUY A BANK?

Merger negotiations with other credit unions can be complicated by emotion. Executives and directors of a merging institution may be protective of their organizations' identity, culture and history. They want assurances about how their members and employees will fare. Merger talks sometimes break down over differences about how the merging institution will be represented on the continuing organization's executive team and board.

In contrast, purchase price typically is the most important criterion when evaluating a bank acquisition. When a privately held bank is looking to sell, the owners' priority is simple: Give us the best price and chances are, you'll be the winner. This is one reason credit union executives and boards are starting to ask, "If we need to go through that level of effort to negotiate a merger and get through integration, why not consider a bank?"

Acquiring a bank and its customer base can square up nicely with a credit union's strategic priorities of expanding market share, diversifying through business lending and/or entering new markets. Successfully executed, buying a bank paves the way for growth in a prized community and access to experienced financial professionals who know the market and their jobs. A bank acquisition can tick a lot of items off the wish list for credit unions looking to expand their product offerings and market share.

SCOUTING NEW TERRITORY

That's not to say a bank acquisition will be easy. There are bank regulators to deal with although, generally speaking, when a credit union acquires a bank, the National Credit Union Administration or state agency overseeing credit unions generally takes the lead in reviewing and approving the details of the transaction.

The trickiest questions regulators may pose involve field of membership. The acquiring credit union needs to be comfortable explaining how existing bank customers fit within its existing field of membership. Otherwise, it may need to file for an expanded field of membership to accommodate the acquisition, which opens up a whole new challenge. The acquiring credit union will also need to educate bank customers on what a credit union is and explain that they will not lose services—and may even gain more offerings.

In the limited history of these acquisitions, state-chartered credit unions seem to have had more success in addressing field of membership questions than those with federal charters. Let's say a credit union has a charter that spans an entire state and the bank it is acquiring serves three counties in the state that are outside of the credit union's current primary market. No field of membership issues are raised in that case. But a credit union with a charter to serve multiple common bonds, more common under federal charters, will likely encounter regulatory roadblocks. The inability to absorb bank customers into an existing field of membership can be a deal breaker if the credit union has not thought ahead and planned appropriately.

These field of membership requirements pose unique issues, so credit unions considering a bank acquisition need to work with legal experts with specific experience navigating these negotiations and regulatory reviews. Even credit unions that have been through multiple mergers may not be prepared for the special challenges that will arise when they are purchasing a bank.

Post-approval mechanics also require special handling. In both a credit union merger and a bank acquisition, the parties need to get through two major milestones: (1) "legal day one," when the two financial institutions formally become a single entity, and (2) systems conversion.

In a credit union merger, these are usually two separate dates, with system conversion happening sometimes months after legal day one. In the interim, the continuing credit union may elect to avoid member confusion by continuing to operate under two separate brands until the system conversion is complete.

This is more limited in a bank acquisition. As of legal day one, the continuing credit union can no longer call any part of its organization a "bank." It needs to eliminate that word in all communications. Former bank customers are now members whose deposits are insured by the National Credit Union Share Insurance Fund, not the Federal Deposit Insurance Corp. The need to change disclosures and potentially other processes at legal day one (vs. the conversion date) is one of many nuances that require the guidance of an experienced merger and acquisition team.

CALCULATING THE PRICE TAG

In a bank acquisition, the acquiring credit union writes a check to the bank owners to complete the deal. Only credit unions with adequate liquidity to cover the upfront price tag and a capital position that can absorb the dilutive impact of new intangible assets are able to do so.

A bank acquisition generates a lot of "goodwill," the difference between the purchase price and the bank's book value. Goodwill is classified as an intangible asset that doesn't count against risk-based capital. A credit union with 12 percent capital may get diluted down to 11 percent because goodwill is excluded from the risk-based capital calculation. While a credit union merger will also create goodwill, the effect is more minor compared to a bank acquisition, because the calculation of goodwill is based on the calculated value of the merged credit union vs. the purchase price, which is often higher than the "intrinsic" value of the institution based on such valuation approaches as discounted cash flow. Continuing our previous example, the risk-based capital might only be reduced from 12 percent to 11.8 percent. As a result, credit unions considering a bank acquisition should have a strong capital cushion, well above regulatory limits.

As an alternative, buying a bank branch is less capital-diluting than purchasing a bank. The credit union will still need to cut a check to complete the transaction, but it may cost less in the long run than building, staffing and marketing a new credit union branch—and it could bring with it the deposits and loans of branch customers, depending on how the purchase is negotiated.

In other words, buying an operating bank branch is typically not just a real estate deal, though a new physical location is the most visible part of the transaction. Often when branches are sold, the customer relationships—including their deposits and loans—are part of the negotiations.

A bank acquisition can tick a lot of items off the wish list for credit unions looking to expand their product offerings and market share.

Bank branch acquisitions may involve community banks or large national institutions. For example, Bank of America may have a branch in a rural county, 200 miles from its next nearest facility. If the bank decides to take that "orphan branch" off its books, it can close the facility and leave its customers to find a new financial institution, or it can look for a buyer.

When customer deposits are transferred in such a sale along with the building title, the bank typically negotiates a fee, called a "deposit premium." The credit union pays a price to assume those accounts, but that price will likely be lower than the costs of recruiting new members and their deposits and loans. Loans are typically sold at the fair market value.

SELLING THE BRAND AND MODEL

Once the bank or branch acquisition is completed, the acquiring CU still has its work cut out for it—to maintain and build on those new member relationships and to make the finances work. If the previous owners of the bank or branch weren't satisfied with their financial returns, what makes a CU team think it can make this venture work?

A suitor credit union must come to the table ready to answer questions about how bank customers and staff will thrive in their new environment.

First and foremost, credit unions don't have the pressure that banks do to generate a return for shareholders. As long as they can cover operating costs and meet their capital requirements, credit unions with an effective, efficient financial model can make a go of serving their new members.

Committing to the purchase of a bank or branch that its current owners don't consider profitable enough requires that the credit union is confident that it can successfully "export" its business model to this new market.

Then comes the challenge of winning over new members, many of whom likely have questions about why their bank is now a credit union—and maybe even what a CU is.

A suitor credit union must come to the table ready to answer questions about how bank customers and staff will thrive in their new environment. And, as their financial services provider, the credit union should be prepared to offer its new members products and pricing that make it worthwhile for them to stick around. It may well be that the credit union can provide a wider range of products and services—more mortgage, home equity and consumer loan options—and better rates than the community bank that previously held their accounts, especially for consumer customers.

Community bank customer bases (loans and deposits) tend to be more commercially oriented than those of credit unions, which can offer an acquiring credit union a firm base on which to build business lending or enhance an existing program.

The acquiring CU may also be able to rely on business lenders and branch staff as they transition from bank employees to credit union ambassadors.

A final adjustment that an acquiring credit union must address is the difference in organizational culture and business norms. For example, at many community banks, commercial loan officers are paid well for building business, to the point that their annual pay with incentives may equal or surpass the credit union CEO's compensation. Is the credit union comfortable with this practice as a condition to holding on to high-performing business lenders?

Also, can the acquiring credit union align the titles of its bankers-turned-credit union executives in a way that keeps them enthusiastically on board in the new organization? The key to success is ensuring early engagement with bank loan officers and branch managers (that is, within 60 days of the acquisition announcement) since they are the face of the credit union post-merger in those markets.

SEEKERS OF SCALE

Consolidation in both the credit union and community bank sectors will likely continue for some time, as financially healthy organizations seek to achieve a long-term sustainable scale. The banks that would be most attractive to credit unions in this environment would be privately held, community-based institutions with family ownership.

These institutions' values and commitment to community are typically much more aligned with credit unions than those of larger banks—resulting in smaller cultural gaps that need to be bridged. The shareholders want the best price, but may have other concerns. They want to do right by their customers, employees and community. That commonality may give credit unions a leg up in negotiations—if they are prepared and open to handling the challenges that accompany this growth opportunity.

Vincent Hui *is a senior director with CUES supplier member and strategic partner Cornerstone Advisors* (crnrstone.com). *He specializes in strategic planning and leads the firm's merger & acquisition and risk management practices.*

MORE ON MERGERS

Member Data Management During a Merger (*cues.org/0218memberdata*)

Why Aren't You Buying a Bank? (*cues.org/0314cfofocus*)

Navigating Risk (*cues.org/1117navigating*)

Strategic Growth Institute, July 23-26, University of Chicago (*cues.org/sgi*)

Cornerstone Advisors strategic and risk management consulting services (*cues.org/cornerstone*)

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What makes SWBC unique?
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Tell us about a client success story.
One story we like to tell is from our payments product line. When we first rolled out our payments product in 2004, we started with one client and built the business into more than 660 clients. Our clients say the amalgamation of technology and service results in their staffs becoming more efficient and able to re-focus on other income-generating tasks for their institutions. Even today, after 14 years, we still have our very first payments client. Success is in the numbers—we process over 550,000 payments per month, and in 2017, we processed over $2.8 billion in payments. It's a testament to our team's ability to understand the industry and be proactive in areas we feel will be of great need to the financial institution of the future.

What are the top issues for credit unions today?
Lending has been on the rise for several years now. Auto lending, in particular, has seen significant growth, and we believe that preparing for delinquencies to rise would be a prudent maneuver for financial institutions.

Another key issue involves credit unions finding ways to stay relevant in an omnichannel world. Connecting all of this together requires the ability to develop positive customer experiences—many of which live in the digital space. With many competitors within a credit union's backyard, it will come down to the small, subtle differences your institution creates that will add value. Much of this will include how easy you make it for a member to do business with you. Preparing for delinquencies and creating new ways for customers to be delighted are a few of the top issues facing credit unions today.

New 'Merger' *Option*

A CU HOLDING COMPANY MAY FOSTER ECONOMY OF SCALE AND PRESERVE LOCAL CUs' UNIQUE BONDS WITH THEIR MEMBERS.

BY STEPHEN MORRISSETTE

Decades ago, community banks obtained regulatory approval for the bank holding company structure. Through this arrangement, a local bank would remain legally independent and keep its own charter but become part of a larger "holding" company that owned more than one bank.

The original idea was to overcome branching prohibitions that made it difficult for banks to expand geographically. However, many discovered that the holding company was a valuable tool in two additional ways. First, it allowed the group to capture economies of scale and scope through shared holding company activities while preserving the "special sauce" of local, independent banks. Second, it helped overcome selling bank concerns about independence and community ties.

To this former bank CEO, a holding company structure seems like it could be very beneficial for the credit union industry.

The structure of a credit union holding company could be implemented as a credit union service organization that signs agreements with each member institution to perform many functions, including overarching management. This "CUSO holding company" would be different than the traditional CUSO that provides assistance to a credit union in a particular function, such as IT or investment services. The CUSO holding company would be the umbrella organization that bonds individual owner credit unions together.

A "network credit union" could be another alternative to a traditional merger. In this arrangement (described in more detail at *tinyurl.com/netwkcu*), the "merged" (non-surviving)

Degrees of Local Control by Organizational Structure

CHICAGO BOOTH

CU Function	Traditional CU	Traditional CUSO	CUSO Holding Co.	Networking CU	Full Merger
Charter	Local	Local	Local	SCU	SCU
Membership	Local	Local	Local	SCU	SCU
Board	Local	Local	Local	Hybrid	SCU
Human Resources	Local	Local	Hybrid	SCU	SCU
Brand	Local	Local	Local	Hybrid	SCU
Products	Local	Hybrid	Hybrid	SCU	SCU
Rates	Local	Local	Local	Hybrid	SCU
Loan Approvals	Local	Local	Hybrid	Hybrid	SCU
Operations/IT	Local	Hybrid	HC	SCU	SCU
Deposit Insurance	Local	Local	Local	SCU	SCU

Local: *Each credit union decides.* **Hybrid:** *Individual CUs and the CUSO or holding company share decision-making authority.* **HC:** *The holding company decides.* **SCU:** *The surviving credit union decides.*

credit union would become part of and subsumed by the "continuing" (surviving) credit union, but the merged credit union would continue to operate and serve its former members under its original name. Members would still do business with "Merged Credit Union," which would now also be labeled as "a division of Continuing Credit Union."

To find out if union executives and directors feel such structures could be helpful to the industry, the University of Chicago's Booth School of Business surveyed over 280 credit union executives and directors. Well over three-quarters (82 percent) of those surveyed feel the industry should consider a holding company structure, including 75 percent of respondents from credit unions with less than $100 million in assets.

In addition, when respondents were asked how likely they were to consider a holding company structure for their credit unions, more than a quarter (26 percent) said they were very likely to do so; 55 percent said they were likely to; and only 19 percent said such a structure was unlikely to be considered by their institutions.

Plus, executives and directors showed similar levels of interest in holding company structure, suggesting possible alignment between boards and executives on this issue.

Given the support found in the survey and the rationale provided by analogous industries (hospitals, in addition to banks), a full discussion and exploration of the concept seems warranted in multiple venues, such as credit union board meetings, local and state league meetings, and at national association meetings.

Credit unions are a valuable source of financial services with truly distinguishing bonds with their members. Given the significant and ongoing consolidation in the financial services industry, the "holding company model" may be a key tactic to preserving, perhaps even saving, the beauty of the local credit union with a strong bond with members.

Stephen Morrissette *is adjunct associate professor of strategic management at the University of Chicago Booth School of Business and lead faculty at CUES' Strategic Growth Institute™, slated for July 23-26 at the University of Chicago* (cues.org/sgi).

Don’t Fall in Love *With Your Playbook*

STRATEGIC INNOVATION INSTITUTE EQUIPS EXECS TO MANAGE CHANGE AND DISRUPTION.

BY VIKTORIA EARLE, CCE, CIE

I have pages and pages of takeaways from CUES’ Strategic Innovation Institute™, but here are a few of my favorites:

1) Strategy is more about saying “no” than “yes.” It’s about strategic positioning and making choices.

2) Everyone in your organization must know the one thing that they must do—not seven or 10 things.

3) If you’ve fallen in love with your playbook, you’re in trouble with disruption.

One example of how I am applying a concept from this institute is making “subtraction” a way of life. We spoke of the importance of lightening the load of our top performers. As leaders, we often multiply their load because we have confidence in their ability to perform. However, we need to be mindful of the unnecessary processes that are bogging down performance, fix those problems and ensure our teams are working and focusing on the most important areas.

CUES member ***Viktoria Earle, CCE, CIE****, is CFO of $500 million CommonWealth Central Credit Union (wealthcu.org), San Jose, Calif.*

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Synergy CU
Lloydminster, Saskatchewan

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Ross Bloomquist, CIE
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Financial One CU
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Getting Rid of Mortgage Molasses *(cues.org/0118molasses)*

7 Ways to Introduce Innovation Into Your Company *(cues.org/0717seven)*

CUSOs Ignite Collaborative Innovation *(cues.org/0417cusos)*

Canadian CUs Think Big About Innovation *(cues.org/0417canadian)*

Strategic Innovation Institute, July 15-20, Stanford University *(cues.org/sii)*

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Finding highly qualified candidates who fit the unique culture of their credit union is top of mind. Many credit unions have succession plans for the CEO. But planning for other key positions is equally important. Our industry is evolving.

As credit unions offer more complex products and services and compete in areas like payments and technology, the profile of top candidates becomes more diverse.

Credit unions need senior leaders in lending, technology, compliance and risk, yet CUs are not always well prepared with internal candidates who have sufficient experience in these areas. A strong succession plan will identify gaps in your ranks and provide a plan for developing current employees to fill the gaps. This serves as an effective tool for engagement and retention of top performers.

Manage the Greatest *Board Meetings—Ever*

A 90-MINUTE RECIPE FOR FACILITATING GOOD GOVERNANCE

BY DANIELLE DYER

Board liaisons, "You're not governing—but you are making sure governance can happen," said Dottie Schindlinger at The Board Liaison Workshop, a new learning program held in conjunction with CUES' Directors Conference (*cues.org/dc*) last December in Florida.

Schindlinger, VP/governance technology evangelist at BoardEffect (*boardeffect.com*), a board portal company serving nonprofits, kicked off the four-session workshop with "Best Practices for the Best Board Meetings–Ever."

"Meetings are really the place where the rubber hits the road," said Schindlinger. "There is a direct connection between how well the board can [govern] and how well the meeting goes."

But how can liaisons ensure board meetings go well when their duties are as varied as their job titles? ("How many people have a slash in their title?" asked Schindlinger. Hands raised around the room.)

"Part of your job is to keep everyone happy. ... It's kind of an impossible task," she added.

The role can also look very different at different institutions, being comprised of numerous support, planning and coordination duties.

As such, the task of making board meetings run smoothly—let alone making them great—may seem overwhelming. So Schindlinger asked the group to recall the best meeting they'd ever attended and why that meeting was so special.

"My voice could be heard. I was able to share my thoughts and ideas," said one participant. People "came with an open mind," said another.

Schindlinger noted governance consultant Nancy Axelrod's book *Governing for Growth* offers this board mission statement: "In addition to oversight, boards need to provide insight, and, if possible, foresight." How to arrive at good insight? Ask better questions.

"Could you imagine if in our orientation for new board members, we said, 'Your job is to come in this room with the best questions?'" asked Schindlinger.

To allow for such questioning, directors should be prepared and willing to stay on track. ("Rotate the time-keeper among board members—don't make it just the chair's job," she suggested.)

Schindlinger shared a recipe for a great board meeting developed by Seattle-based nonprofit governance consultant Susan Howlett (*susanhowlett.com*). It takes just 90 minutes from welcome to conclusion: community-building with food (five minutes); mission and inspiration (three minutes); consent agenda (two minutes); board education and training (20 minutes); governing (60 minutes)—and the No. 1 item should be strategy discussion. Put routine stuff at the end, or handle it online outside the meeting, she said.

"Changing our board meeting structure is my top priority," says Sheri Shannon, AVP/board relations at $323 million University of Illinois Community Credit Union (*uiecu.org*), Champaign, Ill., citing her key takeaways from the workshop. Additionally, "researching board assessment tools."

She and fellow attendee Maritza Woodfaulk, executive administrator at $1.4 billion Pen Air Federal Credit Union (*penair.org*), Pensacola, Fla., agree that an important lesson is that the role of board liaison is vital to the success of credit unions.

"I'm going to get with my CEO and our board chair to make sure that they know we're all in this together," says Woodfaulk. "I can be a great bridge for them to communicate."

Danielle Dyer (danielle@cues.org) *is assistant editor at CUES.*

MORE FOR BOARD LIAISONS

The Aprio Board Portal (*aprio.net/demo-cues*)

CUES' Center for Credit Union Board Excellence (*cues.org/ccube*)

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CUES Governance Leadership Institute™ is April 15-18 in Miami (*cues.org/gliusa*) or June 10-13 in Toronto (*cues.org/gli*)

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Third-Party and Cybersecurity *Risk Management*

BY STEPHANIE SCHWENN SEBRING

Kevin Malicki lives and breathes risk management for his clients. Director of product management, GRC at CUES Supplier member Harland Clarke (*harlandclarke.com*), San Antonio, Texas, Malicki thinks effective risk management for 2018 is going to have everything to do with an expanded view of cybersecurity threats and how using third-party providers plays into that broadened view.

"Consider the Equifax disaster. It brought to light that risk to client data can leave any organization vulnerable," Malicki says. "The breach also broadened the risk profile for many—including credit unions—and changed what regulators now expect in terms of cyber risk management." He notes that cyber threats have not only become more pervasive but also more potent, affecting companies in nearly every sector and posing a significant risk to financial institutions.

As the Equifax mess also illustrates, third-party risk is a higher priority than ever before. With credit unions' increasing reliance on third parties, including for cloud storage solutions, and with the sharing of personal identifiable information (such as Social Security numbers) with third-party providers, downstream risks become a larger issue.

"Not only does an institution need to vet its vendors, but the companies those third-party providers partner with should also come under scrutiny," explains Malicki. For example, payroll processors may rely on a cloud service to transmit data. Service businesses often use hosted email platforms. And, it's becoming more common for third parties to outsource certain functions to fourth parties, such as a lending relationship that subcontracts customer care, billing or collections.

It can be difficult to go far enough along the vendor trail to ensure proper security measures are in place throughout the chain, but it is imperative. "Improving oversight of third-party risks is more than keeping an inventory of vendors and storing policies via Word or Excel," adds Malicki. "Eliminating multiple sources of tracking can help make the process more efficient."

What should credit unions do?

- Monitor third-party relationships, which inherently have more risk. Scrutinize these relationships just as you would at your own financial institution.
- Ensure third (and even fourth) parties match their security efforts to yours—and that they are doing everything you are to secure and protect client information.
- Be diligent when assessing risk. Prepare for worst-case scenarios. Conduct third-party risk audits regularly—at least annually.
- Use a "SMART" (specific, measurable, achievable, realistic, timely) checklist for third-party audits.
- Understand that risk impacts more than just return on investment.
- Build controls throughout the risk management line, including firewalls, technology stacks and password controls.

IMPROVING GOVERNANCE, RISK AND COMPLIANCE EFFORTS

Harland Clarke's compliance software solution, GRC Spotlight™ (*harlandclarke.com/grc/overview*), offers a single software solution and holistic approach to risk management. With a cloud-based platform, financial institutions can automate business processes, reduce enterprise risk and facilitate regulatory compliance across the enterprise, says Malicki. Users of the software can also customize modules based on need—including for third-party, incident and policy oversight, as well as workflow automation.

"As third-party cyber risk is increasing, the complexity of regulatory requirements is expanding accordingly," concludes Malicki. "Financial institutions integrating new technologies must take care to balance and manage their regulatory risks."

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 credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter@fabprose.

Participate in CUES Compensation Surveys Before March 31.

Participation is open now through March 31, 2018 for *CUES Executive Compensation Survey* and *CUES Employee Salary Survey*. Submit your credit union’s data today and help keep the industry strong.

Then, take advantage of your **20% participation discount** and purchase the results. You’ll tap into the latest industry trends with valuable compensation tools and data to help you attract and retain well qualified professionals.

Visit cues.org/Survey and participate today.

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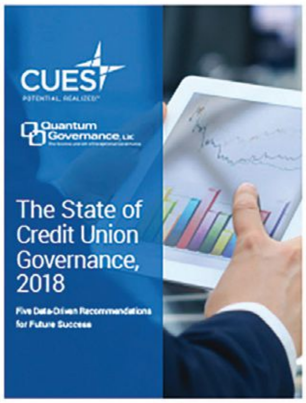
Complete Comp Surveys *by March 31*

CUES is asking credit unions across the U.S. to participate in two important industry surveys: *CUES Executive Compensation Survey* (*cues.org/ecs*) and *CUES Employee Salary* Survey (*cues.org/ess*). Both are open for participation through March 31.

Each features valuable compensation trends, tools and data to help credit unions attract and retain well qualified professionals. Additionally, *CUES Employee Salary Survey* includes the CUES' *JobWrite*™ tool, which helps craft customized position descriptions based on job-related duties, qualifications and responsibilities.

The results are an important way to keep the industry strong. They help credit unions of all asset sizes and locations determine if they are competitive in their geographic area, and they help credit unions become more efficient with information about productivity levels, human resources management and budgeting. The results are available for purchase; participants receive a 20 percent discount. Complete the surveys now by visiting *cues.org/ecs* and *cues.org/ess*. For more information, contact CUES Survey Support at 866.508.0744, or email *surveysupport@cues.org*.

New Report: *The State of Credit Union Governance, 2018*



CUES, in partnership with Quantum Governance L3C, has released *The State of Credit Union Governance, 2018* (*cues.org/GovernanceReport*), which includes five data-driven recommendations for future success. This report reveals how credit union boards, CEOs, supervisory committees and senior staff members are performing across the industry.

"Collecting and analyzing the last five years of data provided by our Board Governance Assessment has allowed CUES and Quantum Governance to bring these very valuable insights to the industry," says John Pembroke, president/CEO of CUES.

As well as drawing six key findings about the current state of credit union governance, this report further examines the five areas covered in the assessment: 1) vision, mission and strategy; 2) board structure and composition; 3) fiduciary oversight; 4) governance and leadership; and 5) supervisory committee. Key findings include:

- **Board members and CEOs frequently differ on their perceptions regarding governance.** Board members and CEOs differ on 84 percent of the survey's key questions, agreeing on only 16 percent of those questions asked (except for the survey's section on supervisory committees, where there is more agreement).
- **Board member and CEO perceptions diverge based on tenure.** Board members who have served on their boards for a long period of time have more positive views than those board members who have less tenure. Conversely, CEOs with longer tenures tend to be more negative than CEOs with shorter tenures.

"Our hope is that credit unions of all sizes can find value in our findings and implement our recommendations for their future success," says Michael Daigneault, CCD, CEO of Quantum Governance L3C.

CUES members may download the full report for free as a membership benefit. Non-members may download the executive summary for free and purchase the full report for $99.

To learn more and download your copy, visit *cues.org/governancereport*.

Webinars *On Tap*

The CUES Webinar Series (*cues.org/webinars*) offers hot topics presented by industry experts. CUES members can attend all webinars for free and access a library of webinar playbacks.

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1 p.m. Central

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MARCH 21
1 p.m. Central

The Five Pillars of Your Payments Strategy

APRIL 25
1 p.m. Central

Social and Emotional Intelligence for a Stronger Workplace: The ROI of SE+I

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School Days *Ahead*

This year, send your CUs' developing and experienced leaders to a CUES School (*cues.org/schools*). With topics ranging from business and consumer lending to strategic marketing and IT leadership, we have something for everyone. Last month we featured the CUES School of Business Lending (*cues.org/sobl*). Here we focus on eight schools that will help your top leaders perform better in their roles.

First up is **CUES School of Applied Strategic Management™** (*cues.org/sasm*), April 30-May 3 at the Embassy Suites by Hilton Orlando International Drive Convention Center. Attendees will team up to virtually run financial institutions in the safety of a computer simulation program. Attendees develop a practical understanding of asset/liability management, better understand the impact of the economy on their CU, improve decision making and learn to think on their feet, and enjoy a fun, friendly competition.

At **CUES School of Strategic Marketing™ I** (*cues.org/sosm*), July 16-18 in Seattle, attendees learn the keys to strategy-focused marketing and data-driven decision-making.

Immediately following is **CUES School of Strategic Marketing™ II** (*cues.org/sosm2*), July 19-20 in Seattle. Attendees will work on developing an analytical framework for creating marketing strategies and gain a deeper understanding of their role in implementing a fully integrated marketing plan. The school also includes a visit to a prominent Seattle-based company that effectively aligns its culture with a savvy business model and brand.

CUES School of Enterprise Risk Management™ (*cues.org/soerm*), Aug. 13-16 in Denver, is designed for senior leaders who manage risk. The school will examine risk elements in each function and line of business of the credit union, and identify key risk metrics that should be part of any balanced scorecard or dashboard.

CUES School of Consumer Lending™ (*cues.org/socl*), Aug. 13-14 in Denver, teaches lenders about the current macro-economic environment while building a solid foundation of lending skills.

CUES Advanced School of Consumer Lending™ (*cues.org/advsocl*), Aug. 15-16 in Denver, builds on the first school to improve your department's overall lending and sales results.

CUES School of Member Experience™ (*cues.org/some*), Sept. 10-11 in Denver, helps attendees gain the knowledge they need to build an outstanding member experience at every touch point.

CUES School of IT Leadership™ (*cues.org/soitl*), Sept. 12-14 in Denver, is designed to equip current and future CIOs, as well as board members and executive teams, in ways to guide their IT organization's direction and spending.

2018

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March 11-16
The Summit at Big Sky
Big Sky, Mont.

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 8-13
The Wharton School
University of Pennsylvania
Philadelphia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
April 15-18
Florida International University
Miami

EXECU/BLEND™ NEW
April 29-May 2
Hyatt Regency Sonoma Wine Country
Santa Rosa, Calif.

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 29-May 4
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, N.Y.

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
April 30-May 3
Embassy Suites by Hilton Orlando International Drive Convention Center

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 30-May 4
Embassy Suites by Hilton Orlando International Drive Convention Center

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 20-25
UVA Darden Executive Education
Charlottesville, Va.

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 10-13
Rotman School of Management
University of Toronto

STRATEGIC INNOVATION INSTITUTE™
July 15-20
Stanford Graduate School of Business
Stanford University
Stanford, Calif.

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 16-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 16-18
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 19-20
Crowne Plaza Seattle

STRATEGIC GROWTH INSTITUTE™
July 23-26
University of Chicago
Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

BUSINESS LENDING FOR DIRECTORS SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

DIRECTOR STRATEGY SEMINAR
July 25-27
Kimpton Hotel Palomar San Diego

CEO INSTITUTE I: *STRATEGIC PLANNING (SUMMER SESSION)*
Aug. 12-17
The Wharton School
University of Pennsylvania
Philadelphia

PAYMENTS UNIVERSITY
Aug. 13-14
Embassy Suites by Hilton Denver Downtown Convention Center

CUES SCHOOL OF CONSUMER LENDING™
Aug. 13-14
Embassy Suites by Hilton Denver Downtown Convention Center

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

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Avoid Cracks in Your *Member Relationship Strategy*

BY PATRICK TRUE

Studies show it costs between five and 10 times as much money to win a new member as it does to retain an existing member. At the center of any client retention effort is the relationship management strategy. A sound strategy can be built with four pillars of relationship management.

1. Onboarding and training. Onboarding is the strategy for bringing the new member into the family, so to speak. It involves showing members for the first time how much you appreciate their business—so much that you are invested in making sure they get off to a wonderful start. Your CU's member services and support teams are absolutely critical to this effort, as they represent the face of your organization. Never take onboarding for granted.

2. Retention. Once the member is on board and has become accustomed to using your credit union's services, shift to retention mode: Do anything you can to make your members realize they are valued contributors to your credit union. Give them a seat at the table via focus groups and other feedback channels. An important part of the credit union difference, C-level executives also need to offer members a pathway for venting frustration or contributing ideas.

3. Employee hiring, training and communication. Great salespeople can attract new members, but to keep them, you need great employees that can manage the relationships. The best way to enhance staff retention is to hire great people, train them effectively and empower them to make client-level decisions on your behalf.

4. Credit union culture. A mission statement must be backed by thoughtful action from every employee. Employees must be empowered to take necessary actions to develop and enhance relationships with members.

The long-term goal of any relationship management effort is to establish and strengthen these four pillars over time. If member satisfaction begins to slip, you can bet that one of the pillars has a crack—find and repair the reason for that failure. May your four pillars remain strong, and may you enjoy wonderful, intentional success in 2018.

Patrick True *is risk manager with the lending solutions division of ProfitStars®* (profitstars.com)*. A 25-year veteran of the financial industry, True is the author of numerous banking journal articles and frequently published on Jack Henry & Associates' Strategically Speaking blog (*tinyurl.com/strategicallyspeaking*).*

Read the full post and leave a comment at cues.org/010818skybox.

Our Favorite *Recent Posts*

"[The amended Regulation C] has been finalized for over two years, with no action taken to protect nonpublic personal consumer information. No regulation should require the violation of another, and your members' private financial information should not be exposed. The CFPB has yet to listen effectively regarding these concerns. Perhaps with a new director, it will. The time to act is now."

Veronica Madsen, associate attorney with Howard & Howard (*howardandhoward.com*), Royal Oak, Mich., in "New HMDA Data Point Recording Begins Jan. 1" on CUES Skybox: *cues.org/122717skybox*

"Many organizations say they want the best people—the brightest, the most talented. However, the organizations that actually create and maintain the most powerful workforces inside winning organizations don't leave the process to chance. Winning organizations are proactive about finding the best talent, while their competition is reactive. Winning organizations cast wider and wider nets, while their competition drops the same line in the same pond, year after underperforming year."

Orlando Bishop, thought leader with The Kaleidoscope Group (*kgdiversity.com*), Chicago, in "Intentional Diversity Is FUN" on CUES Skybox: *cues.org/011518skybox*

"The changes [to the NIST cybersecurity framework] are significant; they support the idea that the framework is a 'living' document that will keep evolving with time. This changing nature means credit unions must actively monitor activity related to the framework as it changes so internal items (policies, standards, procedures) can be updated accordingly."

Jim Benlein, CISA, CISM, CRISC, owner of KGS Consulting LLC (*kgs-consulting.com*), Silverdale, Wash., in "NIST Cybersecurity Framework Update Adds Clarity, Roadmap" on CUES Skybox: *cues.org/011018skybox*

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