CU MANAGEMENT

OCTOBER 2018 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

INVESTING IN FINTECH

Our special report investigates why some CUs support innovative startups.

ANALYTICS
Data-driven marketing, lending

TALENT DEVELOPMENT
Elevate your entire team

CONTACT CENTERS
Tech changes, security choices

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Greg Smyth of CUESolutions provider CUNA Mutual Group provides guidance on making a formal pre-purchase analysis before investing to fund your benefit plans, in accordance with NCUA requirements.

cues.org/podcast61

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YOUR THOUGHTS

WHAT DO YOU LIKE MOST ABOUT THE NEW *CUMANAGEMENT.COM*?

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

Your New *Daily Read*

Each month in the print edition of this magazine, you get a worthy helping of great articles. But really, what you see here is just the tip of the iceberg. We always have so much more that won't fit.

So we put it online!

For 20 years, we've been publishing articles on our website. During this time, we've added a digital flipbook edition of the magazine, videos, podcasts, the *Advancing Women* online-only publication, whitepapers and more.

This month, we launch our new *CUmanagement.com* website that pulls all that content together for you in one convenient and easy-to-navigate spot. We hope *CUmanagement.com* will become your daily go-to place for the in-depth information you need to lead your credit union to success.

On the new site, you can browse through nine main topics (including leadership, strategy and governance) or easily search for more specific information. On the other hand, if you are an audio fan, you can head straight to the podcast section. If you are looking for an article you read in an older issue of *CU Management*, simply access our new and improved online archives.

CU Management magazine is consistently rated as members' favorite benefit of CUES membership. I think you'll find our new content website a very useful resource and an important additional reason to join.

As you know, we've updated our CUES membership structure and added new benefits, which Jimese Harkley, CUES VP/membership, discusses in "Elevate Your Entire Team" on p. 12. Join or renew now so you'll also have access for the last few months of 2018 and all of next year!

I look forward to your feedback.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

Why 'Working Managers' *Don't Work*

One of the top reasons leaders fail is the inability to get things done through other people. Whether it's a lack of delegation, a lack of developing employees or not spending time on important priorities, managers who stay "in the weeds" are not effective.

Here's the fallacy of the working manager—if they are in the weeds all day, they are not really managers. They are glorified tellers, member service representatives or loan specialists. An effective manager is someone who provides feedback, coaches and develops employees, hires exceptional talent, manages projects and ensures that staff understand the strategic goals of their department and the direction of the credit union. This is a full-time job.

A working manager cannot perform two jobs effectively. Given a standard work week, managers in this position will always be challenged in determining where to spend their time. And most will choose to spend their time on the technical aspects of the job where they are most comfortable. Working managers get burnt out from all of the demands on their time and can't be successful.

Managers should be people-focused, not task-focused. They should spend 80 percent of their time coaching, providing meaningful feedback and understanding the professional goals of each employee. Once the management role is clarified to be people-focused, we need to train our managers on how to be effective leaders. Helping them understand the difference between their old role as an individual contributor and their new role as leader is the first step. Giving them the tools and strategies to work effectively each day—by teaching them how to plan, prioritize, coach, hold difficult conversations and instill accountability—will set them up for success.

Read a longer version of this article at cues.org/0818nextgen.

Laurie Maddalena, MBA, CPCC, PHR, *is a certified executive coach, leadership consultant and founder of Envision Excellence, LLC in the Washington, D.C. area. Prior to starting her business, she was an HR executive at a $450 million credit union. Contact her at* 240.605.7940 *or* lmaddalena@envisionexcellence.net.

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Elevate *Your Entire Team*

2019 CUES MEMBERSHIP IS AN ALL-ACCESS PASS FOR LEADERSHIP LEARNING.

BY JIMESE HARKLEY

Winning the war for talent is clearly a multi-step process.

In addition to recruiting the best external candidates, credit unions need to develop their top staff and volunteer leaders. CUES has long helped with this through CEO Institute (*cues.org/institutes*) and CUES Governance Leadership Institute™ (*cues.org/gli*).

But developing *top* talent isn't enough. To truly create the largest possible talent pool on which to draw, leaders who have reached the top need to "push the button to send the elevator back down" so it can bring the rest of the staff up to their full potential. Investing in a new-for-2019 CUES Unlimited or Unlimited+ membership is a perfect way to do just that.

SHARED KNOWLEDGE

With a name that comes from "Credit Union Executives Society," CUES played a big role in elevating credit union "managers" to being "CEOs." Developing top leaders in this way supported credit unions as they grew to serve more members in more sophisticated ways.

Now CUES is dedicated to serving the professional development needs of CEOs, executives, directors and future leaders—in other words, everyone on your team. Our new Unlimited and Unlimited+ memberships are structured so credit unions can add every leader and aspiring leader at every level if they wish. By providing membership benefits to a larger group, you show your commitment to each individual team member's learning—as well as to moving the organization forward successfully.

One of our new membership benefits—CUES Learning Portal, powered by Degreed—exemplifies this expanded vision of CUES membership. On CUES Learning Portal, you and all CUES members can follow learning pathways developed by educators; track your learning progress by marking off articles, videos and courses as you complete them; and, importantly, share content with other individuals, your team members or the entire credit union staff.

Both external and award-winning CUES content are included on CUES Learning Portal, expanding its ability to bring you relevant and timely learning. (See *cues.org/0918fromjohn* for more about why curated learning sites are so powerful.)

Notably, the content available to CUES members-only is being expanded. This includes the launch of the new *CUmanagement.com* website, and the creation of the *CUES Guide to Effective Mentorship*. Our CUES Net community refresh is on its way soon. For Unlimited and Unlimited+ members, we have also created the new *Director Onboarding Tool Kit* and *CUES Leadership Development Guide*.

NEW EXPERIENCE

CUES has long been known for providing excellent member service. And now we're recommitting ourselves to changing the member experience so it not only responds to inquiries in the best possible way, but also reaches out to new and renewing members to help them get the most out of their investment in membership.

For example, CUES is offering regular webinars explaining what is included in CUES membership and how to best take advantage of it. We believe this new focus will boost the learning of individuals and help entire CUs boost their readiness to succeed in today's marketplace.

Personally, I don't think I've ever made a move without bringing someone up with me. Ask yourself: Do I push the button to send the elevator back down? Am I helping bring staff up to realize their full potential? How could our staff benefit from an all-access pass to CUES? You'll win the war for talent when you do.

Jimese Harkley *is VP/membership for CUES. Previously philanthropy and community relations manager with $1.3 billion America's First Federal Credit Union, Birmingham, Ala., she was named CUES Next Top Credit Union Exec* (nexttopcreditunionexec.com) *in 2015.*

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CUES Director Education Center	✓	✓
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More Than Just *a Call Center*

MEMBERS NOW REACH OUT THROUGH MANY CHANNELS. HERE'S HOW CREDIT UNIONS KEEP UP AND STAY SAFE.

BY RICHARD H. GAMBLE

The venerable call center can serve as a case in point for today's credit union culture: a mix of the thoughtfully personal and the briskly impersonal. Friendly, personal service—for as long as it takes—and speedy, automated self-service are both abundant.

"Call centers" should be called "contact centers" these days, insists CUES member Rick Schier, chief member officer of $2.7 billion CommunityAmerica Credit Union (*communityamerica.com*) in Lenexa, Kan., or better yet, "interaction centers" since they process more than phone calls, he points out. Real-time interactions occur over the phone, through email, in chat sessions and with video tellers in branches at his CU, he reports. It's even "omnichannel," meaning that a member can start the contact in one channel and switch to another without starting over—like going from chat to phone in a seamless process, he reports.

Whatever the channel, members want "more immediate service today," notes Alan Stalnaker, manager of the member contact center at $3.7 billion Veridian Credit Union (*veridiancu.org*), Cedar Falls, Iowa. "They expect to contact a representative quickly, get an issue resolved right away and have 24/7 access to their accounts and services."

While other channels are growing faster, the main contact center activity is still members making phone calls to talk to human reps, reports Scott Kendrick, VP/marketing at CallMiner (*callminer.com*), based in Waltham, Mass. "We're seeing more contacts over social media and emails, which now supplement phone calls and chats."

"Technology is displacing humans as contact center responders," Kendrick reports, but slowly. "We're seeing more chat sessions driven by bots that use artificial intelligence, and expanded use of virtual assistant tech, usually linked to the IVR (interactive voice response)" system, he says. "That's the future, but it's still a small percentage of the volume."

The technology may be complex and evolving, but it's not expensive, he points out. "It's done from the cloud and sold on a subscription basis, so it doesn't take much capital investment, and sometimes it's easier for a small credit union to convert than a huge multinational corporation."

For now, Schier directs a lot of traffic. "Our agents will manage an estimated 1 million live interactions in 2018," he reports, and another 1.4 million or so interactions will zip through the IVR without being touched by human agents.

Meanwhile, the mobile banking app will deliver a growing number of simple answers, such as providing balances. Like many CUs, CommunityAmerica CU encourages members to use self-service for simple inquiries, so live calls are getting longer, responding to complex questions like "Why is my credit card being declined?" or "How do I stop my preauthorized automatic debit to the gas company?" Schier estimates an average of three to five minutes for a service call and seven to 10 minutes for a sales call.

Automation is encouraged, but personnel is still a big part of what defines successful centers, especially at large-scale CUs like CommunityAmerica CU, which operates two contact centers, one at headquarters on the Kansas side of the Kansas City metropolitan area and a smaller one on the Missouri side.

"Our smaller contact center provides backup and helps with commutes since employees live closer to one or the other," Schier points out. Agents can also work from home, he adds. CommunityAmerica CU's contact center has relatively low turnover, about 10 percent a year, and some of that is due to people getting promoted or changing jobs at the CU, rather than leaving, he reports.

SPECIALIZED TRAINING

Having more channels means more skills are required of contact center reps, Kendrick says. "Some people are better at talking; others are better at writing. Some have strong interpersonal skills; some have strong tech skills. So contact centers have stepped up training and are starting to recognize specialization within contact center staffs," he notes. Commercial companies offer training, he adds.

Agents at CommunityAmerica CU are trained "for multi-layered skill sets that are valuable across the organization, preparing employees for career growth," Schier says. Beyond formal training, having enough leaders on site is critical. The CU averages one leader for every 15 employees—to help with on-the-spot training and take occasional calls that require escalation.

On a smaller scale, $1.35 billion MAX Credit Union (*mymax.com*), Montgomery, Ala., staffs an onsite call center with 17 agents, who field about 1,000 calls a day, 8:30 a.m. to 5 p.m. weekdays except holidays, reports CUES member Scott Lindley, chief information officer. From 5 p.m. to 11 p.m., calls roll over to a Jack Henry & Associates (*jackhenry.com*) call center that can do everything CU reps can do unless it involves credit cards. Then the call must be transferred to the CU's credit card processor. The after-hours service, started last February, has been responsible for a big increase in monthly after-hours call volume, from 2,000 to 3,000, he reports.

Lindley explains that IVR can automatically deal with balance inquiries. Agents handle the rest of the calls—like reports of lost or stolen credit cards and locking or unlocking home banking. Basic call waiting shows the agents the number of the incoming call. Nothing else pops up on their screens, so authentication is done live, with the agent talking to the member, he reports.

Since big data breaches have led to confidential member data being for sale on the dark web and rendered traditional out-of-wallet questions unreliable, MAX CU has relied largely on questions about the member's interaction with the CU, Lindley reports.

Knowledge-based questions are less effective than they used to be, thanks to many data breaches, agrees Jonathon Robinson, fraud intelligence manager at CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Fla.

"Fraudsters now know more of the answers," he observes. Questions specific to CU interaction—size of last deposit, location of last branch visit—weren't compromised by the big breaches, but they're not highly secure either. "If a fraudster has compromised a member's account, he or she will know those answers, too," he points out. Things like all or part of a Social Security number are on their way out but still widely used, often in combination with other authentication steps, he says.

The answer is a 360-degree view of a member's relationship and activity, Robinson says. "Fraudsters attack across all channels, so fraud prevention has to see what's happening in all channels and with all products and services."

With its personnel-centric strategy, MAX CU needs good people. "Training is key," Lindley says. Agents get specialized training for complementary skill sets, such as some answer questions about loans and others about deposits, others answer phones and others reply in chat sessions, or some speak Spanish and some Vietnamese, he notes. He's blessed with a friendly job market. "Some credit unions have rampant turnover, but ours is low." MAX is testing technology so agents can now work from home, he reports. "As the job market tightens, it will be harder to find good agents, and we'll probably have to pay more, but that hasn't happened yet."

"Fraudsters attack across all channels, so fraud prevention has to see what's happening in all channels and with all products and services."

— Jonathon Robinson

STAFFING CONSIDERATIONS

Staffing is harder in some places than others. In Cedar Falls, Iowa, for example, Veridian CU needs bilingual reps who can speak Spanish and French like substantial numbers of its members.

At $1.6 billion Advia Credit Union (*adviacu.org*), Parchment, Mich., a staff of 43 fields about 35,000 phone calls and 700 emails a month, while a third party, LSI (*believelsi.com*), deals with 2,500 web chats, after-hours calls and overflow at peak times, reports Rey Chavez, the member contact center director. If a contact center rep can't pick up a call in two minutes, it rolls over to LSI, he explains.

It all starts with the IVR, which routes about 80 percent of the incoming calls to the center. Others, based on IVR choices, can go straight to lending, collections or commercial bankers, he explains. "We try to send each call directly to people with the right skill set," Chavez says. The staff is changing from all-purpose member services reps to reps with specializations, he adds.

The staff skill sets will increase when Advia CU brings the chat sessions in house.

"We went through a digital conversion last year, and we plan to bring the web chats to our reps once we've sorted out how to use a chat bot to automate some of the traffic," he says. "We want to find out how much the chat bot can handle before the chat is handed off to a live agent."

If the IVR software recognizes the registered phone number of a member, the system automatically delivers the balance and the last deposit and withdrawal out of the account. This allows the member to self-authenticate without having to speak their personal information out loud, Chavez explains. If it's an unfamiliar number, an automated prompt is sent to the member to enroll his or her number so authentication can take place before the call goes to a human agent, he points out. Strong authentication in the CU's core can prompt the system to ask the members for the last branch they visited or the amount of their last deposit. All this happens before a human picks up the call, he says.

High-tech authentication like voice biometrics are useful if the organization has a voiceprint of a member or a known fraudster on file, Kendrick explains. Using a Social Security number or a credit card number on file for a member is still useful, but CUs have to be careful to capture the number and match it for security but not retain it or they risk violating PCI regulations meant to prevent vulnerable databases full of stored credit card information, Kendrick points out.

So the tools and the tasks continue to expand. As channels proliferate and member expectations grow, CUs innovate tactically and set priorities but look ahead to the goal, and the best practice will be to go onmichannel, Kendrick says, even though most contact centers "are still not there," he observes. Social media historically has belonged to marketing, not the contact center, and it has been a passive listening post, not really a two-way communications channel. Driven by tech-savvy members who want to use the channel of their choice for any given communication—and want to be able to switch channels at will, like moving from chat to a phone conversation in one unbroken process—contact centers in all industries are scrambling to bring all channels under one service center and accommodate cross-channel switching, he reports.

Richard H. Gamble *is a freelance writer based in Colorado and a member of Bellco Credit Union.*

MORE ON CONTACT CENTERS

Who's Calling? (*cues.org/0817whos*)

'Just Right' Contact Center Staffing (*cues.org/0518just*)

CUES School of Member Experience™ (*cues.org/some*)

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Call Authentication *Before Your Rep Answers*

In the complex world of contemporary telecommunications, both fraud attempts and prevention efforts are moving upstream.

A disgruntled grandson, armed with a lot of personal information, could call a credit union on his grandfather's land line and ask for a transfer of the old man's money to his account, putting the CU rep on the spot to allow or prevent the transaction. But this is no longer typical, notes Tim Prugar, VP/operations at Next Caller (*nextcaller.com*), New York. "In many cases, the fraud screening has been done before the agent ever picks up the phone," he says.

"Some of it now happens at the carrier level," Prugar reports. "We look at call metadata to see the pathway the call has taken. We apply pattern analysis. We apply machine-learning algorithms."

This is good news, because it suggests that the trade-off between member convenience and security could disappear. If super-sleuthing, machine-learning artificial intelligence has cleared the call before it is even answered, there's virtually no inconvenience to the member, Prugar notes.

Inexorably, authentication is shifting from people to technology, notes Patrick Cox, CEO of TRUSTID (*trustid.com*), Portland, Ore.

"Relying on call center agents for authentication is risky," he warns. "Criminals love to manipulate them with social engineering. They're predisposed to try to help the caller. They can be tricked."

Still, robust authentication through technology is not yet widely deployed, he observes. "The light went on about three years ago, and last year was crazy busy. Most credit unions have just scratched the surface."

For security, a CU needs to "consistently randomize" its authentication routine, using multiple factors, says Melisa Crass, director of *jha*Call Center at Jack Henry & Associates (*jackhenry.com*), Monett, Mo. "If you use the same routine all the time, a fraudster can learn it. If it constantly changes, he or she is caught off guard and the fraud attempt may be detected," she points out. The randomization should be programmed, she adds. "The agent should be prompted. It should all be prescribed, scripted and audited, not left up to training."

A fraud-free contact center is a dream. "You can never stop all of it," Cox concedes. Senior management probably understands that some level of loss is inevitable and therefore acceptable, he says, but the people on the front lines are determined to prevent every attempt. "That's their mindset," he reports.

There are still just three ways to authenticate a caller, Cox notes: something the caller knows (name of first pet); something the caller has (smartphone) and something the caller is (voiceprint). Those three have effectively shrunk to two, he warns. "Crooks can get the answers to the knowledge questions from data breaches and social media scraping, so that's no longer reliable, even though nearly all financial institutions continue to use them. The future," he insists, "lies with authentication through mobile devices and biometrics."

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WHILE RESOURCES MAY BE A CHALLENGE, THE OPPORTUNITIES POSED BY THIS TECHNOLOGY ABOUND.

BY STEPHANIE SCHWENN SEBRING

Automation is on the tip of every marketer's tongue—or at least it should be. Many credit unions have made a commendable start on automating their marketing campaigns for the digital sphere. But soon, automation will be obligatory across the board, as customers demand the right message at the right time.

"It is possible to deliver messages in multiple channels, but only if you have an impeccable strategy—and rock-star talent to execute your campaigns," says Michelle Spellerberg, VP/marketing and digital strategy for $10 billion Alliant Credit Union *(alliantcreditunion.org)*, Chicago. "For most marketers, it's simply not feasible to keep pace with continually aggregating demands without automation."

In 2017, for example, Alliant CU sent 9.6 million emails to prospects and members—an impossible feat without automation, stresses Spellerberg.

Consider Starbucks. "They're doing a great job with marketing automation, using a personalization engine that can produce 400,000 variants of customized emails," says Spellerberg. "They make sure they know their customers and send the most relevant communication possible. It all comes down to the automation, data and how you use it."

While no credit union is Starbucks, marketing automation allows the capture and aggregation of data so that you can focus on the full communications journey, she continues. "Rather than talking about campaigns, we must, as credit unions, start talking about delivering experiences along the member journey. It's not about delivering the same message in each channel; it's delivering personalized, data-driven messages."

Not sure where to start? Take it slowly. Consider using automation for evergreen communications, such as member onboarding.

This is how Chris Punke, marketing and communications director for $500 million Community Choice Credit Union *(comchoicecu.org)*, Johnston, Iowa, is approaching his CU's use of this technology. As his team implements new software in the fourth quarter of 2018, Punke sees three chief scenarios where automation will immediately help his CU:

1. Onboarding to indirect vehicle loan borrowers. "We have strong dealer relationships in our area and finance many vehicles through them. But it's difficult to transition those single-loan borrowers into participating members. Software that ties directly into our core processing system will allow us to automate the process and provide a simple way for these members to learn how we can help with their financial needs. Whether it's through additional loan products, excellent deposit rates or direct deposit into a free checking account, there are multiple messages we can communicate over time. Pulling lists and sending messages is just too time-consuming to do manually."

2. Cross-selling to existing members. "We do a great job communicating what makes us unique, but without automation, it's difficult to deliver the message in a timely fashion. Consequently, we might miss out on a member's next big purchase, such as a car, which consumers tend to purchase every 36 months. With automation, we'll be able to watch dates, transactions and other key triggers to relay messages—without a large staff."

3. Tracking results. "We'll be able to monitor which messages convert into loans, deposits or new accounts. Whether by email or direct mail, we'll know instantly when an offer has converted as well as the return on marketing spend."

CHALLENGES AND OPPORTUNITIES

Because automation can require a shift in philosophy, understanding your CU's needs is a big first step. "Data is still the biggest challenge," says Michael Browning, CEO for Onovative *(onovative.com)*, a communication software provider for banks and CUs based in Louisville, Ky. "Data is spread across multiple systems, and many credit unions struggle to unify it. On the flip side, data offers a remarkable opportunity. No other industry can learn so much about their customers through their data, to see what customers are doing daily, like financial services."

Talent is another challenge. "Every industry is battling for the same analytical talent for their marketing departments," adds Sam Kilmer, senior director for Cornerstone Advisors *(crnrstone.com),* a national consulting firm based in Scottsdale, Ariz., and CUES' strategic partner for technology and risk management. "It's imperative that credit unions attract and retain individuals who can manage and implement automation, both at the strategic and tactical levels; it's a skill set every industry is seeking."

Many CU marketing departments are already understaffed and may not be equipped to manage automation, says Kilmer. Investment is needed in both the tools and talent.

But as marketing continues to morph alongside sales and service, automation can help bridge the gap. "These areas used to be compartmentalized, but with automation and data analytics, they're becoming less different," explains Kilmer. "Today's strong CMOs are not only highly proficient in analytics but also understand the power of using data to develop an outreach sensibility, where business leaders have the processes they need and can naturally 'pull' the marketing automation along in the cycle instead of a data or marketing leader at HQ constantly on a 'push.'"

Without a strategic focus on outreach or lead generation (active selling), he notes, it is easy to spend too much time on the feel-good aspects of marketing, like brand promotion (passive selling). Implementing automation tools can help CUs avoid falling into that trap.

Kilmer also stresses that content—either the lack of development strategy or a lack of content altogether—is something to consider. For example, "If you have a limited branch presence, your content has to serve you. ... When content is relevant, strategic and ready to present *at the right time*, its presence can help you to replace the visible brick and mortar."

You can try automating without good content, but the result will likely be annoying to members, he adds—frequent communication but with weak messages not designed for the digital-first consumer.

> **"We do a great job communicating what makes us unique, but without automation, it's difficult to deliver the message in a timely fashion."**
>
> – Chris Punke

"Most credit unions believe they have pretty good content (that's arguable), but without the right delivery, they're struggling." (See Kilmer's blog post on the subject at *tinyurl.com/0118gbmessage*.)

FINDING THE RIGHT TOOL

Do you want marketing automation to improve team efficiency or the member experience? The software you choose depends on your answer. "If you want complex integrations that are highly dependent on internal data and push communications into authenticated channels, such as online and mobile banking, you may need a more robust tool," suggests Spellerberg. "However, if you want to ease the burden on your marketing team, you may want a tool that is easy to use with functionality around search engine optimization."

Robust solutions with diverse tools include platforms like Oracle (*oracle.com/marketingcloud*), Adobe (*adobe.com/marketing-cloud*) or IBM (*tinyurl.com/watsonmarketing*). CUs seeking simpler solutions might consider Marketo (*marketo.com*) or HubSpot (*hubspot.com*).

But Browning advises that CUs look closely before choosing nonspecific industry software. "You should see value early and try not to integrate something too complex—a system that you have a hard time getting value from without extraordinary commitments from both a financial and integration perspective. Credit unions and banks are very different from other industries, with more regulatory restrictions," he says.

"They're also different in their breadth of a captive audience," Browning adds, comparing Google Analytics data from a typical website to that of a CU. "In my experience, no industry has as many repeat visits to their websites—the ratio of prospects versus customers is extraordinarily unique. ... Users visit the homepage repeatedly for online banking, bill pay, etc. This presents a rare opportunity to provide compelling messages to current members."

The landscape is ever-changing; the best thing to do it to try, test and learn, adds Spellerberg. She recommends finding a tool that integrates easily into your ecosystem and does what you need

MORE ON MARKETING TECHNOLOGY

The Martech Explosion (*cues.org/0418martech*)

Automating Data-Centric Credit Unions (*cues.org/0717automating*)

Digital Marketing Evolves (*cues.org/1017evolves*)

CUES School of Strategic Marketing™'
July 15-18, Cleveland (*cues.org/ssm1*)

Marketing Automation *Mistakes to Avoid*

Automation can significantly increase marketing efficiency and reach, but don't go on auto pilot when deciding when and how to implement this technology. Here are some common pitfalls:

Using automation to market products members don't need. Michael Browning, CEO at Onovative *(onovative.com)*, Louisville, Ky., explains his company's Lens Approach: "It focuses on creating engaged relationships by determining the products your members *need*, not the ones you necessarily want them to have." The key is to build trust in your member's current lens—either transactional, savings or lending—before moving on; typically, your next best product offer will be in the same lens.

Many CUs, for example, encourage indirect auto loan members to use more services by promoting a checking account, says Browning. "They probably have a checking account and aren't that interested in a new one. But if they've closed a loan with you, chances are much greater they need additional sources of credit. ... Why not try to cross-sell other financing opportunities to continue to build the relationship? Develop the relationship before you go after products in a different lens. Data can help you to drive these decisions and move a single-service household to a flourishing member."

Not using automation to market to your largest captive audience. Build a plan into your selling cycle to regularly communicate with existing members, Browning advises. Don't be afraid of sending the right offer, on occasion, to the entire membership.

Trying to do too much. "Many marketing teams try to 'boil the ocean' with marketing automation tools at the onset," says Michelle Spellerberg, VP/marketing and digital strategy for $10 billion Alliant Credit Union (*alliantcreditunion.org*), Chicago. Instead, consider the number of interactions with an individual and prioritize content. For example, is an auto loan cross-sell communication currently more important than a debit card usage communication? Data from transactions, the customer journey and so much more can trigger communications, but marketing teams must narrow this list and decide where they will get the highest return on investment for their efforts.

Not performing quality assurance. With multiple variables in digital messaging, Spellerberg stresses that quality assurance must be built into the day-to-day functions of marketing automation to ensure the right people are receiving the right message with appropriate rates, disclosures, etc.

Sam Kilmer, senior director for Cornerstone Advisors *(crnrstone.com),* Scottsdale, Ariz., CUES' strategic partner for technology and risk management, adds that you should always test at least a small sample of messages and ask if the combination of content and audience passes the "smell test": "Don't just sample check loan preapproval offer letters with an eye towards managing credit risk. Instead, sample check all kinds of messages with an eye towards managing reputational risk."

Using bad data. Automation requires good data to start with, says Spellerberg, and the data should go beyond your customer relationship management and core banking systems to include data from such sources as web analytics, product application systems and advertising tools. If you are trying to acquire new members, you also need clean data about your prospects, not just current members.

Setting and forgetting it. Just because you've automated a campaign or your marketing processes doesn't mean you can forget about it, continues Spellerberg. You must also set up check-in processes to see if campaigns or communications are performing well or need tweaking.

Committing to a long-term contract before seeing results. Use the product first and see what results you get, says Browning; don't sign a long-term (i.e. three- to five-year) contract without identifying results or outcomes.

without too many extras. Many companies sell their services in modules. If you want a tool for marketing automation, for instance, but also want to do programmatic advertising, you may need to purchase multiple modules that integrate.

If your CU can't fashion a business model based on marketing automation right now—due to resource allocation, a lack of tools or resistance to a philosophical shift in how you approach business—anticipate where you want to be in five years, advises Kilmer. Determine where your members come from today and use forecasting models to project how that's evolving, whether through digital, branch or referrals.

As you review your forecasting data, consider how you must allocate resources to achieve that growth. With strategic planning and by embracing new technology, your CU can realign its marketing approach and be ready for the challenges ahead.

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

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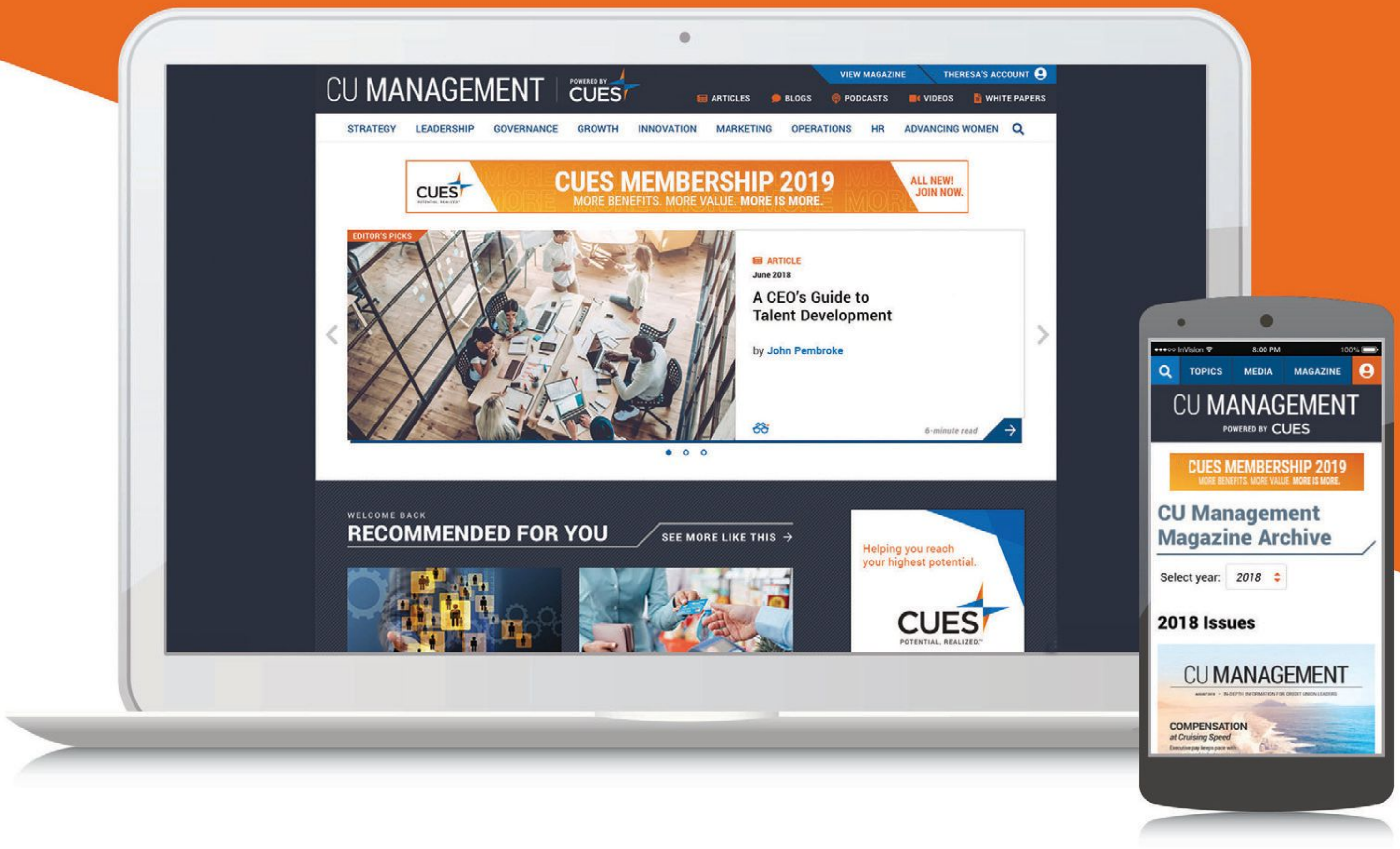

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Give 401(k)s *Five Advantages of a Pension*

PROMOTE AUTOMATIC SAVINGS WITHOUT TAKING AWAY CONTROL.

BY MARK COUILLARD

Articles about retirement savings often disparage the continuing shift from defined benefit pension plans to defined contribution plans, mainly 401(k)s. But these laments usually leave out two characteristics of 401(k) plans:

- They can give workers far more control over their retirement savings.
- Employers can configure them to include some of the most effective attributes of defined benefit plans.

The need for better retirement savings plans is obvious. According to PricewaterhouseCoopers' 2018 Employee Financial Wellness Survey (*tinyurl.com/yakzws7o*), only 55 percent of baby boomers and 41 percent of Gen Xers are confident they'll be able to retire when they want to. And that's probably optimistic, when you consider how little Americans appear to be saving for retirement.

Of these survey participants, 32 percent of baby boomers have saved less than $50,000 for retirement, and another 11 percent have saved between $50,000 and $100,000. Among Gen Xers, 40 percent have saved less than $50,000 and 16 percent have saved between $50,000 and $100,000.

Even if you can't offer employees a defined benefit pension plan today, you can still deliver some of the advantages of those plans by modifying your 401(k) plan's design and services in the following five ways in order to help employees attain a 60 to 80 percent income replacement ratio at retirement.

1. AUTOMATIC ENROLLMENT

Defined benefit pension plans don't allow participants to choose how much is contributed nor how it is invested. The positive side of this is that participants can't choose *not* to particiapte.

Create a version of this advantage by setting up automatic enrollment on your 401(k) with a default deferral rate. Your participants have the flexibility to opt out and not participate—or to contribute more and actively manage their investments. But if they take no action, they're still benefitting from a retirement savings plan.

Vanguard collected data from more than 590,000 employees hired between 2014 and 2016 and who were still with that employer through June 30, 2017 (*tinyurl.com/y7r9s7hc*). Participation rates in 401(k) plans that used automatic enrollment were 93 percent—nearly double the 47 percent participation in plans with voluntary enrollment. Plus, 77 percent of the employees who were automatically enrolled had remained in the default investment fund up to three years later.

Plan participation rates are dramatically improved by automatic enrollment among young and low-income workers—two populations with traditionally low participation. According to Vanguard:

- Nine of every 10 employees younger than 25 continued to participate in 401(k) plans after being automatically enrolled, compared with only three in 10 in voluntary enrollment plans.
- Among employees who earned less than $30,000 per year, 88 percent continued to participate in 401(k) plans after being automatically enrolled, compared with 18 percent in voluntary enrollment plans.

A potential downside of automatic enrollment is that some employers set the default contribution percentage relatively low, and employees don't increase their contributions enough to save an adequate amount for retirement.

The following two 401(k) strategies can protect participants from that effect.

2. AUTOMATIC DEFERRAL ESCALATION

Defined benefit pension plans are designed for employers to contribute enough each year to ensure an adequate savings amount is set aside for employees. To promote similar results, automatic deferral esca-

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lation for 401(k) plans increases participant contribution percentages each year.

For example, an employee's deferral rate can automatically increase 1 percent each year until it reaches a maximum percentage of their pay, typically 10 percent.

To minimize the effect of reduced take-home pay from automatic escalation, time the increases to coincide with annual pay increases, when possible.

According to the Vanguard report, after three years of participating in an automatic-enrollment 401(k), the average contribution of employees in a plan with automatic escalation was 7.1 percent, compared with 6 percent for those in plans without automatic escalation.

Vanguard's data show that of employees who were enrolled for three years in a plan with automatic escalation, 46 percent did not opt out of the annual escalation nor change the deferral percentage. In all, over half of the participants in these automatic escalation plans did make some change to that feature—and two of every three chose to keep it.

Only 6 percent of plan participants actually decreased their contribution percentage. Automatic enrollment paired with automatic escalation of deferrals appears to be a positive motivator and a powerful retirement savings tool.

STRETCH-MATCH FORMULA	FULL MATCH UP TO 3% OF PAY	50% MATCH UP TO 6% OF PAY	33% MATCH UP TO 9% OF PAY
Employer contribution	3%	3%	3%
Employee minimum contribution to maximize the employer match	3%	6%	9%
Total contribution	6%	9%	12%

MORE ON RETIREMENT

Close the Gender Retirement Gap (*cues.org/1017close*)

Lack of Employee Financial Wellness Hurts Productivity (*cues.org/0817lack*)

Employees Unprepared for Retirement Can Hurt Your CU (*cues.org/0417unprepared*)

It's Day 1 of Retirement: Are Your Employees Ready? (*cues.org/0317day1*)

3. STRETCH-MATCHING CONTRIBUTION

With a stretch-matching contribution, employers can encourage employees to save for their retirement without increasing overall employer matching contributions. The table above shows how stretch-matching contribution formulas incent participating employees to increase their deferral rates. In all three examples, the employer commits to contributing 3 percent of pay to employees who participate. However, the more the match is stretched, the more employees are encouraged to increase their deferrals.

4. PERSONALIZED GUIDANCE

Make professional guidance available to your 401(k) participants in ways they can easily understand and access. Do your plan participants know what their current projected replacement percentage is? If the gap between their working income and retirement income is larger than 60 to 80 percent, do they understand what it will take to close that gap?

To help your employees understand the retirement savings gap and other basic retirement savings concepts, consider giving them access to a combination of three reliable information sources:

1. **Personal advice from a qualified retirement savings counselor:** This person should be able to tailor information to the employee's age, retirement goals, risk tolerance and family circumstances.
2. **Online tools:** Increase employee engagement with a provider that makes its account and educational information accessible on various devices, including desktop and mobile devices.
3. **On-site group education events:** On-site workshops can be an effective way to educate your employees all at once.

5. TARGET DATE FUNDS

A pension plan's asset portfolio is managed by the employer and its advisors to help create a diversified investment portfolio customized to the plan's specific needs. For 401(k) participants, target date funds can fulfil that role.

Target date funds (usually a type of mutual fund) provide a professionally managed mix of stocks and bonds that are customized to the participant's retirement age. Participants do not need to worry about which funds to select and how much money to put in each. A target date fund will evolve as a participant ages to ensure the portfolio's diversification is appropriate.

It's important to remember that employees don't have to use any of these five pension-like features. In a 401(k), they can opt out of automatic features. They can choose not to take advantage of counseling or online tools.

But for employees who otherwise might not save enough for their retirement, a 401(k) with some key advantages of a defined benefits pension can provide them a comfortable and timely retirement.

Mark Couillard *is the senior retirement solutions proposal manager for CUESolutions platinum provider CUNA Mutual Retirement Solutions* (cunamutual.com)*, Madison, Wis. Reach him at* mark.couillard@cunamutual.com.

OUR GIFT TO YOU

Celebrating the 70th Anniversary of International Credit Union Day

In recognition of the platinum anniversary of International Credit Union Day, and the amazing work the industry and CUES members are accomplishing, CUES is offering:

- **$70 off any purchase the week of October 15–19**

But to truly join the party and deepen the sharing spirit of the global credit union movement, CUES is holding a drawing for three CUs to win:

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HOW TO ENTER

- Share a picture of how your CU is celebrating International Credit Union Day on any of your social media accounts October 15 through October 18 by 5 p.m. Central time.
- Tag CUES in your picture and include hashtags #CUESCares #ICUDay
- All sharers will be entered in a drawing to win $500 off a 2019 CUES Membership.
- Three winners will be selected and announced on Friday, October 19 at Noon Central time.

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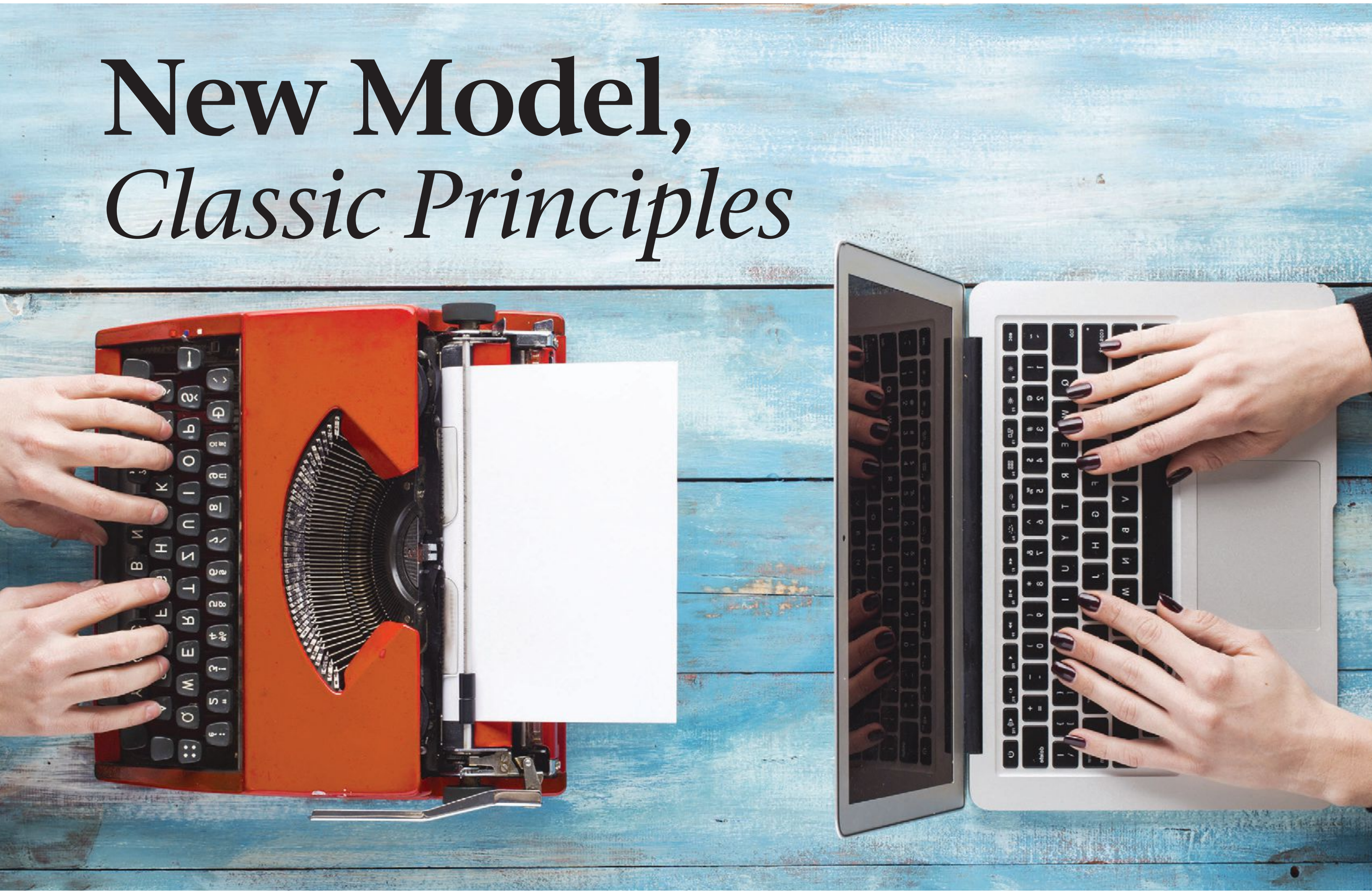


RECLAIM THE 'WHY' OF CREDIT UNIONS BY DEEPLY EMBEDDING SOCIAL PURPOSE IN ALL YOUR ACTIVITIES.

BY MICHAEL G. DAIGNEAULT, CCD, AND CAITLIN CURRAN HATCH

Most modern credit unions significantly underleverage their cooperative model. A key reason for this is the way the leaders of most credit unions conceive of "success."

Our thinking a few years ago was that the perspective of *all* CU leaders about success fell somewhere along a spectrum we could define (see graphic).

On one end of this spectrum, CU leaders were very "member-centric" in their approach. "After all," they would say, "credit unions exist for their members. Success is providing member services and benefits that improve people's lives—sometimes at the expense of better financial results or ratios." These CUs' cause was to—first and foremost—benefit the member. They did so while prudently ensuring the ongoing viability of CU operations.

On the other end of the spectrum, CU leaders were strongly focused on their CUs' "financial performance"—fundamentally oriented toward financial success, growth and sustainability. "You can't help members if you don't exist" was a perspective such credit unions often shared. They did not ignore their members by any means, but ultimately, success for credit unions on this end of the spectrum was primarily based on classic financial measures, sometimes at the expense of rewarding members first. Their "cause" was to ensure the ongoing financial health of the credit union so that it might, in turn, offer products and services to members and their families.

Still other CUs were in the middle of our success spectrum and took a "balanced approach." These CUs did all they could to thoughtfully harmonize the member-centric and CU-centric approaches. They saw the essence of their success as an ongoing balance of excellent service *and* strong financial results. Sometimes service was paramount in their thinking. Sometimes financial strength had to be the priority. Overall, however, the careful balancing between the two would lead to true success. These CUs' "cause" was twofold: to benefit members *and* craft a strong financial cooperative.

More recently, as we have talked to other CUs about ways they could take greater advantage of their cooperative model (and what it truly means to be a CU today), we learned that a few were thinking in a new way about success.

These CUs reported that the essence of their approach was to include their relationship to their communities in their thinking about *every* one of their programs. These CUs have a new cause orientation and new success metrics. After talking with these CUs, did we need to revise the entire spectrum? The answer was a resounding *yes* and *no*. We'll explain.

'REVISING' THE SPECTRUM

The much more robust and comprehensive "community focus" that these CUs were taking didn't seem to fit well on our initial spectrum. On the other hand, this new approach remained closely related to the fundamental CU ideas of member service and financial strength.

What we ultimately learned is that by adding a third focal point—community —to the member-centric and financial performance focal points, a new way of framing success for credit unions emerged, one that is a direct descendant from the movement's foundational principle of people helping people.

At this point, some of you may be thinking, "Hey, maybe we are already a social purpose credit union. We already do lots of good things in the community." You are not alone in suggesting this, but the social purpose approach goes much farther than nearly all of the community engagement efforts we have seen to date.

As Coro Strandberg (*corostrandberg.com*), former chair of $21.7 billion Vancity (*vancity.com*), Vancouver, British Columbia, and a corporate social responsibility pioneer, explains, "It is not uncommon for credit unions to find that they are not as far along toward becoming a social purpose organization as they think they are. It is because they already have the philosophy built into their DNA. [But, because of that,] they think they are doing more than they actually are!"

THE SOCIAL PURPOSE MODEL

The social purpose approach—fully executed—means integrating social purpose into everything a CU does. It has a direct connection to the values and underlying principles that propelled the CU movement many years ago.

In this model, the CU commits "a substantial portion of its assets to social finance projects rather than having social investment as an ancillary corporate social responsibility plan," wrote Sean Geoby and Olaf Weber in a 2013 article in the *Journal of Sustainable Finance and Investment* (*tinyurl.com/socialcumodel*). In other words, the focus on community impact becomes the driving vision of the CU, which then embeds social purpose values into all aspects of its governance, strategy and operational efforts.

This does not mean that a CU should abandon its members nor the credit union's financial health. Rather, to really serve members and substantially grow the credit union's financial strengths, shifting to a broader focus on community can help rally many more people and organizations to the "cause" of the credit union.

To do this, Strandberg advises, "As a board and management team, you need to determine what your purpose is. Why are you here?" The answer, she suggests, should not be to just meet member financial needs, but to go beyond such needs and—in a targeted manner—address some of the broader societal issues negatively impacting members and their families. And yes, this may mean helping others in the community who are not yet connected with the CU.

As Simon Sinek challenges us all in his book, *Start With Why: How Great Leaders Inspire Everyone To Take Action* (*tinyurl.com/startwy*), organizations need to both examine and reclaim their "Why?" CUs should certainly serve their members and their families with excellent products and services—what Sinek terms the "what." They should also effectively execute their cooperative business model and maintain strong and sustainable financial fundamentals—which Sinek calls the "how." But they should also think deeply about their core societal purpose—the "why"—a societal purpose that embraces members' needs, but also extends far beyond just members in its ultimate reach and impact. This helps to transform the entity from one that simply provides a service or a commodity—like so many others in the marketplace—into a social movement. A cause!

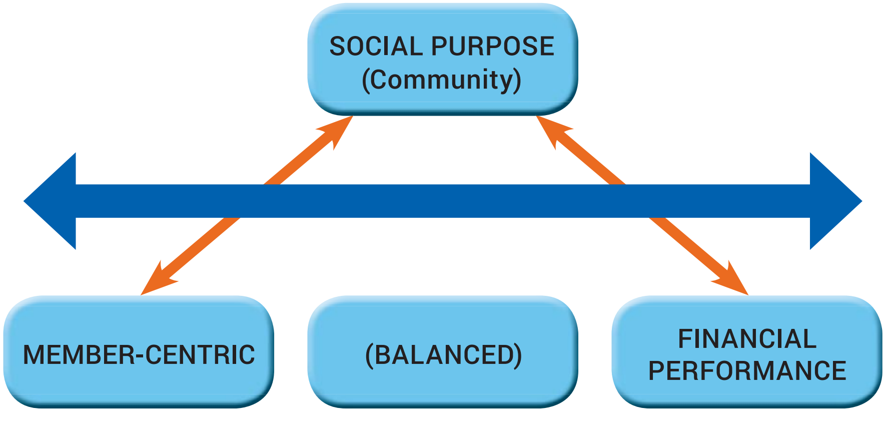
SOCIAL PURPOSE CUs

Vancity: Chief Governance Officer and Corporate Secretary Karen Hoffman says the CU defines success as "building healthy communities and increasing and preserving the well-being of our members." Under this vision, the CU has achieved 25 percent market share in one of Canada's most sophisticated and international financial cities.

Vancity does not focus on community simply because it has the "luxury to do so" due to its large asset base. It is so large today—and has gained such a passionate and loyal membership—due to its courageous decision to improve the Vancouver community. The CU has succeeded in transforming itself into a *cause* to improve Vancouver—a cause that many people in the city and its surrounding areas can truly believe in and actively seek to be a part of.

For example, one of the CU's most important efforts is its high-impact community investment loan that supports affordable housing; social

SPECTRUM OF CU THINKING ABOUT SUCCESS



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> **"When helping the community becomes part of your core product line, and you think about it that way and it is part of what you are doing ..., you are starting to arrive."**
>
> — Brett Martinez

GET MORE ON CU PURPOSE

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

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

The State of Credit Union Governance, 2018 (*cues.org/governancereport*)

CEO/Executive Team Network
Nov. 5-7, Nashville, Tenn. (*cues.org/cnet*)

CUES Symposium: A CEO/Chairman Exchange
Jan. 27-31, Nassau, The Bahamas (*cues.org/symposium*)

purpose real estate; local, natural and organic food; the environment and energy efficiency; as well as social enterprises and social ventures. The CU's social finance portfolio dwarves traditional corporate social responsibility efforts at many institutions.

Vancity's journey toward the social purpose model was sometimes two steps forward and one step back. The CU's leaders had to experiment to see what would work. Other CUs can learn from its experience and take inspiration from its success.

University Federal Credit Union (*ufcu.org*), Austin, Texas: Under the banner of "When Our Community Is Strong, We Are Strong," $2.3 billion University FCU has elevated its already strong community efforts to a new level. "This demonstrates where the heart of UFCU is—with our members and our community," says Heather McKissick, VP/community impact and a CUES member. "In only its first year, our DO GOOD program has rallied our employees' efforts around our community partners and made a real impact on the people they serve."

The credit union's CEO, Tony Budet, understands that the model has its challenges. "We needed to attract new leaders to our board who were from within the community and had an interest in it, and it was a culture clash at first," the CUES member says. "It's difficult to go through that. A lot of credit unions will have this challenge if you don't have an anchor or a group of people on the board who are part of the community you serve. It needs to be board-driven."

Lake Trust Credit Union (*laketrust.org*), Brighton, Mich.: David Snodgrass, CCE, CEO and a CUES member, says: "We were talking about our strategy, culture and our business plan and we were wrestling with answering the question, 'Why?' We started reflecting on, 'Why we are here?' and 'What is our purpose beyond just the traditional banking services we offer?' It is still a journey we are on today."

$1.8 billion Lake Trust CU pursued a number of avenues, including forming a 501(c)(3) foundation to encourage charitable participation in some of its community endeavors, pursuing a grant from the U.S. Treasury's Community Development Financial Institutions Fund.

"Our CDFI grant request is to help seed a micro loan fund for small businesses in rural communities across the state of Michigan and to help us to take more risk than we would otherwise in our standard business practice—take a chance on a single mom who wants to open a hair salon, a young man who wants to open a pizza shop, in an effort to breathe economic opportunities into our smaller communities across the state," Snodgrass says.

Like Budet, Snodgrass also emphasizes that a social purpose model needs to be driven at the board level. Lake Trust CU has recently added four new board members and two associate directors from the non-profit sector with very deep roots in the community.

"The contributions of our new board members have been multiple," he explains. "It has invigorated the leadership team ... to think even bigger about where we can go. They have opened up their networks to us and connected us to other thought leaders or other social purpose enterprises. That has been priceless. Having partners is part of this—we can't do it all ourselves."

Redwood Credit Union (*redwoodcu.org*), Santa Rosa, Calif.: Sometimes pressing circumstances demand new approaches. Last year $4.3 billion Redwood CU found itself at ground zero in one of the most destructive wildfires in California history. CUES member Brett Martinez, CEO, says that the CU's historic response was a result of having reacted to earlier fires in 2015 and 2016 and the recognition that the CU was able to react in an emergency to meet its communities' needs.

Because of its already deep relationships, Redwood CU was able to raise $32 million from 41,000 donors and help ensure the funds got to the right hands. "The state senator knew the areas, what the needs are, and the newspaper helped to communicate, get the word out and manage the communication, and that helped us being able to take in and distribute the money," Martinez says.

"Affordable housing is a huge issue," he adds. "We didn't do construction loans. We didn't do agriculture lending either. There were other people doing that, and there wasn't a need. Now, we are doing them, and we intend to keep doing them, even after recovery is completed. When helping the community becomes part of your core product line, and you think about it that way and it is part of what you are doing, focused on it on a daily basis, you are starting to arrive."

Redwood CU's response to the disastrous fires has helped to propel it to a whole new level. Its leaders acknowledge they will never be the same after this experience. Future plans include more fully integrating the lessons learned—a hallmark of a maturing social purpose model.

PURSUING THE MODEL

Snodgrass acknowledges that really understanding community needs and developing authentic relationships with community partners can be challenging.

"Deciding to do this requires a degree of humility," he says. "It's not about you—all of your energy is directed to others. We were meeting with a social purpose organization in downtown Detroit. They are doing some amazing things: employing homeless women, designing jewelry, creating products. We wanted to understand how we would could add value and support them. We were met with a degree of skepticism. When you start engaging in community organizations, they don't expect that somebody really cares. They expect that this is some sort of propaganda play."

Much work remains to be done to fulfill the promise of CUs' social purpose model, which offers a blend of classic CU principles, an innovative community-centered approach and the promise of re-energizing the "why" of CUs in a way that appeals to young people.

The approach also appears quite flexible and allows for both incremental development and a broad reach. It also stimulates innovation and a renewed passion from credit union leadership in how they design the credit union to be a meaningful cause—a cause that genuinely invites others to collectively reclaim the "why" of a credit union and create positive impact for members, their families and communities.

Michael Daigneault, CCD, *is CEO and founder of Quantum Governance L3C* (quantumgovernance.net), *in Vienna, Va., CUES' strategic provider of governance and board assessment services. Daigneault has more than 30 years of experience in the field of governance, management, strategy, planning and facilitation.* **Caitlin Curran Hatch** *is senior consultant for Quantum Governance, supporting the firm's clients with more than 25 years of experience in the business and legal sectors. The organization fields more engagements in the CU community than in any other, a total of 40 percent of its work.*

Special Report: Fintech

Credit Union Management

OCTOBER 2018

INVESTING IN BRIGHT IDEAS

Why supporting potential innovators may be the right thing for your CU and the movement

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Investing *in Fintechs*

PUTTING MONEY INTO INDUSTRY INNOVATORS MIGHT BE RIGHT FOR YOUR CREDIT UNION AND THE MOVEMENT.

BY DIANE FRANKLIN

How can credit unions get in on the fintech phenomenon rather than be left behind? One way is to make strategic investments in such startups to get a say in how the technology is developed as well as potentially attractive returns.

DETERMINING A FINTECH STRATEGY

Given the growing influence of fintechs, CUs need to think about the big picture.

"If your credit union doesn't have a fintech strategy, it certainly needs one," says Kathy Pearson, Ph.D., strategist, authority on decision-making and president/founder of Enterprise Learning Solutions (*elslearning.com*) in Philadelphia.

When CUs consider how to get the capabilities they need, "they should ask themselves, 'Should we organically grow this competency, or should we buy it?'" Pearson advises. "Or you may decide, 'I'm not going to ... invest in this company, but I'm going to partner with them.' That's a less risky proposition, in many cases, and can still meet your objective." The relationship could range from providing capital to an informal app testing partnership, she notes.

Pearson points to several advantages of working with fintech startups, including the ability to influence product development from the ground up. However, investment in fintech startups comes with risks. "There's uncertainty ... because we're not sure which ones are going to be the winners—which ones are going to be around five or 10 years from now," Pearson says. "There are also questions regarding how fintechs are going to be regulated. That's why I would advise credit unions to think in terms of the 'small bet' as opposed to a big investment."

Investing in a fintech company also needs to align with your CU's priorities and risk appetite.

"I think it starts with the board and what your overarching strategic plan is," says Kari Wilfong, chief financial and administrative officer at CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, Calif., a technology leader with 1,200 CU owners. "It's important to identify the critical factors that you look for in an investment opportunity." Whether to invest or just deeply partner depends largely on your strategic drivers.

Is your CU motivated to invest by the innovation and quality services offered by the fintech? Or is the investment driven by the fintech's growth potential? Be aware that as the company gains value, its end game may be to attract a buy-out offer.

This underscores why it's so important to have a clearly defined investment goal, including an exit strategy in case the fintech no longer aligns with the CU's goals. "It's almost like a prenup," Wilfong says. "You need to know what would happen in the event that the company didn't exist any longer."

Another consideration, Wilfong says, is the uniqueness of the product or service the fintech offers. "Can you get the technology from somewhere else? If you're trying to create a unique experience, it's important to invest in ... organizations that can deliver that," Wilfong says.

When narrowing down their investment options, many CUs would be wise to turn to outside experts who can help evaluate the viability of a particular choice. "You want to make sure you understand what the true value of the organization is, and there are a lot of companies that can help you with that piece," Wilfong explains.

"Not every credit union can afford to invest in a fintech, so the way we look at it is that we're not only helping out [our] CU, but we're also helping out all the credit unions."

– Scott Frost

Once a decision has been made to invest, Wilfong stresses that the CU has to ensure a strong relationship with the fintech: "Make sure you have ongoing representation to determine directionally if the company continues to be in alignment with your goals."

A FRUITFUL RELATIONSHIP

Investing in a fintech startup has gone well for $1.1 billion Collins Community Credit Union (*collinscu.org*) in Cedar Rapids, Iowa. The CU has previously participated in fintech investments as part of a group funded by several CUs, but just recently made its first direct investment—in LenderClose (*lenderclose.com*), Des Moines, Iowa, which offers a digital lending platform designed to empower local lenders and improve back-office efficiencies.

"We thought it was wise for credit unions to do what the bigger banks have been doing for quite some time, and that is invest in companies that could create and refine the technology for us rather than trying do to it on our own," reports Scott Frost, chief lending officer.

Thanks to this investment, Collins Community CU has been able to influence product development decisions at the firm.

Frost says, "I have the ability to go to [the owners]—and I have already done so—to say, 'I'm looking at this particular product, and here's what I want it to do. Do you think it's possible?'

"You have the ability to invest in these incubators for technology," he adds, "and if it pans out, you're able to continue your investment and possibly increase it so you don't lose that technology to one of the big banks, which commonly come in and buy these companies out."

PARTNERING VERSUS INVESTING

First Entertainment Credit Union (*firstent.org*), Hollywood, Calif., has exercised caution when it comes to investing in fintech firms. Dan Kinne, director/information services, affirms that the $1.5 billion CU is exploring the possibility of fintech investment to maintain its technological edge. "We would get the benefits of all the R&D that goes into this technology," he notes.

But Kinne admits concern about making the leap. "We've been a little reluctant on venturing into fintech startups, because down the road, they may face some regulatory compliance issues," he explains. "There are a lot of new technologies—with fintech payment systems, for instance—that are really compelling, ... but we are taking a bit of a conservative approach until we see what happens on the regulatory front."

Instead, First Entertainment CU has developed deep partnerships without making an actual capital investment. The CU has, for example, implemented the Laserfiche enterprise content management system (*laserfiche.com*) by partnering with Millennial Vision Inc. (*mviusa.com*), Salt Lake City, a value-added reseller.

The Laserfiche/MVi product suite "has all the traditional imaging features, plus a sophisticated feature set including automated workflow, e-forms, etc. This product set is what integrates our corporate environment," Kinne says. He has found MVi, with its 20-plus years in the industry, to be a stable and reputable "wrapper" for fintech, providing additional solutions necessary for financial institutions.

"We liked what MVi brought to the table in terms of being very experienced working with credit unions," says Kinne. "MVi was a very good fit for us. They've become one of our premier business partners ... . We really value the relationship, and our organization has flourished with it."

BENEFITTING THE INDUSTRY

Credit unions that invest in fintechs not only help themselves but also other CUs, in keeping with the movement's "people helping people" philosophy. "Not every credit union can afford to invest in a fintech, so the way we look at it is that we're not only helping out Collins Community CU, but we're also helping out all the credit unions that LenderClose works with," Frost says.

"As one of the larger credit unions ..., we think it's important to invest in fintechs and help develop technology for the credit union space as a whole. That way, the technology will continue to be available to the smaller credit unions that otherwise couldn't afford to develop it on their own."

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

MORE ON FINTECH

Fearing Fintech Disruptors? *(cues.org/0117fearing)*

Fintech Competition Update *(cues.org/082818skybox)*

Fintech's Best Value: Fresh Ideas *(cues.org/051518skybox)*

CEO/Executive Team Network, Nov. 5-7, Nashville, Tenn. *(cues.org/cnet)*

3 Powerful Reasons *to Invest in AI Today*

WHILE 2018 IS QUICKLY BEING DUBBED "THE YEAR OF AI," BY ALL INDICATORS, FINTECH'S LATEST PHENOMENON IS JUST GETTING STARTED.

BY CO-OP FINANCIAL SERVICES

According to the International Data Corporation (*idc.com*), global spending on cognitive and artificial intelligence systems will reach $19.1 billion in 2018, an increase of 54.2 percent over 2017 levels. By 2021, AI spending is expected to grow to $52.2 billion.

Gartner (*gartner.com*) predicts that in 2021, "AI augmentation will generate $2.9 trillion in business value and recover 6.2 billion hours of worker productivity." By 2022, one in every five workers engaged in mostly non-routine tasks will rely on AI to do a job.

While these and other projections speak volumes about AI's vast untapped potential, the question for credit unions remains the same: How can the technology unleash opportunities for us?

Here are three compelling reasons to invest in artificial intelligence and machine learning today.

1. PERSONALIZED PRODUCTS AND SERVICES

The more we know about members, the better we can serve them. AI technologies allow credit unions to access both internal and external data,including publicly available information from social media feeds that tell us exactly who our members are. The ability to build richer, more complex profiles of members allows us to customize products and services in ways that better reflect their needs.

2. 24/7 MEMBER SERVICE

AI-driven systems hold tremendous potential for improving member service. In fact, bots are already being deployed throughout the credit union industry to answer questions and deliver services around the clock, providing unprecedented access to members and much-needed relief to call centers.

3. BETTER SECURITY

Fraud losses and false positives cost credit unions dearly. By applying advanced data mining techniques in high-performance computational environments, artificial intelligence allows us to take a more predictive approach to fraud detection, one that yields more precise results faster, and a more seamless member experience overall.

COOPER HELPS WITH FRAUD

CO-OP Financial Services has made its own investment in the AI and machine learning space with the launch of COOPER, an advanced data-driven machine learning platform.

AI-driven systems hold tremendous potential for improving member service.

As the data-driven "brain" inside CO-OP, COOPER will ingest and process data on our members and transactions happening within the CO-OP ecosystem in order to predict, prevent and adapt to complex fraud patterns. Eventually, we see COOPER being more than a security tool. The system will eventually yield the breadth of data needed to help credit unions serve members more intelligently, holistically and personally.

Ultimately, member relationships are built one interaction at a time. AI promises to bring a wealth of data to our fingertips, giving us a truly unique opportunity to make every member touchpoint count.

CUES Supplier member CO-OP Financial Services (co-opfs.org)*, Rancho Cucamonga, Calif., helps your credit union leverage the latest technology and insights to strengthen member connections and propel growth. It does this by uniting innovative thinkers with deep experience in the credit union and payments industries to incite progressive ideas built around consumers' financial needs. The result is a continually evolving portfolio of seamless and secure solutions designed to help your credit union reach both top-of-wallet and top- of-mind status.*

PREDICT, PREVENT AND ADAPT TO FRAUD TRENDS LIKE NEVER BEFORE

With billions of transactions processed every year, payments are becoming increasingly sophisticated. But as payments evolve, so do fraudsters and fraud attacks. COOPER is an advanced, data-driven platform that helps credit unions detect and fight fraud faster than ever before. COOPER works behind the scenes to analyze your members' transactions and spending patterns and provide alerts on suspicious activity. By using machine learning, COOPER will adapt and react to evolving fraud trends as well as provide a 360° view of your members.

Discover how COOPER can help you fight fraud and improve the member experience.
Visit **CO-OPfs.org/cooper** or contact **solutions@coop.org**

Leveraging the Power of a True Enterprise Content Management System.

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

Knowing the Differences.

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

What is an Enterprise Content Management System?

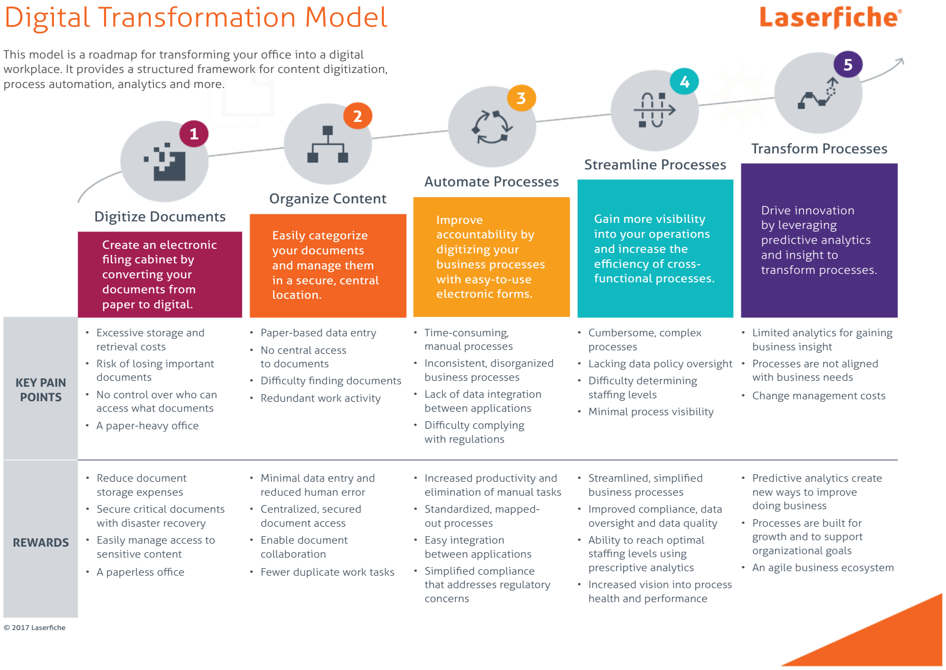
An ECM solution combines traditional Imaging and indexing of digital documents along with workflows, automated business processes all while adding automated records retention, DoD 5015.2 compliance and being able to do all of these things across the entire enterprise.

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

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

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

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



First Entertainment Keys To ECM Success with MVI and Laserfiche.

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

The 5 Stages of Digital Transformation With an ECM Solution.

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

SPONSORED CONTENT

Relevance Through Technology
Strength in Numbers

By Mike Joplin, CEO, CU Lending Cooperative

Let's talk dollars and sense. According to Statista, the total loan volume for personal loans obtained through marketplace lenders this year will be about $120 billion in the United States. How much of this lending activity will your credit union participate in? No need to check with your CFO. We know the answer. Zero.

Now consider this. The average credit union today is about $240 million in assets. On the other hand, year over year for the past 10 years, Bank of America has allocated about $1.5 billion annually just for its advertising spend. Let that sink in for a minute.

Finally, what's your average new member acquisition cost? I can tell you it's probably two to five hundred dollars, give or take. And what do you typically get for that investment? A member that may or may not prove to be profitable.

This all seems kind of bleak doesn't it? There are billions of dollars in marketplace loans being made, and your credit union currently has no way to get a piece of that action. The big banks spend more on advertising annually than the net worth of most credit unions. And your new members are most likely coming in on loss-leader products, forcing you to work your tail off to convert them to profitable members.

Your Edge

But there's one edge you have that no big bank or fintech has: You're a credit union. And that's a game changer.

First of all, as a credit union, you have access to technology that your competitors don't. I'm talking about today's modern technology CUSO.

Not too long ago, tech CUSOs existed mostly to create economies of scale for things like core data processing. Today, new CUSOs are springing up that are nearly indistinguishable from outside fintechs – except that we exist solely to serve the needs of credit unions and members.

CUSO innovators are creating technology solutions that are as good or better than anything available elsewhere on the market, at price points that give your institution a real edge. Credit union technologists have long called technology the great equalizer. Today's tech CUSOs are making it so.

Second, as you well know, credit unions are the very embodiment of the term *coopetition*. Sure, you go head to head with the other credit unions in your area. But you'd gladly put your differences aside to jointly slay the big bank giants.

Taking Advantage

So how do you leverage your credit union-ness to address the three issues I described earlier? I present my CUSO, Credit Union Lending Cooperative (CULC), as the perfect example.

We created CULC on the premise that borrowers want frictionless, immediate online borrowing convenience. They want low-cost checking and higher interest savings accounts and they are gravitating away from traditional banking models to get them. To remain relevant in the current dizzying array of financial service providers, you need to meet today's tech-savvy borrowers where they're looking for loans. We're starting with LendingTree, but that truly is just the start.

Using proprietary technology, we offer CULC as a compelling lending option on LendingTree, then create, book and fund loans and open new share accounts directly for our member credit unions. As more and more credit unions join our lending cooperative, we all realize more and more success together.

If you attempted to get your credit union on LendingTree as an individual lender, you'd spend a lot of money for what would seem like little results. In short, it just wouldn't be worth the effort. But by pooling their resources, our member credit unions can build an online lending juggernaut.

The Finish Line

And what's the end result? Instead of acquiring a new member with a loss-leader product, you bring them in with a very profitable product and then build further profitability from there. To borrow a racing metaphor, CULC is the difference between pole position and the back of the pack when it comes to member profitability. That's why we call CULC a member growth platform instead of a lending platform.

Is CULC the silver bullet for all the monsters at your gate? Probably not. However, I firmly believe that the concepts around which we created CULC – that credit unions must maintain and increase their relevance through the efficient and effective use of technology, and that in the face of mounting competition, credit unions need to support each other like never before – are the concepts that will carry a strong, healthy credit union movement forward into the future.

The CU Lending Cooperative growth platform lets your credit union go head to head with other marketplace lenders, generating new members that are profitable from the very outset. Our one-of-a-kind platforms offers:

- A **nationwide network** of like-minded, tech-savvy credit unions.
- **New loans** for your portfolio.
- Instant membership and deposit **growth**.
- Advanced **API-driven** technology.
- An entirely **cloud-based** solution.
- Instant onboarding to **any core system**.
- Access to **millennials** and other highly desirable demographics.
- Loan default and fraud **loss protection**.
- Full **loan servicing** and hot backup.

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Analytics for *Auto Loan Success*

DATA MODELS 'PAINT' MARKETING MESSAGES.

BY KRISTIN GILPATRICK

When a member contacts a credit union for a car loan, there's no guarantee of closing it. Improving the auto close ratio requires being part message "artist" and part data analyst.

Some CUs that close a lot of car loans "are leveraging data gathered through the trusted member relationship—about a member's inquiries, spending habits, credit history and more—to craft and send the right auto loan message—or better, series of reminders, educational information and soft-sell messages—to the member at the right time," suggests Jeffrey Shood, CEO of Intuvo (*intuvo.com*), a marketing automation software provider in Scotts Valley, Calif.

A predictive model, even a simple one, can increase auto loans, he stresses. For example, $1.3 billion Financial Partners Credit Union (*fpcu.org*), Downey, Calif., improved its auto loan close ratio 44 percent in four months after it used data on prequalified but not yet closed auto loan apps to start an email/call combination campaign using Intuvo.

In this case, a series of timed and crafted messages—such as loan rate reminders, information on a CU's local dealer relationship, Carfax deals, and/or auto buying services, as well as educational messages about car shopping, etc.—were sent to members who had been pre-qualified by the CU.

In addition to bumping up closings, the campaign helped create a better return on the pre-qualifications the CU had invested in up front.

INTERNAL AND EXTERNAL DATA

Tools like Predictive Loan Growth from CUESolutions platinum provider CUNA Mutual Group (*cunamutual.com*), Madison, Wis., grow more powerful when they use data from many sources—the CU's home banking, credit bureaus, merchant data, etc.—then use it to help predict when, how and to whom marketers should send which auto loan-related pitches, says Amy Robertson, senior manager of payment and lending security.

"Using a predictive model for auto loan campaigns consists of looking for cues in the data that someone is getting ready to refinance an auto loan, buy a new car, need an extended warranty," she notes.

A basic way of doing this is to send information about pre-qualifying to a member that visits the auto rates section on your website. "Most credit unions can do this type of analytic-based marketing without [purchasing] a predictive solution and have some early success in increasing auto loans," Robertson notes. "However, by folding in the additional data that a predictive model solution can gather and analyze from outside sources, as well as data on the number and types of marketing messages different member subsets will tolerate, marketers can paint an even more successful picture with well-timed and better targeted messages."

CASE IN POINT

CUES member Brett Lee, chief retail officer for $1.5 billion CoVantage Credit Union (*covantagecu.org*) in Antigo, Wis., uses Predictive Loan Growth to trigger marketing messages when a member's credit has been retrieved from potential auto lenders. "Based on that, we then utilize outbound calling/email and a mailed offer to explain our value proposition within a pre-approval," he says.

"The credit union has developed outbound email and phone call scripts that follow the model's trigger points" from various scenarios and data, he says. "We have found that a significant portion of our members take us up on additional ways we can help them achieve their ideal financial scenario."

Predictive models can really start to pay off when a credit union starts leveraging real-time data as well, Shood notes.

"With a third-party predictive model program, a credit union can identify if an auto loan a member has with someone else is on its 36th payment, which indicates a new car purchase on the horizon, or follow a pattern of above-average gasoline purchases to indicate the kind of traveling that leads to more frequent new car purchases," he says. "Real-time data can really expand the credit union's capability to predict member behavior in ways that can help the credit union serve the member even better and strengthen the member relationship."

Kristin Gilpatrick *is a freelance writer based in Wisconsin and a former editor of* CU Management *magazine.*

MORE ON AUTO LENDING

Loan Zone: Auto Lending in a Fintech World (*cues.org/0718loanzone*)

5 Ways to Prepare for 'Carmageddon' (*cues.org/0618carmageddon*)

CUES School of Lending Leadership
Sept. 10-12, San Diego
(*cues.org/sll*)

OM Financial Group

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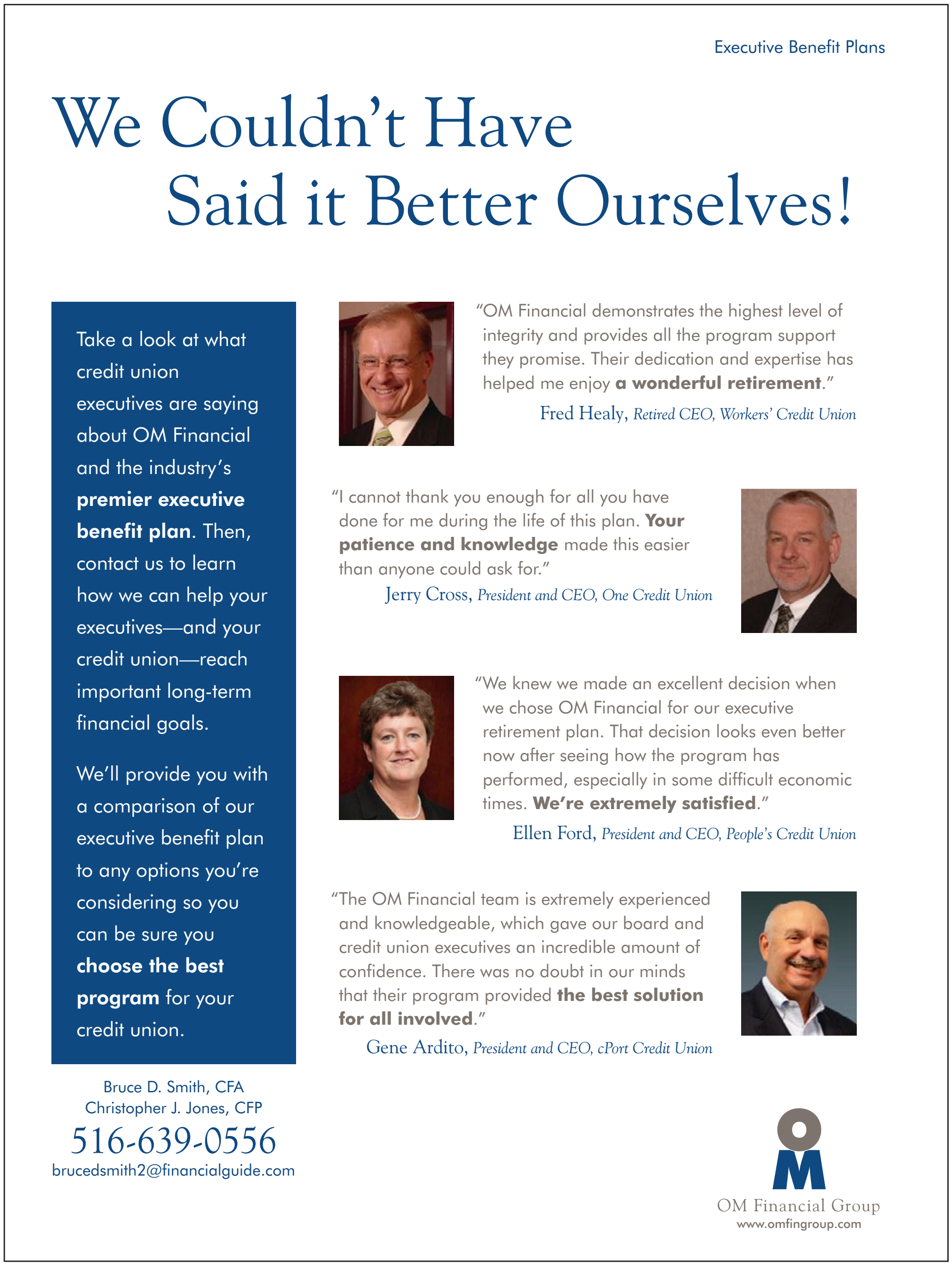

What makes OM Financial unique?
OM Financial prides ourselves on our expertise in designing plans that align with both the executive's and credit union's long term interests. In addition, we are radically responsive to ensure the board and executives are fully equipped to make informed decisions.

How can credit unions be more successful?
We believe one of the credit union board's primary goals should be to retain successful talented leaders as part of their role. Succession planning of the management team is a key outcome of our work with each credit union, ultimately aligning everyone's intent and goals into the future.

What keeps your clients up at night?
One of the worst calls a board chair can get on a Monday morning is from the CEO saying, "I've been struggling with making this call all weekend, I've got to let you know, I've got an offer I can't refuse and will be taking a position at another credit union."

How does OM Financial make its credit union clients more successful?
We know by our research and feedback from recruiting firms that a properly designed supplemental executive retirement plan will keep your talent for the long term.

Avoid *Stagnant Boards*

CUES GOVERNANCE LEADERSHIP INSTITUTE™ HELPS REFRESH KEY PROCESSES.

Faculty members at the 2018 CUES Governance Leadership Institute™ at the University of Toronto suggested that participants "breathe new life into assessments," according to Russ Siemens, CCD, director at $1.8 billion Innovation Credit Union (*innovationcu.ca*), Swift Current, Saskatchewan. Siemens says in a video about his three key takeaways (*cues.org/siemensvid*) that his participation in the institute helped breathe new life not only into assessments but also into his work as a board member who wants to enhance strategy, ensure intentional decision-making and boost communication.

Miami

Rotman School of Management
UNIVERSITY OF TORONTO

Alphabetical list of CU participants: Tanya Chase, CCD; John E. Cihota, CCD; Julie Corbin, CCD; Anderson Edwards, CCD; Jesse Guardiola, CCD; Scot Hadden, CCD, CCE; Robert A. Jacobson, CCD; Curt Letkeman, CCD; James MacFarlane, CCD; Patricia Moreno, CCD; Paula O'Rourke, CCD; Roger Palmer, CCD; Stewart Ramsey, CCD, CIE, CCE; Dan Sicchio, CCD; James Trefry, CCD; Deanna Williams, CCD; Elvia S. Williams, CCD

Toronto

Rotman School of Management
UNIVERSITY OF TORONTO

Alphabetical list of CU participants: Rachel Allard, CCD; Kenneth Ampy, CCD; Sandy Berry, CCD; Shelly Berryman, CCD; Theodore Byrne, CCD; Deb Chobotuk, CCD; Charmaine Code, CCD; William Colclough, CCD; Malcolm Eaton, CCD; William Ehritz, CCD; Richard Finlay, CCD; Scott Flavel, CCD; Lorrie Forde, CCD; Lawrence Golub, CCD; Karla Hardcastle, CCD; Doug Hastings, CCD; Kim Hedrich, CCD; Robert H. Hernke, CCD; Barbara Heyward, CCD; Kurt Holfeuer, CCD; Gary Jones, CCD; Aaron Lobato, CCD; Dan MacDonald, CCD; Megan Manahan Bliss, CCD; Michael Moore, CCD; Simon Neigum, CCD; Sandra Sasser, CCD; Rob Shuler, CCD; Russell Siemens, CCD; Joanne Simes, CPA, CMA, CCD; Shane Siren, CCD; Pete Smith, CCD; Alan Stabler, CCD; Brian Thorne, MBA, PFP, CCD, CCE; Don Wheler, CCD; Keith Young, CCD

MORE DIRECTOR LEARNING OPTIONS

CUES Unlimited+ membership (*cues.org/membership*)

Directors Conference Dec. 2-5, Waikoloa, Big Island, Hawaii (*cues.org/dc*)

CUES Symposium: A CEO/Chairman Exchange Jan. 27-31, Nassau, Bahamas (*cues.org/symposium*)

CUES Governance Leadership Institute™ June 2-5, Toronto (*cues.org/gli*)

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Website: cumembers.com

What makes CU Members Mortgage unique?
Since 1982, CU Members Mortgage has provided expert mortgage solutions to credit unions and CUSOs nationwide. Over these years of service, we've collaborated with hundreds of credit unions to create a refined program to assist credit unions of any size, with any need.

How does CU Members Mortgag make its credit union clients more successful?
What sets CU Members Mortgage apart is our vast expert resources that not only allow you to contend in today's competitive landscape, but surpass your mortgage lending goals. Some of the resources available to our partners include:

- An extensive suite of home loan products including Conventional, FHA, VA, USDA and Reverse mortgage products – all available with a national reach.
- Retained servicing that not only protects your relationship with your members, but allows your members the security of always knowing who is caring for their mortgage.
- Our commitment to leading-edge technology positions your Credit Union with the right tools to increase income and expedite the process for a more satisfied member base.
- Our expert compliance team is able to stay alongside every necessary update as the industry changes and safeguard our processes to protect us all.
- Training and marketing support to guide both your members and your staff toward success.

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New Alliances *With Fintech*

BY STEPHANIE SCHWENN SEBRING

Credit unions have never been afraid of partnerships to help serve their members. They can extend current capabilities or provide new services—and are often a requisite to innovation. Priya Dozier, innovation leader for CUES Supplier Member PSCU *(pscu.com)*, St. Petersburg, Fla., shares her insight on new fintech alliances.

"Like all financial institutions, CUs were challenged to see how fintechs could fit into their overall business models and operations and some more difficult to scale," says Dozier. "With the explosion of digital technology, opportunities are now ripe for these evolving partnerships—to create new and improved services for members."

Alliances have also moved beyond questions of what fintechs are selling, how old they are, and if they will be around in the long-term. "Today," says Dozier, "we ask how fintechs are using technology to create value; their differentiators; and where these fit into our digital roadmap for payments."

Dozier believes one challenge for fintechs in the payments space is their regulatory, compliance and security maturity. "Part of the trust associated with traditional financial institutions is their maturity in protecting member data, their commitment to compliance and making payments secure. Sometimes, those qualities impact the seamless experience but compensate in protection. Fintechs need to be acutely aware of how they fit into the payments ecosystem because if a solution comes with operational challenges or increased risks, the experience alone won't uphold a member's trust."

Dozier notes that some fintechs are creating seamless and convenience-driven layers to counteract outdated experiences. "Strategies around experiences will become increasingly critical as the financial services industry moves towards more open access," adds Dozier. "Members value the combination of security and technology to drive convenience," explaining that two-thirds of Americans would trust new payment technologies if offered by their existing bank or CU (*tinyurl.com/y8xyt26t*).

"PSCU invests heavily in research and development of its digital products so CUs can deliver an unparalleled member experience," says Dozier. For example, PSCU partners with MasterCard Start Path to access relevant fintechs. The PSCU Innovation team also determines whether certain fintechs can fit into existing solutions or new strategies, including those for faster payments, artificial intelligence and authentication. "If PSCU encounters a relevant partnership opportunity, we assess its business model, management team, strategic advantages, developmental milestones and investor funding."

STAY OPEN TO THE POSSIBILITIES

CUs already have a remarkable value proposition, notes Dozier. But they should understand how fintech partnerships can differentiate their service offerings with new scalable technologies. "Look for opportunities to co-create with fintechs; identify emerging needs, review data, and see how members are already engaging with fintechs."

Dozier concludes that members want faster ways to pay and to feel safe against fraud. "And as an industry, we should stay open to the possibilities including alliances with fintech."

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

Sparking New *Loan Success*

BY STEPHANIE SCHWENN SEBRING

With rising rates and declining HELOC and mortgage refinance demand, credit unions are facing a much different loan market from the boon of the previous decade. Still, consumer spending has increased, and along with it, a new penchant for borrowing, with total household debt reaching $13.2 trillion in the first quarter of 2018 (*tinyurl.com/y6wfcr5a*).

The secret, says Stephenie Williams, executive director/lending solutions for CUES Supplier member Harland Clarke (*harlandclarke.com*), San Antonio, is to find and follow these new and emerging loan prospects. The objective is two-fold: for a CU to grow its outstanding book of credit and be poised to offer niche offerings in a new and evolving credit market.

"Despite the challenges, credit unions can finance the desires of their members' hearts," adds Williams. "It's realigning priorities, being open to serving riskier segments as well as offering the products consumers are seeking—while fulfilling the loan triggers members present. Consumer loan type demand is shifting, and CUs must realize the implications."

With the trend moving away from secured lines, Williams sees heightened activity in the unsecured lending space, including greater demand for credit cards and personal credit lines and loans. "Consumers are using these forms of credit to pay for merchandise and as a primary payment tool in their digital wallets."

Millennials, in particular, are much more open to using unsecured debt. "After living through the Great Recession, seeing homes turned upside down in value and the previous generation struggling, they view unsecured debt as preferable and even a safer alternative," stresses Williams. "It's not due to a lack of available equity but a mindset."

And because CUs aren't known for their hyper-competitiveness in the credit card space, there's an opportunity for CUs to re-evaluate their programs to see how they can appeal, either by marketing to higher risk segments or offering a genuinely competitive cash-back card, adds Williams. "Credit unions are so good at the relationship part of their business proposition," she continues. "But to succeed in the new unsecured boon, they must craft new rewards products that tie back to their value proposition."

"Today's consumer is more informed than ever," notes Williams, "and they have more lending options at their disposal than at any time in our history. With the speed and convenience of digital, they're in the driver's seat when choosing a lender."

For an improved experience, Williams encourages marketers to look beyond conventional, seasonal push-marketing but instead implement strategies that continually engage prospects and account holders.

"Start by redefining a 'potential borrower' to anyone who prequalifies for a loan, credit card or other product," she says. "Engage your prospect immediately and relevantly, whether they're currently interested in borrowing or not. Consistently offer informed options and let prospects know they're preapproved."

For example:

1. Set up an alerts program to receive notification from multiple credit bureaus whenever a credit inquiry is submitted for your members.
2. Adopt a turnkey program that can send multiple offers for home equity, auto, credit card, personal and other loans through numerous channels—online, direct mail, mobile, email, branch and phone—to account holders and prospects who meet specific underwriting criteria.
3. Put these offers at consumers' fingertips (direct mail, email and phone) to accept anytime, anywhere.

Williams reminds that CUs must stay open-minded, shift from old-school loan marketing techniques and recognize that members are looking for both product and channel choice. Prescreening members to make relevant offers will create an improved loan experience.

Stephanie Schwenn Sebring *established and managed the marketing departments for three credit unions 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.

Next Top Credit Union Exec
Finalists Announced

The judges' results are in! The five Finalists for the 2018 CUES® Next Top Credit Union Exec challenge are:

- **Blaine Bartholomew,** Unitus Community Credit Union, Portland, Ore.;
- **Lynette Cupps,** MAX Credit Union, Montgomery, Ala.;
- **Clark Duncan,** Fort Knox Federal Credit Union, Radcliff, Ky.;
- **Jodi Maus,** Central Minnesota Credit Union, Melrose, Minn.; and
- **Emily Strybosch,** Libro Credit Union, London, Ontario.

A combination of public vote and a judging panel determined the Top 10 entrants. Since the results of that vote were announced in July, all 10 young professionals have been providing updates to their projects at *nexttopcreditunionexec.com*. These updates and entrants' video applications were evaluated by a judging team composed of Deedee Myers, CEO of CUES Solutions provider DDJ Myers (*ddjmyers.com*), Phoenix; David L. Tuyo, CSME CCE, president/CEO of University Credit Union (*ucu.org*), Los Angeles; and Eric Dillon, MBA, ICD.D, CEO of Conexus Credit Union (*conexus.ca*), Regina, Saskatchewan.

"The five Finalists were selected from a highly competitive group," says John Pembroke, president/CEO of CUES. "Once again, we had several notable entries this year. Our judges had to consider a wide range of items to choose five quality young leaders from our Top 10 to move through to the Finals.

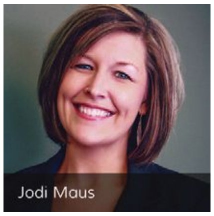
"Thank you to all of our applicants for their hard work to get to this point, and for the outstanding ideas they bring to their credit unions and the credit union industry. Congratulations to our Finalists; we look forward to learning more about their projects as they progress between now and their final presentations at CEO/Executive Team Network in November," Pembroke says.

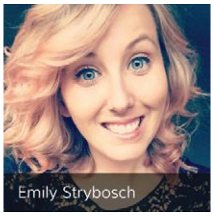
In addition to two coaching sessions provided by challenge sponsor DDJ Myers, the five Finalists each receive registration, accommodations and airfare to CUES' CEO/Executive Team Network™ in Nashville, Nov. 5-7. There, the Finalists will face off for the grand prize, a CUES educational package valued at $20,000, and the honor of being named 2018 CUES Next Top Credit Union Exec on Nov. 7.


Blaine Bartholomew


Lynette Cupps


Clark Duncan


Jodi Maus


Emily Strybosch

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CEO/Executive Team Network (*cues.org/cnet*), Nov. 5-7 in Nashville, is a conference unlike any other for top credit union leaders. Attendees walk away inspired and return home with real-world solutions ready to put into action at your credit union. The following sponsors are essential for the event's success.

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Learn more and register at *cues.org/cnet*.

Webinars

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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OCTOBER 9
1 p.m. Central
Dust Off Your Deposit Acquisition Strategy

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

NOVEMBER 14
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Cybersecurity and Board Information—Overcoming Common Threats

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Synergy *at the Top*

"With greater trust comes greater innovation, creativity, impact, freedom and morale—and a bigger bottom line," says David Horsager, CSP, CEO of the Trust Edge Leadership Institute (*trust-edge.com*) and bestselling author, in "The Real Crisis Is Trust" (*cues.org/0817trust*). Trust is the fundamental key to all lasting success, he continues. "It is actually a measurable competency that can deliver real results in our personal and professional lives."

Your credit union's top partnership can learn to build that trust at CUES Symposium: A CEO/Chairman Exchange (*cues.org/symp*), Jan. 27-31, 2019, in Nassau, the beautiful capital of the Bahamas.

This unique, interactive event gives your CEO and board chair the opportunity to collaborate, problem solve and create an action plan through shared learning experiences. Together, your CU's power team will learn from Horsager and other expert speakers about driving performance and culture through trust; dealing with imperfect board members; tapping into talent to drive value creation and more.

"Results today come from programs that let people put insights and learning into practice," says Kathleen M. O'Connor, associate professor at the S. C. Johnson Graduate School of Management, Cornell University, and lead faculty at CUES' CEO Institute II: Organizational Effectiveness (*cues.org/inst2*), in "Women are Overmentored and Undersponsored" (*cues.org/0218sponsoring*). Instead of thinking of young people as potential talent, she says, leverage them as "immediate talent for CUs that take a portfolio approach to leadership and emphasize collaboration among people with a variety of skills and insights to keep the organization agile." Hear more from O'Connor at Symposium in her breakout session, "Leading an Engaged and Inclusive Credit Union."

Attend CUES Symposium *(cues.org/symp)*, Jan. 27-31 in Nassau, Bahamas.

Fortify your credit union by developing synergy between the critical leadership duo of chair and CEO. Register today at cues.org/symp. *Rates increase $400 after Dec. 13.*

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July 31-Aug. 2
Portola Hotel & Spa at Monterey Bay
Monterey, Calif.

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

Tips for *Talent Development*

BY DIANE FRANKLIN

Credit unions can learn much from each other about how best to identify and assess talent. Consider these five suggestions from talent management experts as you create or refine your own development program.

1. Start with the end in mind. "Know where your organization is going," recommends CUES member Sandra Lueders, chief HR officer for $1.9 billion Vantage West Credit Union (*vantagewest.org*), Tucson, Ariz. Then back up and ask yourself, "'What are the things that we need to look at to get our people ready … ?' Back it up even further and ask, 'Where do we need to modify our talent acquisition models so that they run complementary to each other?' The best way to achieve that is to start with the end in mind."

2. Align your people with your organization. Jennifer Stangl, CUES' director of professional development, stresses the need to make your talent development program compatible with your organizational strategy and culture. "One of the goals of our CUES Consulting [facilitated talent development] offering is to help organizations understand their current climate," Stangl explains. "You could have the greatest strategy in the world, but if you don't have the people with the skills to execute it, you're not going to get anywhere."

3. Be economical—but effective. "People might perceive that a leadership development program needs to cost a lot of money, but there are a lot of things you can do organically with your experiential resources," says Tricia Cassidy-Vincent, AVP/HR/talent management at Vantage West CU. "For instance, I think that people underestimate the value of mentorship programs. We do mentoring groups, where people learn from each other and the mentor."

4. Begin with the basics. Lisa Bowers, SVP/human resources and training for $1.5 billion Dupaco Community Credit Union (*dupaco.com*), Dubuque, Iowa, recommends you start your talent development efforts by creating job titles. Even if you don't consider your organization title-driven, it's still a good strategy. "Titles define roles, and roles define competencies, and competencies define responsibilities," Bowers says. "You have to have clarity in a role to be able to identify if someone is going to be successful in it and/or has the aptitude to excel."

5. Use available resources. Bowers' colleague, VP/Member Services and CUES member Tami Schepler, stresses that it's important to use all the resources at your disposal—e.g., leadership classes, crasher programs, coaching, mentoring—to make the development process successful. "It takes the support of the senior team and the board to make that all that happen," Schepler says. "The budget, the time, the support—all of that starts at the top and works its way through."

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

Read the full post and leave a comment at cues.org/082218skybox.

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"The days of standardized development are behind us. Employees today are looking for opportunities to grow and develop in ways that suit their career goals. ... Move away from development for development's sake, and guide individuals to the resources that will support individual development while maintaining a connection to the organization."

Jennifer Stangl, CUES' director of professional development, in "Purposeful Talent Development: A Guided Approach" on CUES Skybox: *cues.org/082718skybox*

"[Amazon] is also looking into offering its own checking account product. Just think for a moment about the scale of consumers locked into Amazon as Prime customers, and then imagine what might happen if checking accounts become part of that package. That's a further—and potentially monumental—disruption in the payment space."

Tony DeSanctis, senior director at CUES Supplier member and strategic provider for technology and risk management Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz., in "Fintech Competition Update" on CUES Skybox: *cues.org/082818skybox*

"Among the wisdom [Execu/Net speaker Ty Bennett] shared, one bit really stuck with me. He said, 'Our goal is to have everyone's buy-in at the point of implementation. Unless we involve them at the point of creation, we don't get it.' That's it! That was the difference in the attitude of my children. They were 100 percent in for the Pink Jeeps because I had them involved in the planning of the event. The driving out [to Arizona] was my idea. No wonder they were less than thrilled about that part."

Karin Sand, CIE, CUES' VP/strategic partnerships and solutions, in "Get Buy-In at the Beginning" on CUES Skybox: *cues.org/091018skybox*

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