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LET'S CONNECT

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YOUR THOUGHTS

HOW DOES YOUR CREDIT UNION USE DATA TO BETTER SERVE ITS MEMBERS?

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

Digging Into *Data*

I made my first Internet of Things purchase this month: "Unlimited Meows" for my son's Amazon Echo Dot.

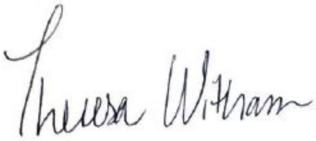
Yes, now we can enjoy (er, "enjoy" may not be the correct word) the uninterrupted sound of meows, while undoubtably torturing our poor cat, for as long as we want. Or until I shout, "Alexa! Stop!"

What does this bit of data tell you? That I love cats? That I'll spend 80 cents to make my son laugh? That I was bored on a Saturday morning? This single piece of purchase information likely won't be valuable to my credit union—though if its marketing messages contained adorable cat pictures, I'd be more likely to click! But when combined with data that shows recurring purchases at Chewy.com and the occasional purchase at pet stores across the country, it adds up to a more complete picture of a woman who spends money on her cat, even while traveling. This might tell my credit union that I'd be a prime candidate for a pet insurance policy or that I would be pleased to know the CU supports a local animal shelter.

In our cover story this month, we dive deep into the possibilities of data, especially when it's coming at you from all angles—including from connected and smart belongings. If you make a purchase at the coffee shop with your debit card, your CU knows something about you. But in the future, your credit union could work with payment processors to learn much more, explains Fred Cook, CIO at BlueShore Financial (*blueshorefinancial.com*) in Vancouver, British Columbia. It could see that you authorized the payment from your internet-enabled car in the drive-through, for example.

Deploying data analytics has led BlueShore to success in the competitive wealth management space. The CU combined data on "how members were using financial products, insurance and wealth management services, which in turn provided a broader, 360-degree view of their lifestyles to facilitate a deeper conversation," says Cook.

For most credit unions, the key question is not whether to get into data analytics, but how, explains Shazia Manus, chief strategy and business development officer at CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin. Launching these initiatives is a top strategic priority across the movement, and organizations are at various points along the "crawl, walk, run" continuum of implementation, she says. No matter where your credit union is at on that continuum, you'll find helpful information for your data journey starting on p. 10.



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Service Dog Trainees *Win Over CU Staffers*

Meet Maverick, a yellow Labrador retriever with an impressive resume: He's a member of the PenFed Credit Union team, social media star and assistance dog in training for a mission to transform the life of a person with disabilities.

Maverick is being raised by Andrea McCarren, VP/digital and chief content officer, and accompanies her daily to work and in her travels, even on the runway to gala fundraisers for the Canine Companions for Independence and other organizations that support veterans, military members and their families, causes supported by the $25 billion Tysons, Virginia, credit union (*penfed.org*).

He is one of three future assistance dogs that are a regular and welcome presence at PenFed offices. Admiral is being raised by Senior EVP Lisa Jennings, and Clint travels with Emma Phillips, university relations and campus recruitment lead, when she goes on college visits to recruit future employees. Thus far, PenFed CU has spent $100,000 in support of Canine Companions and the care of the three dogs as they learn basic commands and socialization skills over 18 months with their current humans before moving on for more intensive training and eventual placement.

During his time with McCarren, Maverick also has a gig as the first "social media influencer" for Chewy, the online pet supply company, and will earn a commission for every referral of new customers through his posts. "He's donating all of it to the PenFed Foundation, which supports military families in need and Canine Companions," she says.

"My previous service dog had a weekly reach on Facebook of 800,000 followers, so Maverick could actually make a sizable contribution to these organizations," McCarren notes.

Over the years, her work with three assistance dogs "hijacked my social media posts," she adds with a laugh. "I recently posted a reunion video with Nigel, who just graduated and will be working with veterans at a hospital in Philadelphia. Just on LinkedIn, that video got 175,000 views. People love dogs and cats, but the fact that these adorable puppies also have a life-changing mission tends to broaden the audience."

Raising and training service dogs "is the greatest 24/7 volunteer gig on the planet," McCarren says. "You meet so many people you would never have met, and you can really see the world from a new perspective and realize how hard it can be to get around for people with disabilities—if the door automator is down, the sidewalks have no curb cuts, or the pavement is broken. You develop an appreciation for the challenges they face every day."

On a personal note, McCarren's work on behalf of veterans with disabilities even led to a career change. The former television journalist was hosting an event for Wounded Warriors accompanied by a previous service dog where she met CUES member and PenFed CEO James Schenck, which led to her presentation at the CU on assistance dogs and then to discussions about launching a digital unit "to get the story about the credit union difference out there."

McCarren joined the PenFed CU leadership team in January, and Maverick came on board in April. "He is an absolute stress reducer at work," she notes. "It's like everyone has a shared sense of purpose. We're all preparing this dog for his mission."

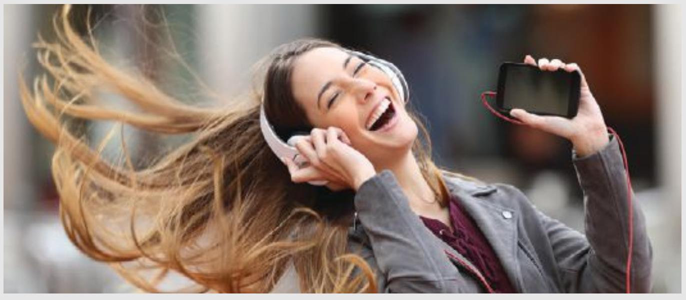
"The credit union is a great setting for that, with a great diversity of people from around the world of different ages and backgrounds," she adds. "It's really important for a puppy and future service dog to get acclimated to different people and settings."

Creating A Smarter *Payments Experience*

In a free whitepaper available at *cumanagement.com/payrailz*, CUES Supplier Member Payrailz™ (*payrailz.com*), Glastonbury, Connecticut, explains that if your financial institution decides to create a world-class payments experience, there are two factors to consider: 1) what will the user experience be like, and 2) how will it actually work, i.e., how much technology will it take?

In considering user experience, it's important to remember that a consumer's expectations for your CU are no longer just based on their experiences with financial institutions. Today, consumer expectations are shaped largely by the major e-commerce players. For example, why do people love Amazon? In a word, it's easy to do business with Amazon. It leverages technology to create the easiest, most engaging user experience possible.

In the case of payments, it's about more than just moving money around; it's about empowering people and simplifying their lives.



For most financial institutions, this represents a fundamental shift in thinking. Today the typical consumer visits a branch only about seven times per year. What's more, that number is expected to dip to four visits by 2022. As a sub-group, millennials are expected to visit a branch twice a year. That doesn't leave much opportunity for face-to-face relationship building.

The challenge then is to create an effective, engaging, assistive, advisory, actionable user experience—in other words, a smart payments experience. This whitepaper talks more about how to do this (*cumanagement.com/payrailz*).

Data *Rush*

FORWARD-THINKING CREDIT UNIONS ARE GATHERING AND APPLYING DATA ANALYSIS INSIGHTS ACROSS FUNCTIONAL AREAS.

BY KAREN BANKSTON

Credit unions are becoming modern prospectors, digging not for gold or oil but for the wealth of data tucked away in systems across their and their partners' organizations. Bringing this data together to be parsed by analytics solutions is helping to fuel advances in marketing and address diverse business problems.

REINFORCING VALUE PROPOSITION

BlueShore Financial (*blueshorefinancial.com*), a credit union based in Vancouver, British Columbia, has grown over the last 18 years from $950 million in assets to $5.7 billion—with roughly the same number of members.

"Our strategy is focused on deepening relationships with existing clients and doing more business with them rather than a primary focus on acquiring new clients," says CIO Fred Cook. "We're focused on building share of wallet with our base of 40,000 members."

Despite reservations among some observers in the financial services sector that credit unions can compete in the wealth management space, BlueShore Financial has carved out a strong niche in this area. In a fiercely competitive market, "processing transactions is just table stakes. It's really about how you differentiate yourself," Cook notes. "It's about the conversation you have with your members, and we lead with the wealth management discussion."

With its core purpose of "passionately improving our clients' financial well-being in an interconnected, digital world," BlueShore has deployed data analytics to inform member conversations with a clearer view of what products and services will best serve their needs.

The credit union began using data to guide interactions with members in 2000, Cook says. "Gaining insights from our CRM (customer relationship management) system created a thirst to learn more and get more into the art of data, but more importantly, to discover [how to] get results from that and use them to better serve our members."

In 2010, after converting to the new core banking system of CUES Supplier member Temenos (*temenos.com*), BlueShore Financial also began using its partner's data analytics system. This allowed the credit union "to combine data on how members were using financial products, insurance and wealth management services, which in turn provided a broader, 360-degree view of their lifestyles to facilitate a deeper conversation," Cook explains.

Bringing together information from its core banking, CRM and other internal systems along with data supplied by its investment, insurance and card partners provides a more complete picture of members' financial standing. This supports "relaxed, professional and frank discussions" rather than an interrogation session, Cook says.

"Money is an emotional topic when members are talking about their savings and financial wellness," he notes. "Financial planning conversations with a BlueShore advisor factor in both immediate needs and long-term goals and always keeps the clients' best interests in mind.

"We consider our Temenos Analytics engine to be strategic to our growth," Cook says. "A lot of financial institutions are based around their core banking systems. We look at our transaction system as a product service engine, but it's not an insight engine."

MANAGING TOUGH BUSINESS PROBLEMS

Soon after $409 million Our Community Credit Union (*ourcu.com*), Shelton, Washington, began using the OnApproach data analytics solution (now offered by CUES Supplier member Trellance, *trellance.com*) in 2015, its original sponsor, Simpson Lumber, sold its three mills, and the new owner immediately issued termination notices for all 330 employees. Over the following weekend, CIO Andrew Bertrand put the new system to work identifying the percentage of members who were now unemployed, based on ACH direct deposit data, to recalculate default probabilities.

"By Monday, we had a report to share with the board and examiners on the environmental risks and what we should put in reserves," Bertrand says.

In the years since then, the credit union—serving 33,100 members—has deployed data analytics across its operations:

- to adjust loan rates and credit tiers, based on data on historical losses and a view of competitors' offerings. The result has been "lower rates and improved yields, because we've made more loans with less charge-offs," Bertrand notes.
- to evaluate transaction volume and wait time at locations with shared branch services, with additional data from the CRM system. Some branches now have a teller station designated for shared branch transactions to speed up service for the Our Community CU members in other teller lines.
- to manage indirect loan volume more nimbly. With the ability to monitor this channel on a daily basis rather than through monthly reports, loan managers recently saw indirect loans grow from an average $2.3 million monthly to $4.2 million and then trend up to around $8 million. "If something changes that drastically, it warrants attention," Bertrand says. "We quickly had a meeting to adjust our pricing and some of our dealer incentives to get volume down to a better level for us in managing interest-rate and other risks."

Our Community CU's primary objectives in wielding data analytics are "to reduce costs, improve efficiencies and increase revenue" by bringing together data from its core, marketing customer information file, CRM, online banking and other systems, he explains. To support marketing, the credit union relies on member engagement, next-best product and attrition models that tie into daily emails generated by specified triggers.

A STRATEGIC PIVOT

Idaho Central Credit Union (*iccu.com*), Pocatello, has grown from $400 million to $4.5 billion in assets since CIO Mark Willden, CCE, joined the CU team 14 years ago and now serves 363,700 members. "A lot of our growth has been through marketing, member referrals and the expansion of branch services across the state. We realize expansion of branch services is an expensive way to go and needs to change over the long haul," says Willden, a CUES member. "We need to become more sophisticated with how we target new and existing members."

Toward that end, Idaho Central CU signed on with CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin, in late 2017 to leverage data to identify next-best products for members, analyze products and services that are performing well and pinpoint areas that might benefit from improvements to provide a better member experience, he says.

One of its first data analytic projects is an attrition model designed to predict which members might be on the verge of moving their accounts. The credit union launched an outbound calling program to those members in June. Initial results have been positive. "Members are interested in what we have to say and are actually looking at additional products and services with us as a result of those calls," Willden reports.

> **"We've really adopted a data analytics culture."**
>
> – Fred Cook

TAILORED ANALYTICS

Over the years, BlueShore Financial has customized some of the algorithms offered by Temenos Analytics into its own proprietary "Blue-gorithms," such as a client engagement score that measures members' financial and behavioral elements. These insights allow advisors to provide informed, tailored and expert advice to members.

"Our focus on analytics has been to secure our value proposition and grow our business with the share of wallet strategy, which ripples around the edge of our data management strategy," Cook notes.

As technology reshapes financial services, credit unions' appetite for data analytics will increasingly expand, he says, noting an example of gathering deeper e-payments information in the Internet of Things era: CUs will benefit from working with payments processors to receive data beyond basic notifications, such as the fact that payment was authorized from the member's internet-enabled vehicle in the coffee shop drive-up lane.

"We're always looking for additional data outside our own collection points from business partners. It's not just about spending patterns," Cook adds. "Using AI and machine learning, we can learn a lot about our members' needs and preferences. Analytics can help us assess whether we're truly providing what members value. It can help us tighten up service delivery and better understand member personas."

The "Blue-gorithms" go beyond helping the credit union segment its membership, test for price sensitivity and identify next-best products, says Todd Winship, Temenos North America product director/data and analytics. "BlueShore has done a good job by coining that phrase to get the whole organization to understand what they're trying to do, how data analytics benefit the credit union and ultimately how those Blue-gorithms benefit members."

SHARING BUSINESS INTELLIGENCE

Rather than assigning data analytics as the purview of a single department, Idaho Central CU created Report Central to encourage team members across business units to generate their own analyses and make data-based decisions. For example, a card services manager could go to the portal and generate reports on how the card portfolio has grown over time, dissecting that activity by branch or region. The portal can also facilitate operational reviews and routine functions such as balancing, Willden notes.

"Those data-based insights are helping us make better decisions, understand where growth is coming from, and see where products and services may be slowing down," he says. "By building this portal, we're enabling the entire organization ... to leverage the power of the data warehouse. If it's all behind the scenes and only a few isolated people can use it, you're not unleashing its full power."

BlueShore Financial has adopted a similar strategy to "democratize" reporting and analysis—"to push out a broader understanding and access, so that each department has a person who is intimate with the use of data analytics as it relates to their business area," Cook says.

The IT staff gathers and cleans the data before making it available to business units, and data analytics specialists are available to assist retail teams with more complex applications, he notes. But each department can generate its own reports, and branch managers and financial advisors can drill down into the data that supports their balanced scorecards.

"We've really adopted a data analytics culture," he says.

Preparing for *a Data Dig*

Our Community Credit Union (*ourcu.com*) CIO Andrew Bertrand got his start in data analytics by generating MCIF reports on marketing response rates and ROI. One of his first forays to expand analytics into other systems accidentally shut down the core processor.

"I'd maxed out the functions of our core with a simple request for transactional data, so I immediately marched into the CEO's office and explained the need for a daily transfer of core data so I could do that analysis offline," he recalls. That's when the $409 million Shelton, Washington, credit union began looking into data warehouse solutions.

Bertrand and other credit union executives who have launched data analytics projects offer these recommendations for credit unions just getting started on this journey:

1. Get all hands on deck. Bertrand interviewed and learned from colleagues across the credit union. "I asked: What are your pain points? How are you using data now? What are you trying to accomplish?" he says. "No question is a dumb question. What do you want to know? Do you want to know how many people are coming into your branch in socks and sandals? I'll tell you."

2. Develop a data strategy before interviewing prospective vendors. "A data analytics system is not a magic pill to solve all your problems, but it can improve your processes if you already have something in place," Bertrand says.

3. Identify the ROI. The data strategy should identify how the organization will recoup a return on its investment, recommends CUES member Mark Willden, CCE, CIO of $4.5 billion Idaho Central Credit Union (*iccu.com*), Pocatello.

"I've been told by so many people that the way to launch data analytics is to take a leap of faith and get started and worry about the ROI later," Willden says. "But I believe you need to have a purpose and a vision that you can quantify to make your organization better—reducing attrition and increasing the value of members, identifying next-best products, supporting better cross-sells and deepening relationships with indirect members. Data can help you do all that better—and you can quantify that return."

4. Lead from the top. Given its potential to improve operations across the organization, data analytics should be led from the top, Bertrand advises. Our Community CU's CEO and CFO "did a great job of leading change, getting management buy-in and being the sponsors of data analytics, rather than it being led by IT or marketing."

5. Assess data analytic offerings thoroughly. All data analytic providers are not created equal, cautions Scott Norris, CLO of $460 million CBC Federal Credit Union (*cbcfcu.org*), Oxnard, California, which serves 27,000 members. "We had a false start with a vendor, who will remain nameless. Their requirements were so complicated that we decided it was way too much effort on our part to get the data in shape for their system. We found that not every vendor has a program that will work for your credit union."

CBC FCU recently launched a new partnership with CU Rise Analytics (*cu-rise.com*) that has helped to manage its credit card portfolio, and several marketing initiatives are in the works.

"Credit unions of any size produce boatloads of data, but very few do much with it—mainly because it was hard for mid-sized credit unions to access this level of data analytics until recently," Norris notes. "It's good news that vendors in our space are now catering to credit unions of our size."

6. Consider infrastructure options. In researching its launch options, Idaho Central CU decided not to make big investments in hardware and software to maintain an in-house data warehouse. "When you're new to the data warehouse journey, you don't know how much data you're going to accumulate over time, so there's a lot of risk in just buying a lot of hardware," Willden notes.

When CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin, announced data warehousing as a service, "that caught our attention in a big way," he says. "We looked at that and thought, 'We don't need to worry about storage, servers, networks and backup. We can focus on where the real value to our organization is—understanding the data and making correlations that help us make better decisions."

7. Develop your analytic acumen. Steven Page, VP/IT, marketing and digital banking with $460 million SafeAmerica Credit Union (*safeamerica.com*), Pleasanton, California, recommends that people who will be using those new solutions "get that deep-dive training" into system capabilities and stay attuned to data analytics advances, such as new artificial intelligence applications.

8. Seek out new data sources. Moving forward, Our Community CU is committed to "data-centric" vendor selection, adding a requirement to RFPs that third-party providers share their data on members.

"I want to bring in whatever data vendors have on our members and be able to incorporate that alongside all the rest of the information we have," Bertrand says. "Having a report out there that just marketing looks at or just Visa looks at doesn't help the rest of the credit union get that full 360-view."

COURSE CORRECTIONS

A few years back, $460 million CBC Federal Credit Union relaxed its underwriting standards for credit cards and had begun to run into some delinquency issues, says Scott Norris, who left the Oxnard, California, credit union (*cbcfcu.org*) as chief sales and marketing officer in 2015 and returned as chief lending officer in 2018.

The credit union began working with CU Rise Analytics (*cu-rise.com*), a credit union service organization based in Vienna, Virginia, to analyze its credit card portfolio, identify higher-risk accounts and recommend a course of action. CBC FCU closed credit lines for the highest-risk accounts—those with a one-in-three likelihood to go to charge-off—to reduce its losses and began the process of reducing credit limits on several hundred other accounts, Norris says.

The CU Rise model analyzes 28 attributes, including high utilization and over-the-limit and late payment fees, to evaluate credit risk, he explains. “We were able to quickly bring that little credit bubble to a peak and turn the corner.”

Following on that initial success, CBC FCU is now planning another data analytics initiative to market its Epic checking account, which includes ID theft reimbursement insurance, smartphone insurance and a retail coupon app powered by BaZing (*bazing.com*), to members with similar profiles to existing subscribers. The credit union is also planning to offer credit card line increases totaling $2.7 million to qualifying members vetted as likely to put that extra credit to use—without the previous delinquency problems.

“You can do a whole lot with credit card data,” Norris notes, adding that CBC FCU learned a lot about its members just in the process of assembling and validating data in preparation to launch its analytics solution.

A RUNNING START

For many credit unions today, the key question is not whether to get into data analytics, but how, says Shazia Manus, chief strategy and business development officer for AdvantEdge Analytics. Launching these initiatives is a top strategic priority across the movement, and organizations are at various points along the “crawl, walk, run” continuum of implementation.

“They all believe in the potential of data analytics, and there is a lot of excitement, but they’re also trying to understand what is hype and what is noise so they can cut through that to leverage their data in a powerful way,” Manus says.

When Idaho Central CU went looking for a partner to build a data warehouse and launch a data analytics program, its top priority was finding a data model that was already function-

> “Without data analytics, you’re just throwing darts in the dark.”
>
> – Steven Page

MORE ON DATA ANALYTICS

Data Analytics Offerings on the Move (*cumanagement.com/0819data*)

Data Scientists in the House (*cumanagement.com/0319data*)

Business Intelligence Provides Deep Insight (*cumanagement.com/0918deep*)

How Boards Can Help Set a Credit Union’s Data Strategy—Unlimited+ video (*cumanagement.com/video042219*)

ing. “We had talked to a number of credit unions that built their own data model. They’d build it, and it wouldn’t quite work, so they’d build some more,” Willden says. “It would take three iterations to get to a data model that was functioning well. We didn’t want to go through that five- or six-year process.”

The credit union is still early in its journey, he adds, but just rolled out an insights module to help speed up the analytics process. The standard approach had been for teams studying operational changes to generate a data report, which prompted additional questions or a request for more in-depth information in a particular area. That led to successive rounds of reviews and more reports.

“By the time you get those answers, you might have forgotten what your initial question was,” Willden notes. “The insights module is more interactive, with the ability to filter and sort and do what-if scenarios very quickly with various product lines. We just rolled it out, and the feedback we’re getting is very positive.”

“Like all technology projects, it’s taken longer than we might have hoped. We’re pulling in data from multiple sources to build these kinds of insights,” he adds. “We are involving the business lines deeply to make sure we’re building this in a way that actually meets their business needs. Data analytics and business intelligence are a journey. We are going to be doing this forever, continually tweaking and looking for new ways to use the data for deeper, better insights and new sources of information.”

REALIZING FULL POTENTIAL

SafeAmerica Credit Union aims to optimize the data analytics capabilities of its Marquis MCIF system (*gomarquis.com)* and consultations with CULytics (*culytics.com*) in marketing to its 37,000 members, says Steven Page, VP/IT, marketing and digital banking with the $460 million Pleasanton, California, credit union (*safeamerica.com*).

“Our marketers can work smarter by using information we already have about members to serve them better,” Page says. “Without data analytics, you’re just throwing darts in the dark.”

SafeAmerica CU combines product usage data from its core system with demographic and credit bureau information to target offers from auto loans and mortgages to student loan refinancing. CULytics provides “another set of eyes” and a wider industry view on its data analytics implementation and execution, he says.

The credit union has set automatic triggers in its MCIF system to automatically generate onboarding letters to new members and other offers to members based on behavioral (e.g., paying off a car loan) and life stages information. The more closely timed and attuned to member needs its data capabilities become, the better the return, Page notes.

“With every campaign, you measure and watch. You’re not going to get a bull’s eye every time, but that’s what you’re aiming for,” he adds.

Bertrand notes additional advantageous side effects of implementing a data analytics solution. “One of the main soft benefits for us was the need for clean data that will help us in the future if we’re going through a core conversion or need to change some of our frontline processes,” he says. “We found things like the fact that there are 37 different ways to spell Chevrolet, apparently. And we’ve been able to improve our processes because we can better track results. Is a new process really faster and better? We can answer that question.”

EVOLVING DATA REGULATIONS

Credit unions should be able to rely on their data analytics partners to help navigate new compliance requirements, Cook suggests. “As we look at new regulations coming over the horizon, especially the GDPR (General Data Protection Regulation) and PSD2 (revised Payment Services Directive) coming from Europe, we know some flavor of them will be coming to Canada. We’re just not sure how they’ll be rolled out.” The same concern applies to U.S. credit unions.

And with the emerging Open Banking Standard, “data ownership will shift, and we’ll be a caretaker of our members’ data,” he says.

“As much as people talk about bitcoin, the new digital currency is really data,” Cook adds. “If you lose control of the data, you lose control of your relationship with members. That’s the tsunami we see way out there now, and we know some form of it is going to make its way to our shores. We’re having conversations with Temenos now about how we can prepare and keep ahead of the curve.”

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

Still *Standing*

THOUGH MOST HAVE RECOVERED, CUs STILL IN THE MORTGAGE GAME WON'T SOON FORGET HARD LESSONS LEARNED DURING THE HOUSING CRISIS.

BY SARAH SNELL COOKE

The memory of the 2008-2009 housing crisis still strikes fear in the hearts of many lenders—especially now, as economists, politicians and such major publications as *Fortune* predict imminent recession (*tinyurl.com/fortune2020recession*). The financial and regulatory aftermath had many running for the hills. Some credit unions got out of mortgages entirely and others just got out—merging into oblivion.

Lending professionals learned many lessons during those hard times. "It was really this feeling of, ... we can do whatever we want as long as it's tied to your residential real estate," recalls Joel Pruis, senior director at CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. "We can stretch our credit and the parameters, and we're able to make the loan and we're not running into difficulties." Until they did.

Fortunately, the same indicators that led up to the previous housing crisis aren't apparent today. "The borrowers who are purchasing loans are good borrowers," explains Dan Putney, VP/sales at Finastra (*finastra.com),* a financial services software and cloud solutions company with U.S. offices in New York and Lake Mary, Florida. "When we take a look back at the early 2000s leading up to 2007, people could get a loan with no income, no assets, no job, as long as they had a credit score." Putney adds, "With the regulations to put in place today, those types of products are not available."

Even though credit unions were not heavy into subprime mortgages, they were affected. CUES member Dwayne Naylor, CCE, CEO of $11.4 million Civic Federal Credit Union (*civicfcu.org*)—a start-up launched by $2 billion Local Government FCU (*lgfcu.org*) in Raleigh, North Carolina—was an executive vice president at $2.8 million Langley Federal Credit Union (*langleyfcu.org*), Newport News, Virginia, during the crisis. He recalls, "People started losing their jobs. What we had to do at the time was bend over backwards to work with our members and create workout plans that allowed them to hang on, to get a job and get back on their feet, whether it meant refinancing or other alternatives."

That's the difference between banks and credit unions, Naylor points out. "Banks appeared—and I don't want to talk too broadly—to cut their losses and try to move on because the quarterly stock price was tanking, and the faster they could recognize losses, the better they could show that they were at least stabilizing. Credit unions had a longer-term vision of working with the members, working out the delinquency and lowering charge-offs. ... On the other side, the members would remember who was in their corner during one of the most difficult times of their lives."

$219 million Red Crown Credit Union (*redcrown.org*) in Tulsa, Oklahoma, was not hit by the housing crisis directly. Its portfolio stayed pretty vanilla, and the credit union required documentation as it always had—plus the area it serves does not experience the massive property-value swings that the coasts did. But the CU still felt discomfort when the bubble burst. "When we talk about the housing crisis," CEO Mike Moyer says, "it really affected us, not through the mortgage side, but on our consumer side, because people were struggling with housing costs. In reality, what we did learn was that the primary issue with the housing crisis was that you [have to] verify information."

A lot of the regulations to come out of the economic crisis are about really knowing your borrowers, such as the rules laid out in the U.S. Office of the Comptroller of the Currency's 2007 statement on subprime mortgage lending (*tinyurl.com/y5s34eel*). "In the environment in the years leading up to the housing crisis, home prices were only going in one direction, and I think a lot of lenders lost sight of the due diligence that is required in the lending process," says Randy Hopper, SVP/mortgage lending for $103 billion Navy Federal Credit Union (*navyfederal.org*), Vienna, Virginia. "So now, lenders are not only under a lot more scrutiny by regulators and by investors, but we take it very seriously to know our member who is taking out the loan."

In addition to regulatory changes in the wake of the housing crisis, the government took over Fannie Mae and Freddie Mac, which significantly changed the dynamics of the credit environment, Hopper explains. The interest rate environment changed because many types of loans were practically banned. "The products available post-housing crisis are a lot more straightforward and a lot more consumer-friendly from a qualification and disclosure perspective. That's a good thing."

SAFE, CREATIVE SOLUTIONS

Understanding your borrowers is the key to avoiding another crisis, says Moyers, not loan-to-value or down payment amounts.

Keith Kasmire, VP/sales for CUESolutions mortgage lending provider CU Members Mortgage (*cumembers.com*), Dallas, agrees. "I personally have never been a big fan of the skin-in-the-game concept," he says, disputing the idea that higher down payments mean fewer loan defaults. "I point to the VA program (*benefits.va.gov/home loans*), which has offered 100% financing since the beginning of time. And those loans perform beautifully.

"I don't think that consumers default on the loan because they didn't put $5,000 down at settlement. Consumers default on a loan because something bad happens in their life."

Kasmire applauds credit unions today that have the creativity to design a home loan product that's different. "I think there are opportunities for credit unions to color outside of the lines a little bit without taking on extraordinary credit risk," he concludes.

For example, credit unions can do much more for their members by using a healthy balance of conforming (to the Fannie Mae and Freddie Mac guidelines) and nonconforming loans, according to Westerra Credit Union Chief Lending Officer Jason Sasena. "Being a credit union, we do have portfolio capabilities. We do have the ability to do some loans that wouldn't necessarily fall into a saleable bucket." The $1.5 billion Denver CU (*westerracu.com*) doesn't get too creative, but the credit union will offer a twist on Fannie Mae's HomeReady loans (*fanniemae.com/singlefamily/homeready*), for example, tweaking income parameters.

Those products can certainly help some lower-income members into a home, but a confluence of high housing prices and low-income members in some regions of the U.S. means such lenders as $735 million SCE Federal Credit Union (*scefcu.org*), Irwindale, California, must seek another way to help at a more foundational level.

"Being in low income areas and under and unbanked areas, I think there's an opportunity for us to show people the right ways to get into housing and how to manage that," says CUES member Michelle Shelton, CCE, CIE, chief experience officer for the credit union. In addition to the Irwindale area, SCE FCU also serves the Las Vegas market, which is evolving from having a more transient population to an increasing number of permanent residents. "A lot of what we're working on now is education around being financially capable and making good choices. … Part of being in a high-priced market means we have to work a little bit harder on that."

BEAST OF BURDEN

The regulatory burden borne by CUs and other lenders post-crisis is significant and ongoing. VP/Compliance Services Gaye DeCesare of credit union service organization CU Service Network (*cusn.com*), Lakewood, Colorado, observes, "From a compliance standpoint, the biggest concerns were actually caused by the fixes."

The Consumer Financial Protection Bureau was newly created in 2011, and it took the agency a while to ramp up and figure out what its role was, DeCesare explains. By 2015, CFPB issued TRID—the TILA-RESPA Integrated Disclosure rules (*tinyurl.com/cfpbtrid*)—and then Home Mortgage Disclosure Act (*consumerfinance.gov/data-research/hmda*).

"For creditors, that meant a lot of software changes and a lot of

"I don't think that consumers default on the loan because they didn't put $5,000 down at settlement. Consumers default on a loan because something bad happens in their life."

– Keith Kasmire

different information," DeCesare says. "We still see today credit unions that are not complying with that correctly."

The printing of these disclosures alone is expensive for financial institutions, on top of the cost of software, training and technology changes. And now, under President Trump's administration, CFPB is looking at rolling back the changes, which could be equally expensive.

"The current environment as it relates to regulation is really a natural evolution," Hopper says. "They're doing a look back. What are the requirements and regulations that have passed the intended effects and have positive impacts for consumers? And what are the ones that are unnecessary or potentially harmful to the process, whether it be from a lender or consumer perspective? These rules are put in with good intentions, but then in reality, the way they're executed, they can have a negative impact." Regulatory stability, he remarks, "is something I think every lender values."

Moyer has strong feelings about the current state of regulation. "One of the biggest threats to the industry is the regulatory overburden," he says. "I don't think it's bad to have regulatory oversight. ... But I do think that what has happened to the industry is it has become too reliant upon the regulatory bodies. Running a business is not for the regulatory agencies to do."

Dodd-Frank continues to be an issue, says Moyer, because it requires significantly more manpower. "Institutions are having to hire more people just to do the paperwork for the regulatory part of it. It doesn't help the member, it doesn't help the credit union—it just helps do the paperwork for the regulatory agency," he explains. He notes that a couple financial institutions in Oklahoma had to get out of mortgage lending, which isn't good for anyone—it's just not economically feasible for them.

"You'd think technology would take care of a lot of it, but it just doesn't," Moyer continues. His CU has 72 employees after adding three just because of the mortgage compliance paperwork—a 5% increase in staff, approximately $150,000 annually.

That's in addition to the software Red Crown CU is continually updating. Moyer explains the credit union had to spend $20,000 on upgrades a couple years ago, and it's still constantly changing. There are the new forms, on which his credit union spent $3,500 for the year. Plus, employee training costs about $4,000 per conference per employee, he tallies.

"The good guys got caught in the middle of all that because there were so many bad players out there," Naylor concurs. "But now, the cycle is that we're trying to lessen regulation so we can serve our members.

"We will follow the rules, but we will work to change the rules," Naylor stresses. "Not only lobbying efforts, but if it's having personal relationships with regulators, writing checks to local candidates or working very closely with the league, that is how we address compliance issues."

He adds, "Credit unions will have to be very diligent to ensure we remain a member service organization and not just a compliance-driven organization that offers member services—because, if so, you're not going to grow and you're not going to be successful."

TECHNOLOGY A DOUBLE-EDGED SWORD

Until recently, Kasmire recalls, the consumer's online mortgage loan experience ended when they clicked submit, with the rest of the process happening in person. But technology is shifting the process. "Increasingly we're seeing point-of-sale solutions that support the members' experience throughout the process of the loan origination, and that includes source data verification. ... When we look back 10 years from now, we'll see that source data verification becomes the norm."

Hopper acknowledges that Navy Federal CU's mortgage department has become more reliant on technology solutions to drive both procedural and process compliance. Now, when a regulation gets tweaked, the relevant compliance requirements jump to the top of the IT team's to-do list.

Finastra is one technology company that offers compliance and lending automation tools, which can create efficiencies to offset some of the lost revenue associated with mortgages. Putney says, "A few years ago, lenders may have been making $3,000 to $5,000 off of a mortgage origination. Today that's stripped down substantially. I think less than $750 is average today." That value is even lower for those organizations with a lot of time-consuming manual processes still in place, he notes.

However, for those using the technology, online applications allow the borrower to do most of the work, and then verify credit, income and employment, and make all disclosures online to get an approval in minutes. Finastra's online tools will even alert lenders to changes in circumstances that trigger re-disclosures for a loan, he says.

Putney warns that some of the fintechs in the home loan market are turning around mortgages in 15 to 30 days, as opposed to a process of up to 120 days for some credit unions. "Technology is allowing the underwriting process to move quicker and to be compliant with the regulatory demands," he explains.

CUES Supplier member CU Direct (*cudirect.com*), Ontario, California, launched Origence, an end-to-end mortgage loan origination system, on July 1 to help lenders compete with the fintech newcomers in the market, according to Chief Product Officer Roger Hull. The company created a consumer portal featuring an Amazon-style interface to navigate the home shopping experience, view a number of properties, input some information in the pricing engine, and then show the homebuyer what loan programs they qualify for and what their payments would be. Then, if the borrower decides to move forward, they complete the entire application process, including document collection and disclosures, online. The process currently takes about 45 days on average, but CU Direct is working to shorten that to 30 days.

"The biggest problem with technology is that it doesn't change quickly," DeCesare says, recalling a recent problem CU Service Network witnessed at a credit union. "The CFPB guidance specifically says that a particular field should be left blank, but the software the credit union is using is filling that with 'N/A.' It seems like it's not a big deal, but the CFPB definitely does differentiate."

The credit union didn't have the ability to override that behavior.

“Credit unions had a longer-term vision of working with the members, working out the delinquency and lowering charge-offs. ... On the other side, the members would remember who was in their corner during one of the most difficult times of their lives.”

– Dwayne Naylor, CCE

So, DeCesare emphasizes, “the software providers have to have a good understanding of the regulation, and then [the software] has to be flexible enough for credit unions to customize it to their particular products and services.” But, she adds, the CU is ultimately responsible for being in compliance.

RIDING THAT TRAIN(ING)

A lot of automation has been built into compliance tools and lending software following Dodd-Frank, says Hull. Certain tests can prevent a loan from continuing until an errant condition is fixed, for example. But despite this technology, “because there are so many regulations, so many nuances, training is probably more critical than ever,” he suggests. “Knowing what a good mortgage process is and what the various regs are that you need to conform to is a body of knowledge today that is much more vast than it was seven years ago.”

Hopper adds, “Training has had to become a lot more micro-focused. This is a larger trend in training generally, but it particularly applies to the mortgage business.” Navy Federal CU, he notes, is working on breaking mortgage compliance training down into bite-sized pieces and making it more self-paced, with continuous access to training resources.

But it’s not just the staff who need to know what’s going on in mortgages. Board members should develop a better understanding as well, Pruis says. “They should know what management’s doing to really assess and justify how they’re doing their underwriting, what type of risk parameters they’re taking, and how they’re measuring it.” It’s important for boards to understand what risk means and why it’s important for them to understand, he explains, so they’re not simply taking the word of management.

BRUISED BUT NOT BEATEN

Credit unions got a little battered from the housing crisis, but they’re certainly not down for the count, despite all the added regulatory burden. Compliance departments are being beefed up and technology is being implemented to speed up the reporting and disclosure processes.

Additionally, the value of all that data being collected through the mortgage process is tremendous and can contribute toward member experience and personalization efforts, Putney points out. It can also help detect patterns in pull-through rates, reasons for rejection and overall portfolio performance insights.

In fact, great opportunity awaits those who are willing to update their lending programs and take advantage of modern compliance technology to better serve members. “I think 45% of borrowers today fall into the millennial category,” Putney says. “The average buyer today is 29 years old, so you’ve got a pretty good influx of people who may have been renting, who are now entering that stage of the life when they want to buy that first home.”

But if a credit union wants to be competitive, Putney continues, it must have an intuitive online presence that allows for consumers to research products and pricing, and one that allows for an instant approval.

Companies like Rocket Mortgage (*rocketmortgage.com*) have already been out in the market, giving consumers an idea of what is possible and educating them on digital and mobile lending solutions, says Kasmire. Credit unions must build competitive products and jump on those coattails.

But, Hopper notes, “lenders are the glue that holds the process together, particularly in the purchase market. You have Realtors, you have settlement agents, you have the buyer and the seller as well, and lenders are the ones that make sure that everything is in order and the buyer is taken care of and the seller is getting what they need.”

Sarah Snell Cooke *has 20 years of experience in credit union publishing and is principal at Cooke Consulting Solutions.*

MORE ON MORTGAGES

What’s Keeping Lenders Up At Night? (*cumanagement.com/0619keeping*)

Loan Zone: Millennial Homebuyers Are Struggling (*cumanagement.com/0619loanzone*)

Lending Perspectives: With Credit Unions’ Mortgage Success Comes Responsibility (*cumanagement.com/0419lendingperspectives*)

Mortgage Market: What Credit Unions Should Expect In 2019 (*cumanagement.com/1218mortgage*)

The New *Top of Wallet*

HOW CREDIT UNIONS CAN MAINTAIN A ROLE IN THE PAYMENTS ECOSYSTEM AMIDST FRIENDS, FRENEMIES AND ENEMIES

BY TONY DESANCTIS

The gold standard for winning on the payments front has long meant finding ways to encourage members to keep your credit and debit cards top of wallet. But how do those strategies shift when consumers are no longer pulling cards out of their wallets to make purchases?

Digital payments have arrived. The rate of transactions completed without the physical presentation of a card or card number is projected to grow at three or four times the rate of traditional point-of-sale purchases. Amid all the buzz about mobile payment options like Apple Pay (*apple.com/apple-pay*) and Samsung Pay (*samsung.com/us/samsung-pay*) and the dominance of PayPal (*paypal.com*) in e-commerce, the challenge for credit unions remains the same: No matter how members choose to pay, make sure that your debit and credit cards are part of that pipeline.

The term "digital payments" spans all the alternatives to traditional card payments. Utility and mobile phone companies now auto-pull credit and debit card data instead of requiring customers to supply their card numbers when they pay their monthly bills. Consumers push a button to complete Amazon purchases and authorize prepayment on stored card data when they place orders before even arriving at Starbucks (*starbucks.com*), Chipotle (*chipotle.com*) and Nordstrom (*nordstrom.com*). And the long-heralded age of mobile commerce may have finally arrived, as shoppers wave their smartphones at payment terminals in checkout lines instead of digging out their wallets.

KNOW YOUR COMPETITORS

Should you be worried that your credit union's cards are stuck in members' back pockets, buried deep in their purses or left sitting on top of their dressers as they opt for digital payments? As long as members have stored and selected your credit and debit cards as their go-to choice for purchasing with their mobile wallets, PayPal, Amazon (*amazon.com*), Venmo (*venmo.com*), SquareCash (*squareup.com*), and coffee shop and other retail apps, you're still part of the digital payment ecosystem.

"It might be helpful to classify all the players in this diverse field according to their apparent intentions—and relative success—to lure your members away and the potential overlap of their business model with your products and services."

It is true, though, that these digital wallets are creating a wedge between your credit union and members. At the very least, these companies aim to capture and parlay valuable data about consumers' purchase patterns and preferences, burnish their brands and build loyalty with consumers.

Toward what end? Some of these digital payment players would like to cut credit unions out of the payment stream altogether.

Apple (*apple.com*) has launched a virtual debit product called Apple Cash through Green Dot Bank (*greendot.com*), and Amazon is partnering with Synchrony Bank (*synchrony.com*) to offer its own line of "store cards" and a secured credit account called Amazon Credit Builder. PayPal offers branded credit cards and credit lines, and T-Mobile (*t-mobile.com*) just announced its own debit card product. And Facebook (*facebook.com*) aims to take digital commerce a step beyond, launching its subsidiary Calibra (*calibra.com*) to create a whole new cryptocurrency.

Not all emerging competitors are new to financial services. Goldman Sachs (*goldmansachs.com*) has been acquiring fintechs to power its digital suite of financial products, including no-fee personal loans, online savings accounts and the Clarity Money (*marcus.com/us/en/clarity-money*) app to help users manage and cancel subscriptions, from streaming services to gym fees, all offered through its Marcus brand.

In short, the digital payments space is getting more crowded and diverse. Venmo and Square promote their debit products on their websites and offer to become their customers' "bank" to handle their everyday transactions. Chime (*chimebank.com*) promotes its direct deposit services as a way to "get paid two days early" and the option to round up debit purchases as a strategy to build savings. Aspiration Financial LLC (*aspiration.com*) bills its Spend & Save Account as a no-fee "cash management account" alternative.

The financial services offered by these providers are not revolutionary, but their marketing messages may be persuasive. These disruptors are looking to replace traditional financial institutions, so it's worth your while to monitor how they're aiming to differentiate themselves. Is their chief value proposition a noteworthy digital experience, a high interest rate on deposits or a novel payment vehicle?

GAUGE THE THREAT LEVEL

It might be helpful to classify all the players in this diverse field according to their apparent intentions—and relative success—to lure your members away and the potential overlap of their business model with your products and services.

In the "friends" category are those businesses that allow your members to use their credit union cards to make digital payments without posing a significant immediate risk of courting those members away. In this group, your aim is to encourage members to register your credit and/or debit card as their primary form of payment on their Starbucks app, on Amazon, with PayPal and in their Apple Pay or Samsung Pay digital wallets, to name a few common examples. As long as your cards remain the top payment choice under the wrappers of these digital payment channels, you can maintain your position in the market without losing significant ground.

Next come the "frenemies." These are the payment provider equivalents of acquaintances that you might invite to a dinner party but not for an overnight stay. Companies like Venmo and Square are positioning themselves as disruptors to traditional financial services providers but also offer services that may not be readily available to your member base or that may not be economical for you to offer.

The aim with these frenemies is to stay relevant with your members who are using these services so that they continue to use your cards in these transactions, while monitoring the potential that these disruptors pose for migrating business away from your credit union. It might be worthwhile to consider offering your own alternative to these payment forms, such as Zelle (*zellepay.com*), for example.

At some point, companies in both of those groups may work their way into enemy territory—if your members sign up for their debit and credit card services and begin migrating their everyday transactions away from your credit union.

PUT DATA ANALYTICS TO WORK

There is a wealth of data available within your core system and from your card processors on whether and which members are migrating toward the use of all of these payment options. But the level of data analytic capabilities varies widely from credit union to credit union. You can and should hone your organization's business intelligence gathering to monitor transaction volumes across these digital payment platforms and watch for trends that might signal the need to focus marketing on maintaining—or winning back—member usage of your credit and debit cards.

For example, a card manager might generate a report on transactions involving the top six or seven digital payment types in the credit union's market to determine if volume is on the rise or decline among some or all of those providers. Notable trends could help guide the credit union's marketing strategies to reinforce some member preferences (such as using their credit union cards for Amazon and Apple Pay purchases) or to recapture members' card transactions with a targeted marketing campaign or incentive. If a member had been consistently logging 20 PayPal transac-

> **"Beyond the opportunity to solidify member relationships, maintaining an inside track as a payment provider also gives your credit union access to a wealth of actionable data about members' spending habits and preferences."**

MORE ON PAYMENTS

Search "payments" (*cumanagement.com*)

Payments University (*cues.org/payments*)

tions a month and suddenly dropped to three over the last couple months, that might suggest adding that member to a targeted promotion for linking the credit union's card to that payment vehicle.

TEST AND LEARN WHICH OFFERS WORK

Data analytics is also a useful tool in evaluating which marketing approaches are most effective with different demographic groups as your credit union aims to maintain or expand its role as members' main payment provider. What we find works best in encouraging members to rely on their credit unions' cards in conjunction with other payment channels is a test-and-learn or agile environment methodology to monitor performance and make changes along the way.

For example, a credit union offers members a $5 rebate on its credit card or checking account for using its cards to make payments via Apple Pay for their first three mobile transactions over the next 60 days. The credit union then monitors transaction data to determine how many members qualify for the rebate and the rate at which transactions, particularly Apple Pay transactions, increased or decreased over that period as well as farther out, say at 120 and 180 days from the initial offer. The goal is to evaluate whether the offer caught members' attention and influenced their behaviors and whether the promotion created incremental gains over the long term.

HONE YOUR BUSINESS CASE

Enhancing your credit union's position as members' go-to payment provider is not just about interchange income. It's about staying relevant as their primary financial services partner. Members make payments every day. Their two most frequent touchpoints with your credit union are interacting with your mobile and online channel and authorizing payments, either directly with your cards or indirectly by authorizing their use behind other payment vehicles.

Given sheer volume alone, payments are among the foremost services that tie members to your CU. T-Mobile isn't getting into the debit card business because it expects to make a lot of money as a payment provider. Its strategy is to create stickiness with mobile clients and entice them to stay on as customers instead of switching plans every six months because they don't like some activation fee.

Beyond the opportunity to solidify member relationships, maintaining an inside track as a payment provider also gives your credit union access to a wealth of actionable data about members' spending habits and preferences. That transaction data is becoming more and more valuable as new business intelligence algorithms are developed. As just one example, the new credit card issuer Petal (*petalcard.com*) has developed a model for approving credit accounts based on an evaluation of payment and deposit patterns.

This emerging underwriting strategy has the potential to disrupt lending by CUs and banks—but also to provide a new tool for financial services providers. It suggests the possibility of additional innovations to leverage payment data to improve service delivery, cross-sell other services or even create new financial products. In an era of persistent rate margin compression, credit unions need to be attuned to this prospective path to profitability.

The intertwined business imperative for focusing on payments is: (1) to sustain this primary touchpoint with members by making it seamless, easy and advantageous for them to use your cards in their digital payments and (2) to dig for insights from those transactions to find ways to improve your products and service delivery. To keep pace with disruptors in the digital payments ecosystem that aim to shoulder your credit union aside, build on these pathways to demonstrate the enduring value of your member relationships.

Tony DeSanctis *is a senior director for CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Arizona.*

More Important *Than Cost-Savings*

CREDIT UNIONS INVEST IN DIGITAL TO BOOST MEMBER SERVICE AND GROWTH.

BY KRIS CARRERA

Many bank executives adopt digital solutions based on the promise of cost savings associated with migrating customers to more affordable channels. Credit union executives, however, exhibit a different mindset about digital investments. Their foremost objective is to serve their current members better while attracting the next generation of members and remaining competitive. There's no doubt that digital, self-service channels are more cost-efficient than branches and call centers, but cost reduction is not the No. 1 reason credit unions adopt new digital products.

DIGITAL TOOLS AND APIs GAIN TRACTION

At FIS, we're seeing strong uptake of digital tools among CUs and adoption among members. Digital also is fueling membership growth, borne out by a recent accounting by CUES member Sean Rathjen, CCE, president/CEO of Consumers Credit Union of Illinois (*myconsumers.org*), Gurnee, Illinois. Rathjen found 41 percent of his CU's new account openings stem from digital channels, as reported in this podcast on pymnts.com (*tinyurl.com/rathjenacctng*).

Supporting robust digital growth in banking is application programming interface technology. Less bogged down by legacy infrastructure than community banks, credit unions' usage of the FIS Code Connect API Hub far surpasses that of community banks—at a 30 percent higher adoption rate. The Code Connect Hub offers hundreds of open application program interfacess in banking and payments, consumer finance, analytics and conversational banking.

In the credit card arena, digital facilitates delivery of convenience, security and rewards for cardholders—benefits that today's consumers expect in their banking relationships. For example, eZApprove provides convenient online and mobile device application for the eZCard. Members simply enter their information and receive instant credit decisions. Once approved, members can store their card in a digital wallet and use it immediately—before the card arrives in the mail.

Online and mobile interfaces for eZCard help members manage their accounts and stay on top of bills through one-screen views of balances, available credit, transaction activity and pending payments—benefits especially appealing to millennials and members of Gen Z. SecurLOCK protects eZCard users with card controls and real-time fraud mitigation. The card also delivers the rewards members have come to expect, including ScoreCard Rewards access and merchant funded rewards integration.

Supporting Small-Business Credit & 24/7 Access

A key opportunity segment for credit unions, small-business owners need digital access to a website that enables them to easily manage their businesses at any time day or night from anywhere. Such digital tools as eZBusiness Card Management support their credit card and expense management needs.

Commercial card programs also represent a growing opportunity for credit unions. Among 10 CUs offering extensive commercial card programs, we've seen volumes rising by double digits year-over-year.

A COST OF BUSINESS

The cost of retaining current members and attracting next-generation members includes adopting up-to-date digital tools that provide the most relevant benefits for members. As you evaluate new digital offers, your first question should be: How will this digital solution enhance my members' experiences and help grow my member base?

Kris Carrera *is general manager credit payments for FIS. For more information about FIS & credit unions, please visit* fisglobal.com/cu, *email* getinfo@fisglobal.com *or call* 877.776.3706.

More From FIS

Five Tactics for a Credit Union's Fight Against Fraud (*cumanagement.com/0519five*)

The Case for Contactless Cards (*cumanagement.com/1018case*)

> **"The cost of retaining current members and attracting next-generation members includes adopting up-to-date digital tools that provide the most relevant benefits for members."**

Special Report: Boards

Credit Union Management

SEPTEMBER 2019

THREE QUESTIONS NOT TO ASK

...and some better ones, when shopping for a board portal.

PLUS

Three Questions *Not to Ask*

... AND SOME BETTER ONES, WHEN YOU'RE SHOPPING FOR A BOARD PORTAL.

BY STEPHANIE SCHWENN SEBRING

There are many reasons for a credit union to use a board portal, including time savings, remote access, more meaningful meetings, security, collaboration, vote and document tracking, and less paper waste. Research into features offered by several vendors and prioritization of stakeholder needs will help a CU zero in on the best board portal fit.

But sometimes the wrong questions get asked during the fact-finding phase. And asking the wrong questions can result in selecting a platform that's not truly a good match for your unique organization.

In this article, three experts share the most commonly asked *wrong* questions when shopping for a board portal—and offer up better ones.

1. IS THIS THE LOWEST PRICE YOU CAN OFFER?

Focusing on price without understanding the portal's broader value is a common mistake, says Ian Warner, CEO of CUES strategic partner Aprio (*aprio.com*), Vancouver, British Columbia.

"There may be pressure to get the cheapest option, but as with everything in life, you get what you pay for," submits Warner. "The least expensive solution may not offer the functionality you need, or it may exclude features that would support adoption. Nothing is worse than choosing the cheaper option, rolling it out to your board and having to make a switch a year later."

Without the right preparation—including a list of functional requirements—you're apt to walk away without the right information about a product or, worse, be talked into a solution that doesn't fit your workflow and needs.

"As a credit union, it takes time to choose, roll out and adopt the technology," Warner adds. "Don't underestimate this step; the investment of time is a cost not reflected in the price tag of the software license. Not asking the right questions or grasping the value of the technology options can result in a costly rollout of an incomplete solution."

Warner is adamant that the very best question to ask is: "Why should I choose your company?"

"With this question, you should hear how the

> **“Not asking the right questions or grasping the value of the technology options can result in a costly rollout of an incomplete solution.”**
>
> — Ian Warner

product compares to other choices, along with a summary of the value it offers,” he explains. “You can also get an understanding of the integrity of the vendor. Will they speak negatively about a competitor or toss in a lower price to win your business? Or will they be honest about whether there is a good fit? How a sales rep answers this question gives you a glimpse of the level of honesty and support you can expect from the company moving forward.”

2. HOW ARE FILES KEPT SAFE ON THE CLOUD?

There is an assumption that everything nowadays is stored in the cloud, says Kenny O’Reilly, president of CUES Supplier member MyBoardPacket.com (*myboardpacket.com*), Arroyo Grande, California.

“Invariably, it’s one of the first questions we’re asked, and it assumes we store files on the cloud, which is not true,” explains O’Reilly. “We don’t use the cloud because the level of security required to keep files secure also requires that it keep files segregated. Files should never be placed on a shared server, such as Microsoft Azure, Google Cloud or Amazon’s AWS. While cloud services would reduce our costs of operation dramatically, it simply doesn’t meet our security criteria.”

For readers unfamiliar with cloud storage, it can be one of two types. A shared or public cloud is owned by the service provider, such as Amazon or Google, with storage space rented to multiple clients. A private cloud is more secure because it is owned directly by a company that uses the space and the hardware used for that cloud is dedicated to a single client.

Determining how a vendor stores a credit union’s data and the security measures the vendor implements is critical. O’Reilly offers these questions to ask: “Does the vendor own and manage its own server hardware?” “Are the files encrypted to prevent portal employees (and others) from opening the files if they were to gain access to the credit union’s data?” And finally, “Are the credit union’s passwords stored on its server in plain text?”

Safety and security are prime considerations. “A credit union should feel confident that its portal has the greatest level of security possible,” stresses O’Reilly.

Simplicity is also key to a good board portal experience. When drilling down to the right portal, ask, “What features are real requirements?”

“This will help ensure you’re not buying features you don’t need, or won’t use, because they’re too complicated,” says O’Reilly. “If training is required for board members to use the portal, that’s a clear indicator that the software is too complicated for your users. Subsequently, directors may abandon the portal and even return to paper if they become frustrated learning a system that is too complex.”

3. HOW MUCH WILL IT COST?

While similar to the first “wrong” question in this article, Paul Lockhart’s worst question—“How much will it cost?”—comes from a somewhat different perspective. The predominant factor when choosing a board portal is not the price right now, but rather the total cost of ownership, explains Lockhart, VP/sales for CUES Supplier member Passageways (*passageways.com*), with offices in Indianapolis and Lafayette, Indiana.

“You’re purchasing a solution, something to help you accomplish more in less time,” he says. “Time savings is the greatest benefit a credit union can gain, and one that should positively impact its ROI (return on investment). However, to ensure a return on your money requires 100% participation from your board.”

Unfortunately, credit unions either underestimate the importance of board adoption or overestimate the ease of gaining adoption. “Some simply assume adoption will occur,” adds Lockhart. “But poor preparation has the same result—underutilization.”

To help a credit union understand the potential barriers to adoption, Lockhart suggests a trial period, to try out the software before you buy. “A test run enables leadership to flesh out weaknesses and understand better what it is the credit union wants to accomplish—and how the board feels about the software,” he notes. For example, will it help participants prepare better and get down to business faster? Will it expedite voting, policy review and approval, and director surveys? All are key to successful governance.

While there may be unhelpful questions when looking for a board meeting solution, there are also many excellent, thought-provoking ones. These are the questions that can help a credit union determine whether its directors will be delighted by the software or return to old habits and print their materials.

Lockhart’s favorites are: “What percentage of customers have achieved 100% adoption?” and “How did the vendor assist the client in getting there?”

On the flip side, the vendor should take an active role and ask credit union leaders what it is they want to accomplish. “These are precursors to a valuable exchange; a strategic interview will enable you to get a high return on your investment and take your board and executive team to the next level.

“Finally, I tell people they shouldn’t take it from me,” Lockhart adds. “People should look at customer reviews, independent awards and market recognition. Go see what real people are saying about the product. That’s the best way to evaluate any provider.”

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

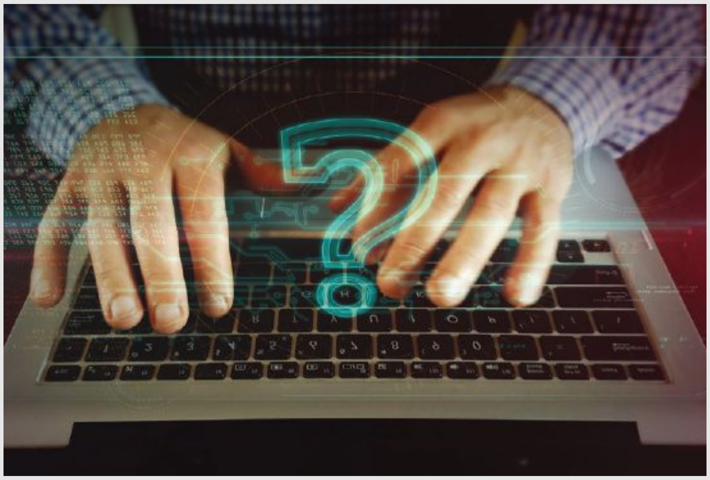
MORE ON BOARD PORTALS

Portals in Practice (*cumanagement.com/0319portals*)

The Promise of Portals (*cumanagement.com/0918promise*)

Directors Conference
Dec. 8-11, Orlando, FL (*cues.org/dc*)

CUES Symposium: A CEO/Chairman Exchange
Feb. 9-13, Kohala Coast, HI (*cues.org/symposium*)



Preparation *Is Vital*

Taking the right steps to find a board portal that's the right fit can mean the difference between the perfect portal that's 100% embraced by the board or an unfortunate mistake with low adoption or that drives the board and staff to revert back to paper processes.

Here are seven steps to ensure an appropriate, methodical and exceptional review process.

1. Make a list of functional requirements.
2. Involve others with the review process.
3. Ask each vendor you consider about the typical percent adoption by the CU's board.
4. Consider the level of support and training needed.
5. Book a demo and ask to see the functionality you need.
6. Ask for references.
7. Review the quote's accuracy.
8. Consider asking for a trial period before signing a contract.

Rather than zeroing in on the cost, prepare by outlining a list of requirements in advance, advises Ian Warner, CEO of CUES strategic partner Aprio (*aprio.com*), Vancouver, British Columbia.

"Provide the sales rep with your requirements so that you can be certain your questions are answered," he says. "Ask them to show you specific scenarios of the functionality you will need. The software should fit your process if it is designed with administrators and directors in mind. And don't be afraid to book a second demo with additional stakeholders to assist with buy-in; invite your CEO or board chair along to see the shortlisted products."

Also, ask for credit union references. "Look for clients like yourself and speak to their administrator to learn about the implementation and training process," says Warner. "Ask how the software has worked for them and if it supports their ongoing needs."

Moreover, confirm that the product demoed is the product quoted. Some vendors have shown the "premium" version and then quoted the "basic" version. Ask about the other costs involved as well, continues Warner. There can be extra fees for implementation, additional committees, adding new users or booking additional training sessions beyond the initial rollout.

Also consider the level of client support a credit union needs and compare it to what is offered, suggests Paul Lockhart, VP/sales for CUES Supplier member Passageways (*passageways.com*), with offices in Indianapolis and Lafayette, Indiana.

"Ask questions that ascertain overall usability, like 'Are there in-app guides?' 'Is a customer success manager assigned to my account?' 'How is the product designed to make sure directors feel at ease when using it?'" Lockhart says. "Ultimately, you want a product that makes directors of any tech background feel comfortable. And that demands a combination of support and thoughtful product design that drives board adoption."

"That doesn't mean I'd discount the importance of specific feature sets and requirements," continues Lockhart. "Questions like 'What can your board do with the information once they're using the software? Does it let your board ruminate and learn about current initiatives, to collaborate or ask questions amongst each other?' But what I would emphasize is those features only work well when you've achieved complete board adoption."

When a credit union schedules its first demo with a portal vendor, make sure to invite the person who is currently responsible for compiling the board packets, advises Kenny O'Reilly, president of CUES Supplier member MyBoardPacket.com (*myboardpacket.com*), Arroyo Grande, California.

"Other decision-makers should be in the demo with a list of questions, but the most important person in the room is the one who will be using the software the most," he adds. "The person's experience with the task will keep you from wasting time and going down the wrong path. It would be a sad waste to sit through multiple demos or to purchase a board portal, only to learn later that the person who compiles the packets has problems."

When a credit union fully prepares, it can avoid surprises, gain functionality and engage a portal that will support its strategic planning needs.

Create a Power Team

CUES Symposium provides the chance for CEO and board chair teams to build an effective partnership through shared learning experiences and team-building opportunities.

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- Becoming a Values-Based Leader
- Negotiations and Influence: The Art of Working with People and Getting Things Done
- Conversational Capacity: The Secret to Building Successful Teams That Perform When The Pressure Is On

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

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Director Diversity *and CU Performance*

GENDER AND ETHNIC DIVERSITY GIVE YOUR BOARD A COMPETITIVE ADVANTAGE. DON'T GET LEFT BEHIND.

BY IAN WARNER

The reality is that organizations and their boards perform better when they embrace diverse ideas and approaches. Research from Catalyst (*catalyst.org*), a non-profit studying women in the workplace, tells us the corporate boards with more female directors outperform those that don't by at least 53%.

Inclusion and diversity are well-established competitive advantages in business. There's a strong correlation between gender and ethnic diversity and profitability, according to research from McKinsey (*mckinsey.com*).

The same is certainly true of credit union boards. A diversity of people on your board means you'll benefit from a variety of opinions voiced during meetings, multifaceted tactics for solving complex problems and a range of communication styles. It's easier to challenge the status quo when not everyone in the room represents the status quo.

But even with all the data pointing to the importance of diversity, many boards are still three things: old, white and male.

Soon, having a diverse board may not be a choice. A new law in California (*tinyurl.com/cadiverlaw*) requires all publicly traded companies headquartered there to have at least one woman on the board by the end of 2019 or face financial penalties. Credit unions could be next.

Here's how to ensure you're in a strategic position to recruit and retain a diverse board of directors.

SUCCESSION AND ONBOARDING STRATEGIES

The workforce is aging and so is your board. Chairs often express a desire to step down to make room for the next generation, but that doesn't mean they're taking the steps to make it happen.

Without a date in mind, there's no true succession plan, and that makes it difficult to recruit a board with more gender and ethnic diversity. Set a date and start planning for succession.

Changing the demographics of your board means going outside of your circle. As you begin to recruit new board members, remember that your personal connections probably look just like you.

As you examine your onboarding process, consider whether the technology tools you're using (or not using) help your newer board directors get up to speed faster. Younger directors will have higher expectations of how they use technology.

An inefficient onboarding process should no longer be your administrator walking new directors through stacks of paper documents. If you're still using email and Dropbox to share important information, your administrator will flood the new recruit's inbox with links.

New directors are excited to make meaningful contributions right away. Your onboarding process should stoke this enthusiasm. Software that streamlines the process could be the reason a new director commits to staying on as an engaged volunteer director and thriving in the role, rather than checking out—or worse, deciding to leave.

BOARD TECHNOLOGY A GREAT EQUALIZER

You'll want to leverage all the voices on your board, without prioritizing the members who are the loudest or have the tendency to speak over others. Without a software solution that democratizes communications, there's always the risk of a director firing off an email to half the board or engaging in a one-off conversation with one or two members on an important issue. This hampers governance.

When administrators circulate board information and updates through Aprio's board portal (*aprioboardportal.com*), all directors receive an email alert. They get access to the same information at exactly the same time. When it's time to cast a vote between meetings, Aprio's survey tools ensure all directors can be engaged from anywhere in the world and can cast a vote of the same weight.

You'll know that all your directors, no matter their gender, age or ethnic background, are contributing to your board and moving issues forward.

Ian Warner *is president/CEO of CUES strategic provider Aprio Inc. (*aprioboardportal.com*), Vancouver, British Columbia, the board portal that makes good governance simple and affordable for CUs large and small. PointWest Credit Union, University of Iowa Community Credit Union, VA Desert Pacific Federal Credit Union and Kitsap Credit Union are among the many CU customers that trust Aprio to simplify meeting preparation, efficiently engage directors and achieve well-run board meetings.*

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Matt Kaubris, Chairman/CEO
Oxford FCU
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Build Your *Social Media Brand*

INCREASING YOUR CU'S SOCIAL PRESENCE REQUIRES DEDICATED RESOURCES AND AN INTEGRATED DIGITAL MARKETING STRATEGY.

BY DIANE FRANKLIN

It's a given these days that credit unions, like any other business, should be active on social media. Now the challenge is to become better at it—to increase your social media presence, engage with followers more effectively, manage the enterprise more efficiently and integrate social media seamlessly into other marketing efforts.

There are several credit unions who already do this well, deftly managing various social media channels with a consistency that supports the furtherance of their brand. Leading the way is $100 billion Navy Federal Credit Union (*navyfederal.org*), Vienna, Virginia, ranked No. 1 in The Financial Brand's "Top 100 Credit Unions Using Social Media" (*tinyurl.com/fb100cusocial*). What is the key to Navy Federal CU's success? Suzanne King, manager of digital marketing, says it starts with a well-defined philosophy.

"The philosophy at Navy Federal has always been to foster a community-like feel among our members and followers, and we use social media to enhance that," King explains. "The nice thing about our followers and our member community is that they're very vocal. They let us know with their likes, comments and shares what content is resonating with them."

In Canada, $3.9 billion Libro Credit Union (*libro.ca*), London, Ontario, also excels in the realm of social media, claiming spot No. 5 on the Financial Brand list. "We primarily use social media and digital marketing to improve brand perception and awareness," says Tina Van Loon, marketing manager.

With the help of its outside partner, Arcane Digital (*thearcane.com*), Libro CU has created a brand guide document that defines its social voice. The credit union presents that voice as an extension of its brand personality. According to the document, Libro CU's social media presence is an "opportunity to create a lasting and memorable relationship with prospective Owners online, and the route to fostering loyalty with existing ones." (Libro CU's brand guide is available for CUES members to reference on CUESNet™ Members Share, *tinyurl.com/19librobrand*.)

BUILD A TEAM

To leverage social media effectively, credit unions need to put a good team in place. "One person can likely manage social media scheduling, but it takes a team to really move the needle," says Mary York, vice president at William Mills Agency (*williammills.com*), an Atlanta-based public relations firm specializing in financial services. While York concedes that it may not be feasible for all credit unions to hire a full-blown team just for social media, she points out that there are outsourced content writing services available to help generate blogs and articles that a CU can post and share online.

Social media management works best when organizations staff positions dedicated exclusively to—or at least focused primarily on—that function. "Don't just add 'social media posting' to a current position as an afterthought," Van Loon advises. At Libro CU, for instance, there is a digital marketing specialist who oversees social media strategy and a digital marketing coordinator responsible for posting, social media listening, tracking results and more.

Navy Federal CU has the resources to staff a team of digital marketing specialists, each of whom has deep expertise in a particular social media channel. "So, across the entire team, somebody is our Instagram expert, somebody is our Pinterest expert, and the same with Facebook, YouTube and Twitter," King explains.

In addition to its social media team, Navy Federal CU has individuals responsible for following up on queries generated by social media. "We have a 24/7/365 social care team whose sole purpose is to be that point of contact for those who have

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>
> – Suzanne King

engaged with us on social media and are looking for additional information. … 'Is there a branch office near me?' 'Do I qualify for membership?' Those are the types of answers that our social care team is there to provide," King explains. In 2018, "our social media specialists sent out more than 41,000 responses to members on Facebook and Twitter and averaged a response time of about six minutes, improving response time by 25% from the previous year."

EXPAND YOUR APPROACH

Social media is still a relatively young enterprise. Even the most established platforms—Facebook, Twitter, LinkedIn and YouTube—have been part of the public's consciousness for no more than a decade and a half. Because the social media landscape changes so rapidly, CUs should be prepared to shift and expand their approach.

Citizens Equity First Credit Union in Peoria, Illinois, began its social media endeavors in 2011 with the launch of its Facebook page (*facebook.com/cefcu*). "Since then, we have expanded our reach by trying out new social media platforms and adjusting our content to meet the diverse needs of each platform's audience," reports Martha Kamp, community relations manager for the $6.2 billion CU (*cefcu.com*). "Increasing social media reach required additional time and resources, which we've been able to adjust over time." This evolving strategy also secured the credit union a spot on The Financial Brand's top 100 list.

Because social media is constantly evolving, CEFCU's preferred social media platforms have evolved as well. "Right now, we are focused on Facebook, Twitter and YouTube because of its broad reach," Kamp reports. "Instagram is another preferred platform due to its increasing popularity and unique ability to share our brand's story."

DETERMINE CONTENT

An important consideration when using social media is not to be overly promotional. "I think there's a tendency to want to use social media to promote one's products or services, but it can be overdone to the point that nobody wants to come back," King explains. "We think it's important to keep social media social because that's what it's meant to be."

King makes a distinction between two types of social media—organic (non-paid) and paid. "Our organic social media is primarily engagement-based content," she reports. "We focus on military veterans and families, first and foremost, but also on education, information and … fun stuff as well." An example of "fun" is a recent Instagram post depicting a dog wearing sunglasses with the Navy Federal Credit Union logo etched on the side (*instagram.com/p/BzONiddFAfa*).

Navy Federal CU saves the promotional content for its paid social media, providing its online audience with a chance to learn more about its products and services. "That's where we go deep on content," King explains. "We focus on providing them with information that's going to be helpful in ensuring a financially secure future for themselves and for their families. You've likely seen 'Our Members Are the Mission' in our TV ads or heard it in our radio ads. Everything we do in social media starts with the member and how we can better serve them. It's who we are as an organization."

King reports that the paid social media content has been widely successful. "We measure success in click-throughs: Did enough people take action by clicking on and reading the educational content, like 'How to get the best deal when buying a car' or 'How to avoid social media scams'? And if a product was being offered, did it ultimately result in a product application being submitted?"

Van Loon notes that Libro CU's social media strategy has evolved to be less promotional over time, and as a result, engagement has increased. "We make sure that 25% of our posts are

By the *#Numbers*

LIBRO CU:

- Facebook: 7,880 likes; 7,928 followers
- Twitter: 2,814 followers
- Instagram: 1,263 followers
- LinkedIn: 4,758 followers

CEFCU:

- Facebook: 45,671 likes; 45,127 followers
- Twitter: 6,274 followers
- Instagram: 1,066 followers
- LinkedIn: 1,982 followers

NAVY FEDERAL CU:

- Facebook: 1,161,246 likes; 1,145,471 followers
- Twitter: 79,000 followers
- Instagram: 41,400 followers
- LinkedIn: 57,270 followers
- YouTube: 5,600 subscribers

MORE ON SOCIAL MEDIA

Tips for Social Media Management *(cumanagement.com/0819tips)*

Inside Marketing: Social Media Outlook And Strategies For 2019 *(cumanagement.com/0119insidemarketing)*

Shelly-Ann Wilson Henry on Social Media *(cumanagement.com/080918video)*

5 Ways To Build A Social Media Following *(cumanagement.com/0518ways)*

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

inspirational, another 25% are educational, and we provide some entertaining posts as well," she says.

As a means of engaging followers, the CU is directly asking for feedback. "For instance, we recently had a post on Facebook, 'Comment below what you like best about Libro,' and within a short time, we had over 300 comments," Van Loon reports. Libro CU has just under 8,000 Facebook followers (*facebook.com/librocreditunion*).

The CU builds its content out monthly and posts weekly, she adds. The frequency of posts depends upon the platforms—for instance, Facebook, two or three times per week; Twitter, one per day; Instagram, once or twice per week; and LinkedIn, once a week for recruitment purposes and once a month for other items such as corporate and community news.

"Libro has specific target audiences we're trying to attract, and these social media channels are currently where we find the most value," Van Loon says.

MANAGEMENT TOOLS

Just as social media options have exploded, so too have the number of tools for managing the endeavor.

"From HootSuite (*hootsuite.com*) to Crowdfire (*crowdfireapp.com*), there are a ton of social media management and scheduling tools available, so it can be pretty overwhelming," says York. "Rather than looking for tools to simply schedule posts, I would take a more strategic approach. Social media is an excellent way to boost engagement and grow membership, so it should be incorporated into a credit union's overall strategy.

"Marketing automation platforms like HubSpot (*hubspot.com*) can be powerful," York adds. "Going beyond just posting, these platforms monitor and report on the success of social campaigns, allowing credit unions to know if their efforts are working or if tweaks need to be made."

CEFCU uses a social media engagement software tool to schedule posts on Facebook, Twitter and Instagram for several weeks in advance.

"We strive for one post per day on Facebook and Twitter, our most-followed social media platforms," Kamp reports. The content that CEFCU shares on Instagram is unique and creative, requiring additional time and resources. For that reason, CEFCU posts less frequently there—about two to three times a week.

Navy Federal CU's efforts are aided by the use of an enterprise social media management tool. "We use that tool to manage our social publishing and our social engagement with our members, to provide analytics and to get access to social listening data so that we can track relevant topics, and that helps inform our social engagement strategy as well," King reports. "Our social care team uses that same tool to respond to inquiries from our members and to tag those conversations for future follow-up if necessary."

Among the tools that Libro CU uses to manage social media is Sprout Social (*sproutsocial.com*), which provides a single hub for publishing, analytics and engagement across a variety of social platforms. In addition, the CU draws on the expertise of Arcane Digital to help achieve its goals. "They stay on top of trends and make recommendations we aren't able to figure out on our own," Van Loon says.

INTEGRATING SOCIAL MEDIA

There is value in integrating social media into a credit union's overall marketing efforts. Van Loon offers this advice: "Develop a comprehensive digital marketing strategy that includes social media to guide your credit union on how you'll use it to achieve your objectives, how you'll evaluate potential new channels, how you'll handle social media responses and how you'll allocate resources towards it."

CEFCU regards social media as an increasingly important marketing tactic. "We chose to venture into Instagram because it fits our most sought-after target audience," Kamp says. According to the Hootsuite blog, 70% of Instagram's users are under the age of 35 (*tinyurl.com/hootinstademo*), which includes the coveted millennial member base.

"We have the most followers on Facebook by far, which allows us to reach a broad demographic," Kamp adds. The CU's Facebook page is liked and followed by over 45,000 users. "With these things in mind, we determined there is added value when integrating digital marketing on social media with our traditional marketing approach. We have worked with our media buyer and ad agency to strategically place ad campaigns among several different channels, including social media."

Navy Federal CU uses social media as part of a comprehensive marketing approach. "More often than not, a new campaign will include a social media component, and for three reasons: (1) to drive awareness, (2) to generate excitement, and (3) ultimately to help generate new product conversion," King says.

By using an integrated, multichannel approach, King reports, "we are giving the member or prospective member the opportunity to engage with us in their channel of choice. We often build those multichannel assets internally so they have a coordinated look and feel that will give our recipients a consistent experience regardless of the channel they are using."

Diane Franklin *is a longtime contributor to* CU Management *who writes from Missouri.*

Lending 360 Upgrades Southwest Airlines FCU's Lending Experience to First Class

New technology systems always make at least some employees feel apprehensive. That's understandable; most people don't like change.

The $555 million Southwest Airlines FCU kept this in mind as it prepared to launch the Lending 360 loan origination system (LOS) two years ago. To minimize that fear, the Dallas-based credit union had its lending staff participate in testing the system before its November 2016 go-live day.

"We created templates and gave them 14 different products to test," said Sharon Baker, SVP of Organizational Development and Operations. "We assigned two to three per week. Not only did they help with testing, they learned the system in the process."

Lending 360 is such an intuitively designed loan origination system, Baker added, employees were only provided with a simple flow chart and received no initial training up front. And yet, she said, they were able to process loans immediately during testing.

"By the time they went into classroom training, they were able to focus on ways to optimize their use of the system," she said. "The most common response I received from staff after the launch was 'Is that really all I have to do?'"

Southwest Airlines FCU had been using a loan origination system, offered by its core system provider. When it was announced that the system would be sunset, the credit union decided to conduct an LOS search that included third-party vendors.

Southwest Airlines FCU had typically met or exceeded its loan growth goals, so it wasn't only looking for a system that would boost loan production. The credit union was also seeking better lending efficiencies, more secure delivery, streamlined policies and procedures and relief from pain points caused by poor system integration.

Not only did the credit union achieve all those operational and compliance goals, it also significantly exceeded its annual consumer loan growth budget of 6%, achieving over 16% growth for the last two years. In August 2018, Southwest Airlines FCU funded $17 million from 969 applications, its highest funding month in history. That figure includes $3.3 million funded exclusively by the credit union's Ebranch loan officer who handles online applications collected through Lending 360.

That's pretty remarkable for a credit union with a field of membership spread across the country that's always on the go, thanks to its primary airline sponsor.

Adding e-signatures through DocuSign was a real game changer, Baker added. Prior to transitioning to Lending 360, staff would send a secure email to members with loan documents as attachments. Members would then have to print them out, sign them, scan them and securely email them back or send them via snail mail. Making efficiencies even more challenging was that loan documents didn't integrate with the old LOS, which required staff to do manual calculations in order to approve and process loans.

"It was a big convenience and speed issue for members," Baker noted.

Now, with Lending 360, loan processing time has been cut down to as quickly as five minutes on average. The system's integration with the credit union's optical system also eliminated a full-time employee position solely dedicated to scanning docs into the LOS. That employee is now being utilized elsewhere and provides greater value to members.

Loan decisioning is also more consistent with Lending 360. Southwest Airlines FCU utilizes L360's decision manager feature and uses auto decisioning to approve about 30% of all loans. The credit union plans to further automate the decision process by adding Lending 360's Decision Challenger later in the year.

Lending 360's ability to grow as the credit union grows and quickly and easily provide system updates were also important features to the credit union, Baker added.

Finally, Southwest Airlines FCU appreciates L360's structured workflows and built-in reporting for quick management reviews. The credit union has found significantly fewer errors and increased communication among employees within the system, without having to toggle over to email for approvals.

"Our member surveys have been very positive," Baker said. "Members have told us that the loan process is easy, our loan officers are wonderful to work with and the overall process is now painless."

Discover more about our Consumer LOS at **CUDIRECT.com/Lending360**

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HOW CEO INSTITUTE SHARPENS EXECUTIVES' SKILL IN HANDLING TODAY'S CHALLENGES.

BY PAMELA MILLS-SENN

Today's CEOs and executives help their credit unions face a diverse array of daunting challenges. For example, Lou Centini has often talked with executives who are grappling with post-merger integration.

"How to merge two diverse cultures into one new, higher-performing one, ... and how to best integrate systems and processes, such as IT, HR, operations and so on" is a big challenge many CU leaders face, explains Centini, founder/CEO of LJ Centini & Associates LLC, a Charlottesville, Virginia, management consulting and executive coaching firm. "Other examples include how to deal with competitive challenges in the market ..., how to deal with ethical issues in management ranks, and how to create and sustain high-performing teams."

Jim Austin, president of JH Austin Associates Inc. (*jh-austin.com*), a Chicago-based affiliation of consultants engaged in executive education and strategic planning, has identified acquiring and retaining talent, local economy impacts and online banking as the three main concerns of CU CEOs.

That Centini and Austin understand so clearly what CU leaders grapple with is unsurprising. In addition to working as consultants, they're faculty members for CUES' CEO Institute (*cues.org/institutes*). Centini is a visiting executive lecturer for the Darden School of Business at the University of Virginia and a lead teacher for CEO Institute III: *Strategic Leadership Development*. Austin is program integrator and instructor at CEO Institute I: *Strategic Planning* at Wharton, at the University of Pennsylvania, Philadelphia. (Cornell University hosts CEO Institute II: *Organizational Effectiveness* in Ithaca, New York. More on that later.)

In their respective segments, Centini and Austin teach CU executives how to confidently and skillfully lead their organizations to desired outcomes.

Launched in 1997, the three-segment CEO Institute was designed to develop executives' strategic leadership skills, says Christopher Stevenson, CIE, SVP/chief learning officer for CUES. In addition to the Wharton, Cornell and Darden institutes, CUES offers Strategic Growth Institute™ (*cues.org/sgi*) at the University of Chicago's Booth School of Business; Strategic Innovation Institute™ (*cues.org/sii*) at Stanford Graduate School of Business; and CUES Governance Leadership Institute™ (*cues.org/gli*) at the University of Toronto's Rotman School of Management. (The Rotman program is designed for board members, Stevenson notes.)

FACILITATING LEADER LEARNING

When it comes to developing and refining the institute programs offered by CUES, Stevenson

identifies content CU leaders could benefit from, as well as the faculty and business schools that could best teach those ideas.

"Leaders learn best when there is direct application to the work they're doing," Stevenson says. "A successful program cannot divorce the content from what is actually happening in the office. This requires that CUES and our partner business schools have an in-depth understanding of the challenges and opportunities presenting themselves every day in credit unions."

CEO Institute features a project between segments I and II and segments II and III. Participants begin their week at Darden talking about their between-segment projects, Centini says, first in a small-group setting and then in the larger classroom.

Stevenson says successful CU leaders need to have a thorough understanding of their own credit unions and local markets, the CU industry and the wider financial services industry. But, he emphasizes, they can gain invaluable perspective from studying other industries. Business case studies are often used at CEO Institute because they offer the chance to "push leaders into unfamiliar territory and out of their comfort zones" into a different way of thinking, he explains.

"These promote a robust classroom discussion, including a fair amount of disagreement about the best possible decision," Stevenson says. "And then we apply the lessons learned to the participants' own credit unions. It's an outstanding way to eliminate blind spots."

Centini echoes Stevenson's comments about case studies, noting that the real situations the cases present generate spirited discussion among participants and spur deep thinking. In the Darden segment, Centini also presents leadership concepts, models and frameworks and invites participants to take part in simulations and experiential activities.

"The cornerstone of my teaching is high-engagement learning," Centini says. "This includes creating an environment that is highly interactive and challenges participants to take responsibility for their own learning. I want participants to elevate their critical-thinking skills so they can apply them to a range of situations they may face in the future."

FACILITATING LEARNING FROM PEERS

Interactive and experiential learning is an approach favored by Beta Mannix as well. She is faculty director for CEO Institute II.

"I try to create an informal space where interaction is high and participants can learn from each other as much—if not more—than from me," says Mannix, the Ann Whitney Olin Professor of Management at Cornell University's SC Johnson School of Business. "I know time is precious for CUES participants, so I want what we do to be directly relevant and applicable. They should be able to use what we do in the classroom when they get back to work on Monday."

As an example, she mentions a current participant who is trying out many of the concepts and exercises she presented with his 80-person staff.

"He says engagement is higher than ever," Mannix says. "That's exciting. Other individuals have been able to use the frameworks [presented] to make such changes as going paperless or executing succession plans more smoothly. That is all rewarding to hear."

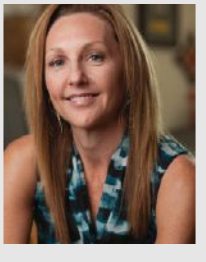
Austin says he never lectures. "I always try to create experiential learning environments. I'll typically introduce a concept or framework, flesh it out for 10 or 15 minutes, and then have

Instructors Matter, *Too*

The faculty members of CEO Institute wouldn't promote themselves, but this is true: They're awesome and a big part of what makes the leadership learning at each segment so successful. Here's a little more background on each of them.

Jim Austin: In addition to serving as president of JH Austin Associates Inc. and as program integrator and instructor for CEO Institute I for eight years and counting, Austin is an adjunct senior lecturer at Brown University in Providence, Rhode Island. There he teaches the semester-long leadership and marketing course in the executive master's in healthcare leadership program. Over the past decade, Austin has worked with multiple credit unions on board governance, strategy development, innovation and scenario planning, and has twice led ExecuBlend™ (*cues.org/eb*) sessions in Santa Rosa, California.

Lou Centini: CEO of LJ Centini & Associates, LLC, Centini was on the original design team that created CEO Institute. He has been on the faculty of CEO Institute III for the past three years. Before this, and since the inception of CEO Institute III more than 20 years ago, he was executive director and faculty leader for the program at Darden. Over the past 25 years Centini has taught a variety of executive education programs, presented sessions at several CUES conferences, and created and taught two online courses on transformational leadership for CUES. In addition to coaching numerous credit union executives, Centini also teaches in three executive MBA programs targeted at aspiring education leaders.



Beta Mannix: Mannix has taught at Cornell University and been the faculty director for CEO Institute II for 20 years. In this role, she designs the program and coordinates with the other CEO Institute faculty directors. Before this, she was a faculty member at Columbia Business School, New York, and the University of Chicago. She is in the second year of a three-year term as an associate editor at the highly regarded *Academy of Management Review*. This is the second time she has served as an associate editor of the publication. She teaches and works in the areas of leadership, organizational change, creativity and innovation, and diversity.

"I've heard some amazing success stories of how [CEO Institute] participants have transformed their credit unions—reorganizing [them] to become more customer-focused, planning and executing mergers, implementing sales cultures, and revamping HR systems."

— Lou Centini

an exercise or case that tests the ideas, challenging leaders to apply them in their own terms or situation ... with more discussion than PowerPoint [affords]."

Mannix prefers a less-is-more approach when it comes to her classroom teaching technique. Providing adult learners time and space to mull over and absorb the concepts and to share knowledge with each other has proven very effective, she says. Consequently, Mannix introduces fewer ideas, but then explores these in-depth so participants can fully understand the applications and their impacts. She also spends a great deal of time helping leaders know their own purpose and strengths.

"If you can clearly articulate your purpose, from that so many other things flow—what you champion, how you will make decisions, how you define yourself and add value and how you will act with courage when necessary," Mannix explains. "Purpose, values, strengths—these are critical to know and build on as a leader."

Centini's CEO Institute III participants learn a lot about themselves—and deepen their trust of their classmates—when they step outside of the classroom one day midweek for a day of experiential learning at a ropes course, he notes.

A FORMULA THAT WORKS

"I've heard some amazing success stories of how [CEO Institute] participants have transformed their credit unions—reorganizing [them] to become more customer-focused, planning and executing mergers, implementing sales cultures, and revamping HR systems," says Centini. "And I've witnessed some leadership breakthroughs at an individual level."

Stevenson has heard "hundreds of success stories" as well, mentioning one instance in which a credit union lost its sole sponsor. However, because of the executive's work at the institute, a contingency plan was in place. Another CEO Institute participant was hired as the executive charged with turning around a credit union.

"He led major changes throughout the organization, including reinvigorating the brand and enhancing the technology strategy," Stevenson recalls. "In just a few short years, he has righted the shop and breathed new life into the struggling organization, which is now enjoying robust growth.

"That's the purpose of CUES Institutes—developing leaders who can shepherd their organizations to success, even in uncertain or challenging circumstances," Stevenson continues. "The market will continue to shift and change, and credit unions will face more threats from unexpected places. But when a leader has a deep knowledge of strategy and how to manage uncertainty, they are equipped to ride out the storm."

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

CEO Institute I

Wharton UNIVERSITY of PENNSYLVANIA

Spring 2019 CEO Institute I participants, in alphabetical order: Greg Apple; Derrick Bailey; Matt T. Baker; Tom Barnard, CSE; Aaron Beldner; Cathy Boucher; Jonathan Brunson; Tia Burgess; David Burnette; Laura Busch; Deonne Christensen; Steve Christian; David Constantino; Patrick Cosgrove, CIE; Samantha Cuff; Lynette Cupps, CSE, CIE; Raymond Currier; Darrin Davidson; Temo De La Torre; Brad Dewey; Christopher Ercole; Scott Everett; Andy Fish; Marci Francisco; David H. Gill; Angela Hanson; Jamie Harrison, CIE; Dwayne B. Herrera; Heather Hickman; Joanne M. Hyatt; Cania Infante, CSME; Sonya Jarvis; Brian Kennedy; Murshid Khan, CIE; Bill Khoe; Kasey Kirk; Donna Kiscaden; Diana Kot; Megan LaPuma; Elliott Lipsey; Donna LoStocco; Jeremiah Lounds; Chris Marshall; Mark Matthews; Tim McAdow; John J. Merritt; Keith Miller; Cameron Minges; Cynthia Nelson; Tonia Niedzialkowski; Jim Pack; Ted Pahl; Elesa Parsons; Daniel Post; Jonathan Probst; Kevin Quinn; Dennis Bradley Richardson; Mary Roberts; Timothy J. Rowe, CIE; Margaret Sisco, CSME, CSE; Annie Song; Cory J. Stephen, CSE; Deborah Sunderman; Dona Svehla; Ed Tierney; Brian Vannoy; Matt Vignale, MBA; Jennifer Weiland; Brett J. Wheeler; Amy Wood

CEO Institute II

JOHNSON
Cornell University™

Spring 2019 CEO Institute II participants, in alphabetical order: Jim Adamczyk; Don Belisle; Doreen Bjorkman; Craig A. Booth, CCE; Geoff Bullock; Ryan Cannady, CIE; Jay Carstens; George Chacon; Douglas P. Clinton; Kevin Crowe; Corey Dahle; Theresa Dubiel; Michael Dubuque; Joseph Fletcher; Travis N. Frey; Heidi Hunt, CIE; Michelle Hunter; Araceli Iraheta; Vikram Israni, CCD; Rob Jones; John Katalinich; Paul Kelly; Sean Kelly; Suzie Kisslan; Jennifer Lee; J. Alan Lewis; Lisa Loughery; Frank Madeira; Tammy Martins; Shamus McConomy; Thom Meyer; Helen Mickel; Julie Moran; Jennifer Mullen-Berube; Taylor Murray; Shalini Narayan; Mike Nickel; Steve Owens; Sean Ready; Cris Richer, CSE; Joseph Robison; Al Rose; Lindsey Salvestrin, CIE; Steven Schmidle; Gary Schuette II; Richard Schwan; Rich Seubert; Andrew Shaw; Ken Shea; Kevin Sherrell; John Snodgrass; Greg Sol; Alan Stoltenberg; Carol Wadleigh; Melissa Walsh; Kristen Wilson; Matthew H. Wimberley

CEO Institute III

UNIVERSITY of VIRGINIA | DARDEN Executive Education

Spring 2019 CEO Institute III participants, in alphabetical order: Timothy M. Antonition; Katherine Archer, CPA; Terri Bentley; Chad Bostick, CIE, CCE; Eric Bugger, CCE; Shannon Cahoon, CCE; Lynn Calvert, CCE; Randall Carswell; Heather Colonius; Caleb Cook, CCE; Laura Crase, CCE; Deborah Fahrney, CCE; Mark Federico; James Frankeberger; Jennifer Galley, CCE; Isabel Gomez, CCE; Tara Graff, CCE; Ed Gravley, CIE, CCE; Becki L. Hagerman, CCE; Gregory Hansen, CCE; Eric Harvell; Kitty Hunter, CCE; Eric Huseby; Ashley Jansky; David Kato; Adam Keer; Beverley Kiel; Cindy Klein; Julie Kreinbring, CIE, CCE; Steve Lattuca, CCE; David Luu; Justin Martin, CCE; James B. Mears, CCE; Justin Mouzoukos; Keli Myers, CCE; Lindsey Myhre, CCE; Hicham Naciri; Kimberly Oblak; Skott Pope, CCE; Emily Reynolds, CCE; Andrew Rogers; Mark Schuiling; Mark Sekula; Kristin Shultz, CSE, CCE; Matt Stephenson, CCE; Greg Strizich, CCE; Joel Swanson; Fred Trusty; Jim Watts, CCE; Rick Weiss, CCE; James M. Wileman, CCE; Wendy Wohr, CCE; Brice Yocum, CSME, CCE

MORE ON LEADERSHIP LEARNING

The Impact of CEO Institute I on a Canadian CU's Strategic Planning Process (*cumanagement.com/video082619*)

From John: More Learning Even Though You're Busy (*cumanagement.com/0818fromjohn*)

Purposeful Talent Development: The Machete or the Map? (*cumanagement.com/032618skybox*)

CUES Institutes (*cues.org/institutes*)

Execu/Blend™ (*cues.org/eb*)

Kirk Drake

Title: President/CEO

Company: Ongoing Operations

Phone: 877.552.7892

Email: kdrake@ongoingoperations.com

Website: ongoingoperations.com

What makes Ongoing Operations unique?
Ongoing Operations is best aligned for credit unions because we were built for them! Ongoing Operations is a credit union service organization that focuses on using its experience and knowledge of the industry to ensure we provide the best overall engagement and partnership with our clients.

What keeps your credit union clients up at night?
The unknown. Too often IT and business objectives do not align, and in the world of cyber risk and the ever-increasing competitive nature of IT staffing, credit unions can feel exposed and unsure if or when they find themselves in a difficult and unplanned situation.

How does Ongoing Operations make its credit union clients more successful?
Ongoing Operations focuses exclusively on credit unions. We help take on the burden of day-to-day IT tasks and convert that effort into member-focused initiatives. Once free of tactical and "status quo" initiatives, credit unions can become more strategic and focused on member growth, not IT spending.

How is Ongoing Operations making the credit union industry stronger?
We are owned and operated by credit unions, with a team made up of former CU executives and highly skilled subject matter experts. The industry has been in our DNA since the day we were created, with a concentrated purpose of helping credit unions meet the unique security, compliance and service requirements of the industry.

Our people and our expertise make the difference. We have several former CU technology executives on staff. Our experience designing credit union technology is unmatched. We've been through hundreds of NCUA audits, experienced hundreds of disaster recovery tests, and a multitude of live recoveries.

The Premier Learning & Networking Event for CU Directors

Directors Conference

December 8-11, 2019 | Orlando, FL
Loews Royal Pacific Resort at Universal Orlando™

Calling all credit union directors. Don't miss the chance to join your fellow board members for a just-right blend of education, networking, and inspiration at one of Florida's most popular resorts. It's where:

- World-class business education fosters critical thinking skills
- Theory meets application to support comprehensive, effective governance
- Attendees accrue ideas, strategies and peer relationships to take home

Bring your entire board along for maximum benefit!

Hurry! Register today at cues.org/DC.

CUES
POTENTIAL, REALIZED.™

Gerry Agnes, CPA, CIE

Elevations CU CEO *Joins CUES Board*

CUES is pleased to welcome Gerry Agnes, CPA, CIE, president/CEO of $2 billion Elevations Credit Union, Boulder, Colorado, to its board of directors. He will be replacing retiring board member Robert D. Ramirez, CCE, CIE, CEO of $2 billion Vantage West Credit Union, Tucson, Arizona.

"We're excited to welcome Gerry to our board," says John Pembroke, president/CEO of CUES. "Replacing Bob is no small feat, but we are confident Gerry will excel in this new role and continue to make a big impact on the industry."

Since joining Elevations CU as its CEO in 2008, Agnes has directed the credit union's strategic objectives, which focus on employee engagement, a loyal membership and superior financial performance. In the midst of the financial crisis of 2008, he led the charge to pursue the Malcolm Baldrige National Quality Award, a highly competitive U.S. Presidential award that recognizes organizations for performance excellence. The Baldrige effort rallied the Elevations CU team to outperform both in-market competitors and credit unions nationwide. In 2014, Elevations CU was named a Baldrige Award recipient by U.S. Secretary of Commerce Penny Pritzker.

Agnes has been recognized for his achievements throughout the industry. He was named the 2015 CUES Outstanding Chief Executive, Mountain West Credit Union Association's 2016 Credit Union Professional of the Year and Boulder Chamber's 2016 Business Person of the Year.

Agnes is a CPA with 34 years of professional experience and has held positions as president, COO and CFO at various community financial institutions in California. He holds a bachelor's degree in business administration and accounting from California State Polytechnic University, Pomona.

Plan Your Professional Development *for 2020*

The 2020 CUES Event Schedule is now available at *cues.org/PlanYourPD*. Registration is open for most events, and early registration is recommended to reserve a seat and guarantee the lowest rate.

In addition to the industry-leading CEO Institute program and popular Execu/Series, 2020 features the return of Strategic Innovation Institute™ after a two-year hiatus. Held at the Stanford Graduate School of Business, Strategic Innovation Institute returns with a condensed schedule and lower price, but still with a comprehensive agenda to help credit unions embrace innovation and create a culture of change.

"In this economy, having strong talent development opportunities helps credit unions attract and retain top talent," says John Pembroke, CUES president/CEO. "With credit unions [working on] their 2020 budgeting and planning, we wanted to get our event schedule out to the industry early, putting them in the strongest position possible to help achieve their 2020 organizational goals."

The CUES 2020 Event Schedule provides networking and learning opportunities for everyone at the credit union, including the CEO, board members, executives and future leaders, at a variety of price points and event types. To help build a holistic professional development plan, CUES also offers the 2020 Professional Development Planner, now available for download at *cues.org/PlanYourPD*.

Webinars & Elite Access

CUES members can attend all webinars (*cues.org/webinars*) and access a library of webinar playbacks for free. CUES Elite Access Virtual Classroom (*cues.org/eliteaccess*) offers an innovative take on online education.

ON DEMAND
Five Common Digital Marketing Misfires and How to Avoid Them (Pre-recorded)

ON DEMAND
How to Move Your Digital Offering from "Catch Up" to "Catch Me" (Pre-recorded)

ON DEMAND
Cognitive Collaboration: The Perfect Way to Blend Artificial Intelligence & Humans to Serve Members (Pre-recorded)

OCT. 2
12 p.m. Central
Talent Development Community of Practice (Elite Access)

Visionary Strategy for *21st Century Credit Unions*

Join your peers from the industry's top credit unions at Directors Conference (*cues.org/dc*), Dec. 8-11 in Orlando, Florida. There, your board members will grow as leaders, critical thinkers and decision-makers while world-class, cross-industry experts explain how theory meets application to support effective governance.

Attendees will gain a deeper and broader understanding of such key governance topics as director recruiting and onboarding, strategic planning and enterprise risk management, and of industry trends including digital transformation, payments and blockchain.

Anirban Basu, chairman and CEO of Sage Policy Group Inc. (*sagepolicy.com*), Baltimore, will present "To All the Economists I've Loved Before," an exploration of global, regional and national economic performance—with special attention paid to the financial, labor, real estate and construction markets. "Here we are in 2019, and things look pretty good. Low inflation, reasonably strong economic growth, low unemployment, fastest wage growth in more than a decade," Basu notes in a recent CUES Unlimited+ video (*cumanagement.com/070119video*). "However, asset prices are high. ... At the same time, the global economy is beginning to slow in earnest—we're seeing this all over the world," he warns. "When you put it all together, it's going to be very difficult for corporations to generate the kind of earnings to which the market has become accustomed." What does that mean for the industry? Learn more from Basu at the Tuesday morning general session.

Attend Directors Conference (*cues.org/dc*), Dec. 8-11 in beautiful Orlando, Florida!

Attendees can also participate in a facilitated open forum session to discuss critical governance topics and tap into the collective wisdom of the group. Those who register for the pre-conference workshop will have the opportunity to learn how to handle your CU's most difficult and perhaps unexpected situations with Ancin Cooley, CIA, CISA, founder and principal of Synergy Credit Union Consulting Inc. (*syncuc.com*), Elgin, Illinois.

Become a visionary leader at Directors Conference. Register now at *cues.org/dc*. Hurry—rates increase $400 after Oct. 24!

2019-2020

BOARD LIAISON WORKSHOP
Sept. 4-5
SchoolsFirst Federal Credit Union
Tustin, CA

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

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

PAYMENTS UNIVERSITY
Sept. 11-12
DoubleTree by Hilton Hotel
San Diego–Mission Valley

CUES CERTIFICATE IN BUSINESS LENDING
Sept. 13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 16-17
LaFonda on the Plaza
Santa Fe, NM

DIRECTOR STRATEGY SEMINAR
Sept. 18-20
LaFonda on the Plaza
Santa Fe, NM

CEO/EXECUTIVE TEAM NETWORK™
Nov. 4-6
Omni Amelia Island Plantation Resort
Amelia Island, FL

DIRECTORS CONFERENCE
Dec. 8-11
Loews Royal Pacific Resort at Universal
Orlando, FL

CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE
Feb. 9-13
Fairmont Orchid
Kohala Coast, HI

EXECU/SUMMIT®
March 8-13
Westgate Park City Resort & Spa
Park City, UT

CEO INSTITUTE I: *STRATEGIC PLANNING*
March 29-April 3
The Wharton School
University of Pennsylvania
Philadelphia

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 26-May 1
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
April 27-30
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 27-May 1
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 3-8
UVA Darden Executive Education
Charlottesville, VA

EXECU/BLEND™
June 7-10
Hilton Santa Barbara Beachfront Resort
Santa Barbara, CA

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 7-10
Rotman School of Management
University of Toronto

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

The Implications of Having *Apple Card in the Fray*

BY MEHMET SEZGIN

The Apple Card is a wake-up call for traditional financial institutions. Cardholders want a more interactive mobile banking experience that rewards them faster, and they will switch to Apple if banks and credit unions don't switch up their user experience.

Apple wants to be seen as the ultimate customer-centric brand and has promised its credit card comes with no hidden fees and interest rates among the lowest in the industry. While late fees could remain an issue, low interest rates might be an easier promise to keep. The Nilson Report (*nilsonreport.com*) shows the percentage of people who revolve their card balances has been steadily declining, currently sitting at 28%. This means fewer people are subject to those interest rates—so Apple may be able to deliver without taking a big hit.

THE REAL LESSONS LIE IN THE USER EXPERIENCE

If you own a smartphone, you are probably already using apps that offer a large degree of personalization, smart design and an interactive interface—but your mobile banking app is not one of them. Most mobile banking apps today lack the kind of customer-centricity that appeals to modern consumers. This is where the Apple Card will send the single biggest wake-up call.

Apple's superior card management functionality and sophisticated visual interface is eventually going to push banks and credit unions to improve their own apps. Payment schedules, spending categories, instant notifications and location services will prove great tools for cardholders to gain better control of their finances. This will ultimately spell the end of boring banking apps with limited card functionality.

WHERE YOU CAN COMPETE

Apple may tick many boxes on what makes a good payments experience, but it mostly overlooks the preceding part of the customer journey—shopping. This is where banks and credit unions can compete. Specifically, the Apple Card lacks functionality in two key areas: rewards and short-term credit provision.

It may seem generous that the Apple Card offers instant cash back for Apple store, Apple Pay and physical purchases, but the reality is that banking apps can go much further than this. Loyalty solutions already enable credit unions to expand the pool of available offers. In dynamic mobile apps driven by artificial intelligence, cardholders can receive frequent and relevant offers personalized to member taste, location and behavior.

At the point of sale, dynamic mobile banking apps have another chance to impress the cardholder. Point-of-sale credit options can help cardholders spread the cost of a purchase in a stress-free way, and third-party fintech providers are already able to provide these on a white-label basis. After all, what says "ultimate customer-friendly company" more than immediate credit provision through a mobile banking app?

A FINTECH ALLY CAN KEEP APPLE AT BAY

In their quest to compete, traditional financial institutions will need to dial up the user experience of mobile banking—and fintechs that offer innovative solutions and unique perspectives can be their biggest allies. Whether it's creating a mobile presence for the first time or integrating customer-centric functionality into existing apps, fintechs can help credit unions beat Apple at its own game and take the customer experience to the next level.

Mehmet Sezgin *is CEO and founder of* myGini.

Read the full post and leave a comment at *cumanagement.com/071519skybox.*

> **"When development opportunities aren't available to staff, we limit their abilities to expand their skillsets and meet organizational goals. We are basically placing staff in a car that won't turn left or can't signal a new direction, limiting our opportunities as an organization."**
>
> **Jennifer Stangl,** CUES' director of professional development, in "Purposeful Talent Development: How to Address Two Key Layers" on CUES Skybox: *cumanagement.com/072919skybox.*