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CASTING YOUR *Talent Net*

Why, how and where credit unions are widening their executive searches

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Coping with coronavirus

Contents

APRIL 2020

VOL. 43, ISSUE 4

FEATURES

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Contents

ARTICLES

SPECIAL REPORT: FRAUD PREVENTION

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CUES Podcast

Leadership Development Front and Center in New CUES Emerge Program

Tim McAlpine of CUES Supplier member Currency, Chilliwack, British Columbia, discusses the professional development opportunities, new designation and competition phase of CUES Emerge.

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Welcoming Execs *to the Credit Union Industry*

Last month, CUES released a new member benefit called "Welcome to Credit Union Leadership: A Guide for Executives Who are New to the CU Industry."

The 30-page printable PDF includes a history of credit unions in North America, an overview of the industry's top challenges, explanations of financial organizations and regulations in both the U.S. and Canada, and quick definitions of key industry terms. Members can get the new guide by logging in at *cues.org* and selecting "Access My Benefits."

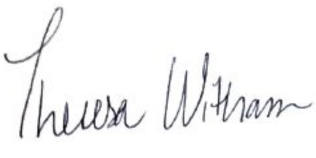
In keeping with this idea, this month's cover story explains why it is a good idea to expand your search to outside the credit union industry when filling an open position.

"In the current economic environment, with a 50-year low unemployment rate, the credit union world is pretty small," says CUES member Kim A. Ross, CHRO at $2.2 billion Chartway Federal Credit Union, Virginia Beach, Virginia. "As each credit union grows, you need new talent and innovation. To survive, you have to continue to bring in new ideas."

Beyond the compelling requirement to expand recruitment to fulfill demand, John Oliver, president of Laurel Management Systems, Palm Springs, California, cites the need "for bigger and different thinking." For example, one of his client credit unions expanded its data analytics capabilities when it recently hired a business intelligence executive from a major grocery chain.

For more on casting your credit union's recruiting net to a wider audience, turn to p. 10. And then, once you hire someone new, give them the "Welcome to Credit Union Leadership" guide.

Credit unions that want to start or enhance a business lending program frequently look outside the CU world for new hires. At $1.7 billion SELCO Community Credit Union in Eugene, Oregon, some of the 24 employees on the business services team were developed internally; others are former commercial bankers. That includes Craig Carpenter, SVP/lending and business solutions, who was an experienced lender with a regional commercial bank when he came on board to help launch member business services. Read how SELCO Community and other CUs are "drumming up business" on p. 36.



Theresa Witham
Managing Editor/Publisher

P.S. Just as we sent this issue to press, COVID-19 was declared a worldwide pandemic. Schools across the world have been shut down and local governments are encouraging employers to set up telecommuting. CUES has created a web page dedicated to bringing you the latest on our response—along with resources to help your credit union respond—which we are updating on a regular basis; you'll find it at *cues.org/coronavirus-update*.

LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.

TWITTER: @tawitham
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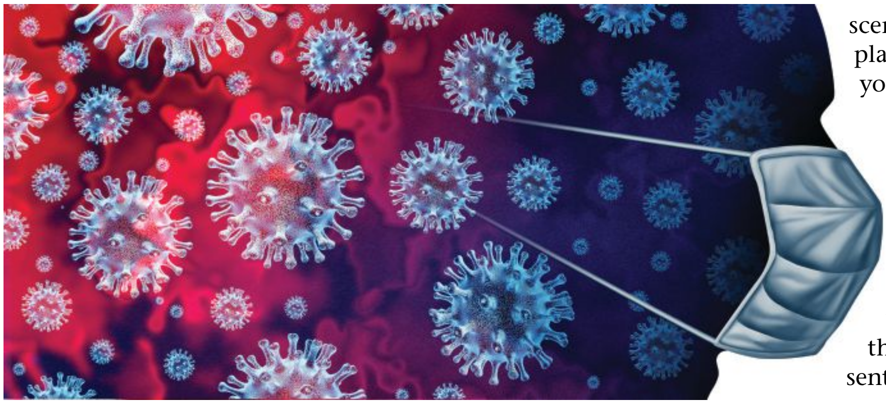
YOUR THOUGHTS

HOW IS YOUR CREDIT UNION RESPONDING TO COVID-19?

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



Coronavirus Response Tools

Assess your plan with a tabletop session.

BY JASON PERRY

With the recent and significant uptick in global cases of the coronavirus (also known as COVID-19), and the virus now prevalent in the U.S., credit union executives and their leadership teams are assessing how this could impact their business operations. If you are not preparing already, you should start now.

When analyzing preparedness organization-wide, multiple areas need to be addressed to ensure that your pandemic plan will mitigate the impact on your credit union headquarters and branch operations. It is important to take a holistic approach to your plan and consider the domino effects that can occur if certain pieces of your plan fall apart. Otherwise, your credit union could face significant exposure if the threat of COVID-19 becomes a reality.

START WITH A TABLETOP SESSION

The best way to accurately gauge your pandemic plan—and by extension, your CU's emergency action plan—is through a tabletop session with your leadership team and personnel from headquarters and branch locations. This type of exercise uses escalating scenarios to challenge your current policies and procedures and is a valuable tool to highlight areas of your plan that need to be modified.

Through this forum, you can verify that key personnel are aware of their roles throughout the emergency and can troubleshoot areas of responsibility that are not being properly filled. Tabletop sessions will often expose issues with plans that previously sounded good on paper but that, when put to the test, fail with the variables that inevitably occur in these types of threat events.

Consider the following escalating scenario:

> *COVID-19 infections have spiked, and there are numerous cases in your region. Your CEO is hospitalized with severe pneumonia symptoms just days after returning from an event that he attended with several other members of your leadership team. Many key personnel in your organization are over the age of 50, making them more susceptible to the disease. The proximity from the event makes it likely that the others were exposed. Unfortunately, the CEO and others had spent time at headquarters and several local branches prior to becoming symptomatic.*

Does your credit union's current emergency plan cover this scenario? If not, what changes should you make to the plan to account for something like this happening at your credit union?

BE PREPARED TO CASH IN ON YOUR EMERGENCY ACTION PLAN

Using your emergency action plan and pandemic plan, how will you handle the next steps? Many emergency action plans quickly hit a roadblock when key personnel are no longer able to perform their roles and responsibilities. For this reason, it is essential that communication trees and decision-making hierarchies have redundancy or back-up plans. Decisions will also need to be made about quarantines, having your employees work from home, and the impact of each on critical operations for your credit union. These are just a few examples of the valuable discussions that come out of a tabletop session.

The earlier scenario is an example of a tabletop exercise that has risen through several levels of escalation. When planning for your session to assess your pandemic preparedness, you want to start with the lowest risk level and then ramp up the threat as you proceed.

Create your first scenario based on what we currently know about COVID-19 and the threat that it poses to your credit union:

- What should you do NOW to prepare?
- Do you need to call your insurance provider yet?
- Does your insurance provide the pandemic and business interruption coverage that you need, and will infections that occur from exposure at work fall under workers' compensation requirements? (A large insurance brokerage we spoke to recently seemed largely unprepared to handle the potential needs of their clients if this reaches pandemic status.)
- What communications should be sent to employees and members, if any?
- Will your credit union have a policy for employees who have been exposed to the virus outside of work, such as through a family member or friend, to follow?
- Will your IT safety protocols allow for employees to work from home? What risk does your headquarters face versus your branches?
- Are your branches prepared to handle an influx of members concerned about their finances and investments?

These are some of the questions that should be asked at each level of your scenario to ensure that you take proper action at every stage of the pandemic, should it occur.

Your COVID-19 pandemic plan scenarios will escalate from this current threat level through the potential evolution of the emergency. The next level may have more cases in the U.S. Then there will be infections reported in your state and city. You need a plan now for how you will handle interactions with the public in your branches.

There are concerns that the virus lives on surfaces for multiple days, and China has even gone to the extent of burning currency (*tinyurl.com/td7p4ze)* that may be contaminated. How will you handle the money that you receive as part of transactions? How will you handle the need for increased and more frequent cleaning and disinfecting of branch and office surfaces, ATMs, kiosks and drive-through canisters?

The highest levels of your tabletop session will navigate the issues you may face if numbers of employees are infected, hospitalized or unable to work—and the potential death of key personnel. With one in five infection cases resulting in severe symptoms, it would be likely that a percentage of your infected employees would be seriously impacted by the disease.

BANK ON THIRD-PARTY EXPERTISE

We strongly advise that you employ the expertise of a third-party professional who can consult with you on your emergency action plan and pandemic plan and create these scenarios for you. That professional should be able to guide the discussion, ask questions that you may not think of, and provide expert advice as you expose weaknesses in your procedures. Without the aid of a subject matter expert, you may be successful in identifying where you need to improve but remain unclear on how to fix the issues.

As with many other areas of safety preparedness, working with a professional will often save confusion and lost time. An outside expert also has the benefit of being a neutral party who can critique variables without bias. Running your own tabletop can create fear of exposing areas where your credit union is struggling. If your hired partner does things properly, they will be able to navigate these situations without bias and without embarrassing the participants.

While it may currently seem unlikely that the high-level scenarios will happen, it is essential to prepare for any conceivable direction that this COVID-19 outbreak may take. By being willing to talk about the uncomfortable situations now, you will make them significantly less uncomfortable if they were to happen. Proper preparation for a coronavirus pandemic will improve the likelihood of survival for your employees, your members *and* your credit union. It is time to take this seriously, and a tabletop session is the best place to start.

Jason Perry *is president/CEO of Trident Shield (*tridentshield.net*), Earlysville, Virginia, which offers security consulting services, emergency preparedness consulting and active shooter training for businesses, including credit unions.*

Exec Compensation *Best Practices*

Ensuring that executives are paid fairly for their performance is critical to the health of any organization. Credit unions also have a unique responsibility to their members to not pay executives excessively. In a free whitepaper, CUES Supplier member McLagan (*mclagan.aon.com*), Stamford, Connecticut, shares best practices for executive compensation specific to CUs: how to determine whether your compensation meets applicable IRS guidelines and governance standards, as well as how (and how often) to compare your executive compensation to the market.

Below are some recommended best practices to help credit unions review their executive compensation programs:

Define a compensation philosophy that provides an actionable framework for decision making. Who are your competitors for talent? When it comes to employee pay, does your credit union want to lead, meet or lag the market? What role should "at-risk" compensation play in your total compensation package? What should the targeted mix of fixed versus variable pay be?

While specific targets should be defined within your compensation philosophy, actual performance may result in compensation above or below target. This is acceptable, particularly when the philosophy has been defined, the metrics and goals have been pre-approved by the independent body, and the actual results are reviewed and approved by the same governing body.

Select data sources that provide comparable data for your credit union. Consider the following:

- Use reliable data sources that include all elements of compensation (salary, cash incentives, and long-term incentives).
- Organizational complexity is usually best defined in terms of asset size or revenue, with credit unions most often using asset size. A best practice for the peer group is having a range of firms that are typically one half to two times the asset size of your CU, with your organization close to median.
- Think about your competitors—who might be trying to hire your executives, and from which firm(s) would you look to hire if you had an opening? The answer could include credit unions, banks and other organizations.
- Benchmark the functional role of the position when possible. For example, use peer CFO data to benchmark compensation for your own CFO. Bear in mind both individual performance for your executives and the compensation philosophy of your organization when reviewing market data. There may be reasons to deviate from your stated compensation philosophy based on the facts and circumstances of the role in your organization.

Download the full whitepaper at *cumanagement.com/0120comp whitepaper.* For compensation comparisons, check out the CUES Executive Compensation Survey at *cues.org/ecs.*

Casting Your *Talent Net*

WHY, HOW AND WHERE CREDIT UNIONS ARE WIDENING EXECUTIVE SEARCHES

BY KAREN BANKSTON

As the financial services landscape expands its range of products and services, delivery channels, technological reliance, and new entrants and competitors, some credit unions are responding by widening their executive recruitment outside the movement.

For example, $2.2 billion/190,000-member Chartway Federal Credit Union, Virginia Beach, Virginia (*chartway.com*), has established as part of its value proposition a willingness to attract employees from different industries, says CHRO Kim A. Ross, a CUES member who worked for CarMax and Hilton before moving to the CU in October 2018. Of the six members on Chartway FCU's executive team, four have experience from outside CUs.

"In the current economic environment, with a 50-year low unemployment rate, the credit union world is pretty small," Ross says. "As each credit union grows, you need new talent and innovation. To survive, you have to continue to bring in new ideas.

"Attracting people from outside the credit union world brings different perspectives," she adds. "Credit unions have to have the ability to attract people who bring in new ideas and to take advantage of the value of diversity. How can you think differently so you can differentiate?"

For much of the past century, financial services have evolved slowly, which has fostered hubris and complacency, contends John Oliver, president of Laurel Management Systems (*globalbanktraining.com*), Palm Springs, California, and lead faculty at the CUES School of Applied Strategic Management (*cues.org/sasm*). He will also be the lead presenter

"I don't think the benefits of our future will accrue to people who think it will look like our past. We need to hire people who are equipped to look at change management as a key competency."

— John Oliver

for Director Development Seminar (*cues.org/dss*) in September. But in recent years, the breakneck pace of change has brought to the industry both upheaval and fierce competition *and* an opportunity to appeal to current and future executives inside and outside the credit union sector eager to execute breakthrough strategies.

"The old business model no longer works," Oliver says. "We are losing our share of the pie at an alarming rate, and we have all these challenges before us: a robotic revolution, digitalization and data analytics. It's all absolutely fascinating, and we need to market some of that excitement to leaders who are ready to spearhead strategic change."

TALENT WAR ADVANTAGES AND CHALLENGES

Every business these days is competing for executive talent in an employment market so fiercely competitive that recruitment is described in military terms. Credit unions may have a secret weapon in the war for talent, but they also face some uphill battles.

Especially for younger executives, credit unions have a compelling message, Oliver suggests. "The social responsibility and cooperative nature of credit unions is not well known, particularly among the consuming public and potential executives. We read all the time that younger generations are drawn to organizations that ascribe to social responsibility. Credit unions should be promoting that far more than they currently do."

Credit unions looking to widen their leadership talent search may need to market themselves to executives in other industries, agrees Peter Myers, SVP of CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), Phoenix. Many consumers and executives still don't understand what credit unions are and what they have to offer. The credit union philosophy is tailor-made for cost-conscious younger consumers who favor companies committed to social good.

"Credit unions can position themselves with the message of opportunities for young managers and executives to grow their skills, do good and earn a decent wage," Myers suggests. "And they should be looking to what other companies are doing. Amazon is hiring MBAs before they start grad school."

If they want to position themselves as desirable employers in the wider market for leadership talent, credit unions may need to counter the perception that they are less advanced than other financial services providers. From Oliver's view working with both community banks and credit unions, there is no difference in the level of sophistication between the two in terms of management, board governance and business model, but that mistaken belief may persist among managers and executives unfamiliar with credit unions.

Taking a wider view, Oliver suggests that credit unions may need to rethink their brand and positioning at an industry level. "We've been talking about the 'credit union difference' for years and years. We've been talking about ourselves as a movement, not an industry. We've been talking about people serving people," he says. "But none of those things have sufficiently registered with potential new members or in the recruitment of executives. I think the word *cooperative* would resonate more than the name *credit union*. Generationally, people seem to understand cooperatives more so than credit unions."

Another perception to unpack when seeking to recruit from banks and other industries—Oliver thinks credit unions should look especially to the latter—is that "the whole financial services sector has come across as a bit dull, unfortunately," he cautions. "In reality, the times that we're facing right now are vastly more challenging, but they're also vastly more interesting."

SEEKING A GOOD FIT

It's not unusual for boards launching a CEO search to express an interest in finding candidates from banks and other business sectors, Myers says. "But we have yet to see, in the searches we've helped conduct, a non-credit union executive make it far into the process. We've found leaders from other industries who check all the boxes, but boards tend to default to candidates with credit union experience and an understanding of the business model."

Myers recommends that boards take some time before beginning CEO recruitment to prioritize the technical and leadership skills they're seeking. Every organization wants a good leader, he notes, but upfront discussions will ensure that all directors go into the search with a shared understanding of the financial engine that powers their credit union as a foundation for evaluating whether an executive from outside the movement would be a good fit.

Credit unions have been more open to widening their executive and management talent search for positions other than the top leadership role, especially in HR, retail delivery and facilities management—operational purviews that are not unique to credit unions, he adds.

Several executive and management positions, such as those in finance and HR, rely on skills and experience that are readily transferable across financial services and other industries, agrees CUES member John Melcher, chief people officer of $758 million/70,000-member First Commonwealth Federal Credit Union (*firstcomcu.org*), Lehigh Valley, Pennsylvania.

For credit unions widening their leadership talent search to other industries, key attributes to seek out include a strong emotional quotient, business and financial acumen and agility, and a passion to learn, says Melcher, who made the move to First Commonwealth FCU from a community bank. Executives with those skill sets and

outlooks should be able to add true value to their new organizations even in the early stages of their tenure.

The ability to contribute positively to the credit union's culture should be at the top of must-have attributes, says CUES member Dan McCarthy, CHRO of $483 million/70,000-member Del-One Federal Credit Union (*del-one.org*), Dover, Delaware.

"I think every industry can sometimes get too caught up in industry experience when they hire to fill positions. It's not like you're born with credit union experience," says McCarthy, who joined Del-One FCU in April 2019 from his previous post as COO of a regional real estate development and construction company. "I am the firmest of believers that you hire first for cultural fit, second for talent, and then third for industry and technical skills. Talented people who are a cultural fit can be top-level contributors in any organization."

Ross says some of the key competencies to seek in outside candidates include a wider breadth of expertise across their discipline, a proven ability to collaborate, a data-driven mindset and "a true passion for the mission—to be able to buy in and lead with the credit union's mission at the core of every decision."

When widening their leadership searches, credit unions should reshuffle the attributes and expertise at the top of the list in executive position descriptions, Oliver suggests. Innovation, creativity and experience overseeing new technology are especially prized today—and in good supply across business sectors. An outsider view of the challenges and opportunities before credit unions might also help to expand the industry's purposeful fostering of a reputation as conservative and stable by adding transformation to its toolbox.

"I don't think the benefits of our future will accrue to people who think it will look like our past. We need to hire people who are equipped to look at change management as a key competency," he says.

Recruiting executives from other industries can supply fresh perspectives to help credit unions, many of which have relied on uniform business and cultural practices, to break out of that mold and pursue novel strategies. As just one example, executives who are new to financial services may ask, "Is this the kind of culture that will resonate with the workforce of tomorrow?"

Traditional management styles tend to gravitate to either militaristic bureaucracy, which sends the message, "Do as I say because I'm in charge," or paternalistic bureaucracy, which conveys "Do as I say because we're a family and you'll be looked after."

"The bottom line of both styles is 'Do as I say,' and I do not believe today's workforce responds to that message as a management style," Oliver says. "Recruiting from other industries can help to infuse the leadership team with executives who practice a more inclusive management approach."

BE OPEN TO NEW IDEAS

When credit unions welcome industry newcomers to their management ranks, they should be prepared to consider their ideas for adapting business practices and operating procedures, Myers says. For example, one source of tension in boardrooms and C-suites today arises in discussions about pricing philosophy: Are credit unions committed to offering the best possible rates to members, or

"I think every industry can sometimes get too caught up in industry experience when they hire to fill positions. It's not like you're born with credit union experience."

— Dan McCarthy

"What have we done to prepare the next tiers of leadership to take the over the reins at a time when our industry is faced with more challenges than ever before? I would argue: Not enough."

— John Oliver

are they leaving money on the table that could benefit the broader membership and build the necessary infrastructure to deliver on members' expectations and to compete effectively?

"Those two perspectives aren't mutually exclusive. You can make a business case for raising prices and still do right by every single member," Myers says. "Executives coming in from other industries with differing perspectives and backgrounds feel that tension."

"Maybe the first crack at new ideas from these executives isn't something that the credit union is ready to implement, but you'd be amazed at the conversations that grow out of those ideas. They may lead to tweaks or to categorical change," he adds.

Executives who come to credit unions from other business sectors have a lot to learn, from the intricacies of a heavy regulatory burden to the nuances of the cooperative model that drive decision-making. They also have a big challenge in front of them, Oliver says.

Leading culture change is among the most difficult of responsibilities to hand over to new executives, he cautions.

To that end, new managers and executives should have the opportunity to focus on learning the big-picture strategic issues facing their organizations rather than emphasize day-to-day operations. "They're going to be surrounded by people who are good at the day-to-day stuff. We need visionary leaders in this sector who are much, much better at the big stuff," he contends.

From Oliver's perspective, credit unions are hiring more outside leadership talent, but "not to anywhere near the extent I would like to see." There are both practical and philosophical reasons for an increasing willingness to widen recruitment. On the former front, a significant driver is a growing wave of CEOs and other executives nearing retirement. More senior leaders will retire over the next decade than in any decade that has come before in the credit union sector, he cautions.

"That raises the question, What have we done to prepare the next tiers of leadership to take the over the reins at a time when our industry is faced with more challenges than ever before?" he notes. "I would argue: Not enough."

Beyond the compelling requirement to expand recruitment to fulfill demand, Oliver cites the need "for bigger and different thinking." One of his client credit unions recently hired a business intelligence/data analytics executive from a major grocery chain, which he views as a great addition to the leadership team, given the expertise built up in this industry for analyzing which brands sell and how to position products and offer incentives to enhance sales.

That example illustrates why credit unions might want to look outside financial services when recruiting executives, he adds. "Financial institutions have tended to hire the same types of people, and now we need a different type of thinking."

Oliver was approached by a credit union executive at a recent conference where he sounded a similar warning. The executive told him, "You're not really telling us anything new." Oliver agreed wholeheartedly and added, "The question is, when are we going to do something about it? We've been very reactive over the past quarter-century. It's time to recognize and address the most pressing issues facing our industry."

As just one example of those issues, Oliver notes that in 1970, traditional financial institutions extended 60% of all credit in the United States. Banks, credit unions, and savings and loan associations "were the financial engine that ran the economy," he notes.

"Today, that rate is less than 20%," Oliver adds, citing a statistic from the Office of the Comptroller of Currency (*occ.treas.gov*). "It's scary. When do we wake up and recognize that our role in society is changing? We need to start proactively trying to control our destiny rather than letting it happen to us"—and leaders with a new perspective might provide the spark to move in a new direction.

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

MORE ON EXECUTIVE HIRING

Welcome to Credit Union Leadership, a new CUES member benefit (*cues.org/culeadership*)

Do You Know What Your Employees Value? (*cumanagement.com/021720skybox*)

Good Governance: The Board and Talent Management (*cumanagement.com/1119goodgovernance*)

CUESolutions provider for succession planning and executive coaching DDJ Myers (*cues.org/ddj*)

CUES Executive Compensation Survey (*cues.org/ecs*)

Earning *Five Stars*

STRATEGY-LINKED SOFTWARE AND GOOD INTERFACES GARNER TOP RATINGS TODAY. WHAT'S NEXT?

BY RICHARD H. GAMBLE

Mobile banking is hot. So hot that there is a scramble among users to pick the best options.

Once it was enough for credit union apps to be convenient and effective. Now, with almost every financial institution offering mobile banking (a full 96% of them do, according to a January 27 bulletin from the Federal Reserve of Atlanta, *tinyurl.com/framobile*), app availability is ubiquitous—and the race is on to determine the champions. You could say that if banking were a movie, there would be an Oscar category for best mobile banking app.

"Ratings are plentiful," notes Jim Burson, a managing director at CUES strategic partner for technology planning Cornerstone Advisors (*crnrstone.com*), headquartered in Scottsdale, Arizona. "While the goal of most CUs is to win members, not awards, the ratings still matter. Most people don't expect their community credit union to match a Capital One or a Chase. They understand limited resources. But they expect it to come reasonably close."

What is "best" in a mobile app is determined not by software features but by how the app aligns with each credit union's strategy and priorities, argues Jeffery Kendall, EVP/sales and distribution for North America at Temenos (*temenos.com*), an Austin, Texas-based provider of mobile banking platforms.

"There's a knee-jerk reaction to watch certain leaders and think they are setting the standard, but looking like Chase or Bank of America—although they all do an excellent job—should not be a credit union's goal," he explains. "It should be all about how it advances each credit union's goals, fits its segments and supports its brand."

AIMING HIGH

So how is that working out?

Alliant Credit Union (*alliantcreditunion.org*), Chicago, aims high and frequently appears on the elite lists of who has the best mobile banking apps. The $12 billion CU regularly scores between 4.6 and 4.8 on the Apple app store rankings, where 5.0 is the best possible score.

And it enjoys having that reputation, says Chris Hill, director of digital banking. "We like knowing we're competitive with the top banks like Chase and Ally."

Alliant CU has distinguished itself by beefing up its digital banking team. It broke free from conformity restraints by leaving its original vendor-provided system for one it built entirely on its own three years ago.

"The old interface just didn't feel like Alliant," Hill notes. "We wanted something simple, transparent and distinctive. It was a significant investment of time and resources, but so far it has proven to be a wise investment."

Alliant CU has earned its stars not by introducing fancy stuff but by redesigning and doing the essential stuff really well, Hill explains.

"We are not trying to be all things to all people, but to do the core things with distinction—like make it easier for members to check their balances and transfer money," he says. "When we kicked off this redesign, the things we focused on were the key functions. Now we are looking at new features and functionality to learn how much our members want them, and how much value these services would provide them."

Alliant CU is still looking into a P2P offering, and its current personal financial management product is primarily a link to a third-party portal for data aggregation.

VENDOR SUPPORT

Small credit unions may sometimes need to work with third-party vendors to get mobile done right. $137 million Community South Credit Union, Chipley, Florida, has offered mobile banking for eight years but needed to do it better. Three years ago, it switched to Access Softek (*accesssoftek.com*), Berkley, California, reports President/CEO Jan Page, a CUES member.

"We wanted a more robust product and a vendor that would customize it for us," Page explains. The credit union's new app supports P2P payments and remote deposit capture. Plus, Community South CU is implementing ApplePay, GooglePay and SamsungPay for mobile and looking into text communication with members.

"We already can text or email receipts for deposits," she adds. Approximately 40% of the credit union's members have downloaded the app.

It's important that small credit unions not lag too far behind the leaders. While community credit unions are seldom in the running to make somebody's top 10 or even top 25 apps list, they all have stars on the Windows App or the Google Play Store, ratings that users have given them, Burson points out.

"That's what the market is saying—not the experts but a lot of ordinary members or people who chose to join," he explains. "It's important to monitor how you're doing, particularly in comparison with your real competitors."

KEEPING UP

The mobile app goals of many credit unions—account balance reporting, funds transfers, direct deposit, bill pay—are now "table stakes," Burson reports. Those things are no longer "best"; offering them is barely "good enough."

The goal now is to provide more value-added services like financial education or other insights that can help members manage and improve their financial lives. Market leaders offer ways for members to set savings goals and measure their progress, he notes, or to anticipate their future cash positions, prepare financially to become first-time home buyers, set budgets and see reports—often with clear visuals—that show how they're doing.

> **"Ratings are plentiful—and, while the goal of most CUs is to win members, not awards, the ratings still matter."**
>
> — Jim Burson

And credit unions need to make it all super convenient. Providing services online is no longer enough. Tech-savvy members expect to find them within the mobile banking app itself, Burson reports.

"They want to see links they can just click on," he explains. "They don't want to have to log into a new application. If they want to open an account or apply for a loan, they want to be able to get there with a click, not start over at a home page. They want it to be native and very easy to get to."

At the very least, each credit union needs to know what makes the best the best so it can have informed conversations with its mobile banking vendor, Burson emphasizes.

"Most credit unions use a vendor product for mobile banking, so they aren't trying to build the best, but they should know what's driving quality scores—robust functionality, ease of use, frequency of updates—so they can influence that vendor and know whether they are keeping up," he explains.

One thing is certain, Burson says: If a credit union is offering mobile account opening or loan applications, it had better prepopulate as many fields as possible as soon as it learns the identity of the applicant. "Best" correlates with the fewest keystrokes, he emphasizes.

STAYING AHEAD

If you want to stay ahead of the pack—and $6 billion Delta Community Credit Union (*deltacommunitycu.com*), Atlanta, definitely does—ratings can be useful.

"We keep an eye on scores," says Bill Mesplay, SVP/remote delivery channels. Delta Community CU was rated second nationally for its mobile banking app in the 2018 MagnifyMoney ratings (*tinyurl.com/mmba2018*).

"MagnifyMoney publishes objective scores based on how consumers rate the apps," he explains. Essentially, MagnifyMoney rolls up the user ratings from the App Store and Google Play into a composite rating.

"We also watch the app stores' ratings directly," he adds. "We use their scores for us and our competitors and other financial institutions to validate that we're on the right track. We tend to score pretty well. If our scores dipped, we'd investigate."

Delta Community CU also surveys its mobile app users to gauge their satisfaction, periodically studies what other highly

The Ultimate Judge *of Mobile*

THE USER'S PERSPECTIVE

In the end, the judge of mobile banking apps who counts the most is the credit union member. To see how that works, it helps to talk to Amanda Swanson, who feels the pull of CU traditions but is also a savvy judge of mobile banking. She designed and managed a mobile banking app for a bank where she previously worked. Now a senior consultant with CUES strategic partner and Supplier member Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, Swanson carries four mobile banking apps on her smartphone—one from the aforementioned bank, one from Chase, one from a credit union, and one from USAA.

She knows what they can do. She doesn't use the mobile banking app from her former employer except to keep an eye on what they're doing out of curiosity. She uses the Chase app because that's the issuer of her primary credit card and gives her access to card functionality. And she likes to keep tabs on what else Chase is offering, because "they are one of the top innovators in this market," she says.

Swanson uses the credit union app because her grandma once belonged to the CU, because she's based in Minneapolis near the CU—making it easy to get there physically—and because it is a fine mobile banking app. She uses the USAA one partly because her dad was in the military and USAA caters to military families, but also because it is an excellent mobile banking offering.

For many activities, the competition for her is down to the apps from the CU and USAA, Swanson says. USAA is slowly pulling ahead. It has money-movement options that make it quick and easy to transfer funds from the CU. It's harder to move funds in the other direction, she points out. She also likes the security routine from USAA, including the ease of logging in with either a PIN or thumbprint. If she's having trouble with the mobile app, she can call the USAA call center, and the rep can see right where she is on her mobile. "They've tied it all together," she says. "They're at the next level of servicing."

The CU has a huge edge when Swanson wants to add a service—like take out a loan or get financial advice—or when she needs to go to a branch. But as Swanson finds fewer reasons to visit a branch, that convenience becomes less important, she explains, and she has come to rely more on digital banking for financial guidance. Swanson has no plans to dump any of her mobile banking apps, but if she had to pick just one keeper, it would be USAA, she says. "My heart is with [the credit union], but for sheer functionality, USAA is winning me over."

ranked financial institutions are doing, and encourages staff to patronize competitors and report back.

"Most of my team have accounts at selected financial institutions and use their mobile apps to monitor how we stack up," Mesplay reports. "We look for any gaps we need to close."

AVOIDING COMPLEXITY

Top scores reflect a finely honed balance of rich functionality and ease of use, Mesplay says.

"Members want the app to do what they want it to do," he notes, "but they want it to work quickly and intuitively." Notably, too much functionality can make a mobile banking app unwieldy.

"We don't do all we could do," he explains. "You can build in too much complexity. We want it to be something they like to use."

Delta Community CU uses a commercial mobile banking product from NCR (*ncr.com*), Atlanta, for mobile and online banking, Mesplay says, but augments it. That means customized rewards programs for cards and updates to contact information.

"We built our own contact information piece and plugged it in—in place of the NCR functionality," he reports. "We expect to introduce more card controls. Others are doing that, but we want to make it tightly integrated, all within the mobile banking app."

Delta Community CU saw a reason to provide mobile P2P payments, so it did a soft launch of Zelle within its mobile banking app last December and is just starting to promote it, Mesplay says.

OUTSOURCING OPTION

$954 million One Nevada Credit Union (*onenevada.org*), Las Vegas, has found a simple way to monitor its standing in the marketplace—outsourcing.

"For the past couple years, we've employed the consulting group Informa (*financialintelligence.informa.com*, London, United Kingdom) to rate our app against nearly everything that's out there," reports Paul Parrish, president/CEO. "The most recent study covered about 375 features. The research showed that no financial institution has got this thing completely whooped and that many—including the big guys—are struggling with some of the same stuff we are. All in all, our app stacked up pretty well," but the tech folks stay busy with updates.

Parrish largely ignores the top 10 lists but pays close attention to "social media traffic related to our app, and we try to be as responsive as possible. You do have to keep up with market expectations. For example, if your app doesn't provide pretty decent P2P or remote deposit capture solutions these days, you're probably going to get kicked to the curb."

One Nevada CU solved the buy-or-build dilemma by taking a buy-and-modify approach, Parrish says.

"We think the more access and development flexibility the credit union has, the better," he says. "It helps to be able to make changes here and there on the fly, but when it requires heavy lifting for integration, we'll lean on the vendor to do that."

Some vendors offer kits that let their financial institution clients buy a generic core and add differentiating features, Burson reports. That option can provide a middle ground between "build" or "buy," he notes. In general, the larger the credit union and the more it competes with banks in national

"Member experience alone is not enough; [mobile is] about the data and insights. Leaders want digital to help them grow."

— Jeffery Kendall

markets, the more it will want to add features beyond a vendor's product, he suggests.

How well it all works depends partly on the software and partly on the strategic alignment but also on the interfaces, observes Lou Grilli, AVP/product development at CUES Supplier member Trellance Inc. (*trellance.com*), Tampa, Florida, a credit union service organization owned by more than 1,500 CUs.

"The mobile banking app is probably the most interfaced product a CU offers," he observes. "It has to interface with the core system, the card processing system, remote deposit capture systems, card control systems ... Two CUs using identical mobile banking apps from the same vendor could have quite different performances because of the different interfaces."

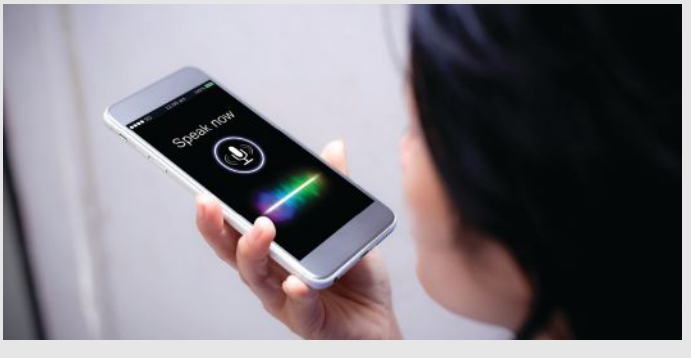
RETHINKING ASSUMPTIONS

Now that mobile banking has come of age, people are starting to rethink the original assumption that functionality is a good thing and the more a mobile app can do natively, the closer it is to best, Grilli notes.

"We're finding that some apps now are bloated," he says. "I used to believe that the best app, the most useful app, would be a single app from my financial institution (hopefully a credit union) that has everything I need to do right there in the app—pay a bill, deposit a check (RDC), send money (P2P), apply for a card, apply for a loan, turn my debit card on or off, use a personal financial management tool to track my expenses to my budget, etc.

"But I see now that this can get cumbersome," he observes, echoing Mesplay's thinking. "Suppose I am in a panic because I can't remember where I left my debit card and want to turn it off immediately. Making me go into a monolithic app, wait for the app to update with my current balances, then wind my way through a menu tree to get to the one function I really, really need is not ideal."

Grilli, like Hill, thinks that quality lies not just in what a mobile app can do but in how well it does it. "Take remote deposit capture," he illustrates. "Some apps are really clunky. You may have to take several photographs of the check to get an image that will be accepted. And then the app may accept it 'pending further review'



Voice Apps *Gain Traction*

To have an award-deserving mobile banking app today, a credit union doesn't need to offer voice initiation, but it's something planners should be investigating, experts say.

At this point, the use of natural voice to trigger reports or transactions is a leading-edge feature, reports Jim Burson, a managing director at CUES strategic partner and Supplier member Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. Yes, he reports, members of some CUs already can make a link between their accounts and Alexa and say, "Alexa, pay my electric bill" or "Move $200 from savings to checking," but it's just starting to gain traction.

"Voice input is coming as an alternative to keyboards and fingers," Burson points out. "It's getting quite a bit of development attention by the mobile banking vendors. All the fintech providers have it on their road maps, but few CUs are using it now. I expect it to show up fairly soon within the mobile application at a few of the larger, more resourceful CUs."

Voice is getting attention at Delta Community Credit Union (*deltacommunitycu.com*), Atlanta. Bill Mesplay, SVP/remote delivery channels at the $6 billion CU, says his team is exploring voice initiation as a feature of its mobile app. "We are still in the early stages of discussion," he reports, "but our members have expressed interest, and that will continue to drive development."

And it's showing up at $954 million One Nevada Credit Union (*onenevada.org*), Las Vegas, also.

"We've got voice initiation going now for home banking," reports Paul Parrish, president/CEO, "and we plan to move the technology into mobile in the near future. There's not a lot of serious demand for it yet, but we think it's necessary just to keep up. If your competition has it, you may need it too—just to sustain the perception that your credit union is out in front and tech-savvy."

But voice can be a challenging fit for mobile banking, notes Chris Hill, director of digital banking at $12 billion Alliant Credit Union (*alliantcreditunion.org*), Chicago. "It's something we've looked at for years, but it would need to be its own specialized channel built by engineers with the right specialized skills."

> **“We are not trying to be all things to all people, but to do the core things with distinction—like make it easier for members to check their balances and transfer money.”**
>
> — Chris Hill

MORE ON MOBILE

What’s Next With Mobile Apps (*cumanagement.com/1119mobile*)

Engaging ‘Mobile-Only’ Members (*cumanagement.com/1019engaging*)

Maximizing Mobile Solutions (*cumanagement.com/0719maximizing*)

if it doesn’t satisfy all the thresholds. Other apps are very reliable and convenient—just two clicks and you’re done.”

Credit union executives are also starting to rethink the goal of mobile banking, reports Kendall from Temenos.

“Traditionally, it’s been all about the member experience, crafting a mobile banking app that members and prospects will applaud, but now CEOs are starting to look more at growth: how a mobile app could increase transactions, bring efficiencies by promoting self-service, bring in more deposits or generate more loans,” he explains. “Member experience alone is not enough; it’s about the data and insights. Leaders want digital to help them grow.”

WHAT’S NEXT?

Even the best mobile banking apps will become outdated, so tomorrow’s top performers will have to be better, Kendall observes.

“We’ll have to use AI (artificial intelligence) to gain insights, to not only enable financial transactions but to show people their financial status and their trends to help them gain control,” he predicts. Plus, it will need to be artificial intelligence that not only reveals a particular situation but explains it.

“Machine learning can produce unintended biases,” he notes, “and smart systems will need to expose, explain and correct for such biases.”

Parrish also has an opinion on this: “The future will require easier onboarding, reliable P2P, video tutorials, traditional chat, chat with high-quality AI features, and instant card provisioning. Those will quickly become market expectations over the next year or so.”

What could disrupt such plans? “We still have half an eye on the digital currency space,” Parrish says, who thinks it’s important to watch other fintechs. “Who knows how and when that will gain traction, but when it does, it’s easy to imagine bad things happening to us ‘traditional providers’ of personal consumer finance products if we’re not positioned to get into that game somehow.”

Richard H. Gamble *writes from Grand Junction, Colorado.*

Data *Aggregation*

Routine banking activity can be pretty easily mobilized these days, but as more credit unions expand into personal financial management, they are challenged to aggregate more data than the CU holds to give members a full vision of their financial health and status.

That’s not happening yet in most CU mobile banking apps, notes Jim Burson, a managing director at CUES strategic partner and Supplier member Cornerstone Advisors (*crnstone.com*), Scottsdale, Arizona.

“Even the best still rarely offer reporting based on more data than the CU or bank has internally,” he reports. “Except for credit scores, which many financial institutions now offer, we don’t really see much account aggregation, where a mobile app shows a financial position based on all of a member’s relationships. CUs and banks are mostly mining internal data. A few are looking at working with third-party data aggregators or providers of education modules or car-buying services, but it’s mostly exploratory at this point.”

Delta Community Credit Union (*deltacommunitycu.com*), Atlanta, offers a PFM tool called Money Management in its mobile app, reports Bill Mesplay, SVP/remote delivery channels at the $6 billion CU. “It allows members to aggregate account balances and investments held outside our CU if members supply their authentication credentials for each holding. Once they do that, our mobile app can aggregate, report and provide trend analysis automatically.”

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The State of Credit Union *Governance 2020*

KEY FINDINGS INCLUDE DIVERSITY AS A PRIORITY AND A DESIRE TO INCREASE FOCUS ON STRATEGY.

BY JENNIE BODEN, TONY SPIZZIRRI AND MANINI SHEKER

For years, we've dreamt of studying the state of credit union governance. We know what you're thinking: Dream bigger. Some people dream of European vacations. Fast cars. Beach houses. But for governance geeks like us, it's often all about the data.

In 2018, we were fortunate to partner with CUES to realize our dream, and *The State of Credit Union Governance, 2018* was published. We made some groundbreaking discoveries, like reporting that board members and CEOs frequently differ on their perceptions about governance—and that their perceptions diverge even further based on tenure. We even found that bigger really may be better: Board members and CEOs of CUs with assets of $1 billion or greater had statistically and significantly higher survey scores overall on 18 of the 21 key questions asked concerning matters of governance. And we were satisfied, for a while.

But our compendium of data kept growing, and our drive to create more information for you, our colleagues, clients and friends throughout the credit union community, was compelling. Today, we are pleased to announce *The State of Credit Union Governance, 2020*, which provides updated figures for 2018-2019 and draws on data from the governance assessment of 115 additional credit unions—114 in the U.S. and one based in Jamaica—to enrich the findings from our 2018 report.

This year's report is a collaboration between CUES, Quantum Governance and The David and Sharon Johnston Centre for Corporate Governance and Innovation at the Rotman School of Management, University of Toronto. Our findings are also derived from a supplemental online survey conducted in September 2019 with responses from 320 directors and CEOs across 170 U.S. credit unions.

While many of the key findings from 2018 still ring true today (if you haven't read the 2018 report, we encourage you to begin there by visiting *cues.org/govreport2018*), the 2020 report is full of new discoveries that will challenge you and your credit union to new levels of governance excellence.

2020 KEY FINDINGS

Board Structure and Composition:

- Demographic diversity was identified as the number one priority for credit union board recruitment (53%). The next highest priority identified when recruiting new members to credit union boards was an ability to focus on the future (51%). *(See Figure 1.)*
- Board members continue to think that soft skills, such as an ability to focus on the future (76%) and independent mindedness (66%), are most valuable in the boardroom.
- Credit union boards are more gender-diverse than their counterparts in other sectors. The average credit union board has nine members, of which three are women (36%) and one is a visible minority (16%).

Board Governance:

- Credit union boards that focus on bolstering their governance tend to adopt a governance committee more readily than those that do not have a concerted focus on good governance.
- When looking closely at the 1,060 director responses in our sample, we found that directors on the same board would often report very different—and sometimes opposing—perspectives on their board's effectiveness in four fundamental areas of board renewal: 1) periodic governance assessment; 2) the action plan based on governance assessment outcomes; 3) the director onboarding process; and 4) the frequency of board member renewal.

Board Leadership:

- Survey respondents identified seven important leadership functions for board chairs that fall within two primary categories: 1) establishing processes (e.g., allocating time, setting the agenda, etc.); and 2) working with people (e.g., appointing committee members and chairs).
- Although most survey participants report that their boards do not limit the number of terms a board chair can serve, we found that more than a third do. Term limits for board chairs can range anywhere from a year to more than 10 years. More than half of the participants whose boards have a term limit in place for their chairs reported limits of less than five years.
- An impressive 92% of all surveyed board members report that their board is effective at maintaining a good working relationship with their CEO.
- However, as in the 2018 report, the average board member and CEO differed on how effective they thought their boards were on a range of key governance measures. In 2020, across the 81 surveyed CUs that provided a CEO response, we found that there's disagreement between the board and CEO regarding the board's effectiveness on 22 out of 49 survey questions, on average.

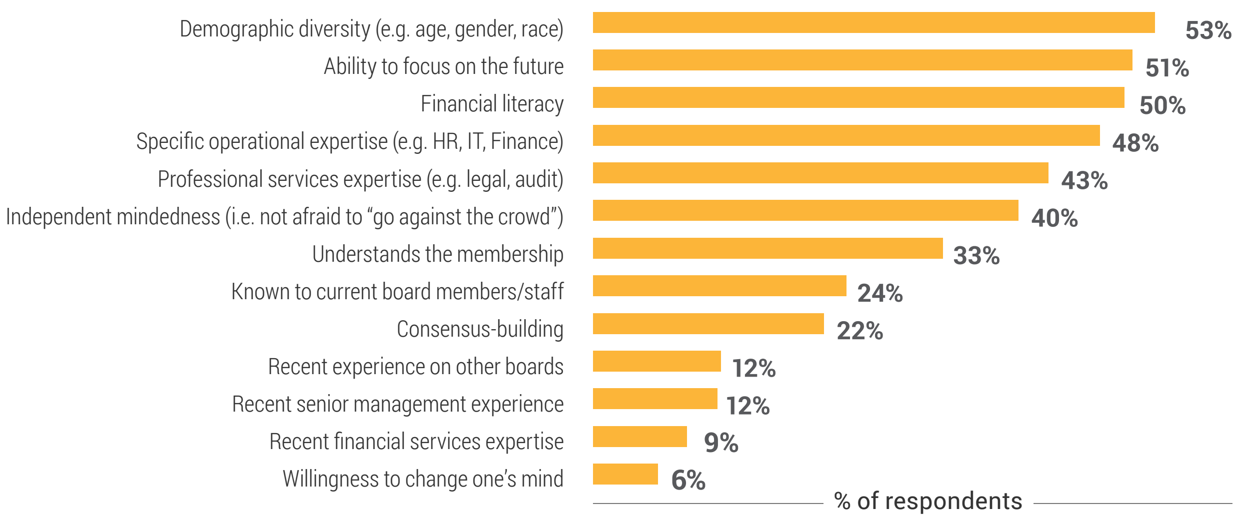
Credit Union Strategy:

- We found that 32% of survey respondents do not feel that their board is effective in helping to develop the credit union's vision, mission and strategy.
- Most survey respondents say they should slash—by a third—the average time they spend on routine items and operational oversight (i.e., items that do not require debate or can be approved with a single motion as on a consent agenda) and invest an average of 10% more of their time on strategic matters. *(See Figure 2 on p. 22.)*

Decision-Making:

- Many credit unions have at least one director who says that the board is ineffective at asking hard questions (53%), holding each other accountable (54%) or engaging all members in the work of the board (49%).
- While directors had misgivings about how decisions are reached, most believe the decisions their boards made were ultimately good, and they could stand by them and speak with one voice.

***Figure 1:** What are the highest priorities when recruiting new board members?*



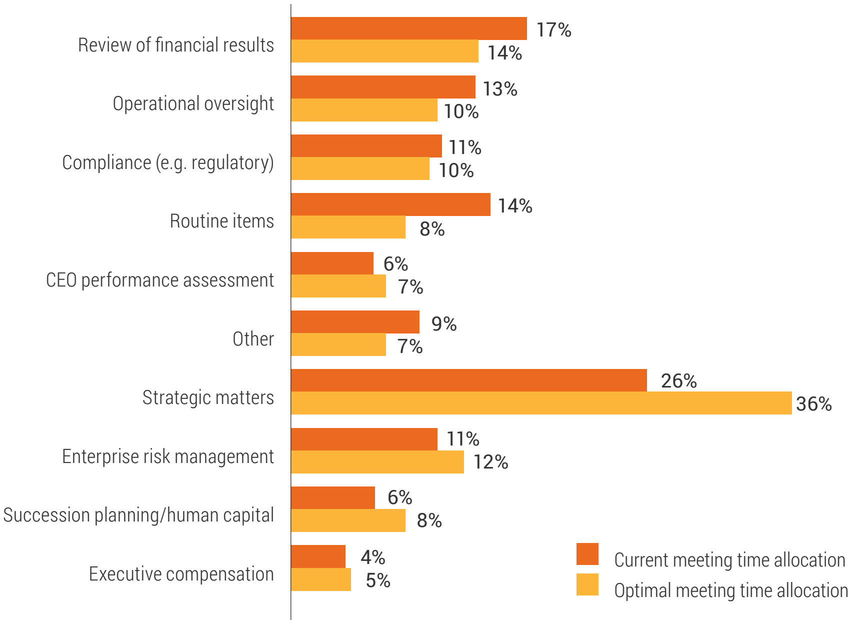
MORE ON GOVERNANCE

The State of Credit Union Governance, 2020 report (*cues.org/govreport2020*)

State of Credit Union Governance 2020 (*cumanagement.com/podcast85*)

Quantum Governance (*cues.org/qg*)

Figure 2:
What percentage of time do you allocate to each of the following items at a typical board meeting?



RECOMMENDATIONS

Since many of the findings from the 2018 report remain relevant, we encourage you to revisit those recommendations as a baseline; they will serve you well as strong building blocks for any governance program. From there, we would encourage you to consider our newest recommendations from the 2020 report:

1. **Board Renewal:** Focus on strategic thinking and independent mindedness. Your credit union is a complex financial institution navigating the era of greatest change in the history of the credit union movement. As a result, your board requires meaningful financial literacy, business acumen and specialized skills in such specialties as law, accounting and human resources. However, even boards with the most skilled members will fail to add value without independent mindedness and strategic thinking.
2. **Board Diversity:** More than ever, credit unions are acknowledging the value of demographic diversity among board members, including gender, race/ethnicity and age. However talking about it as a priority is not enough. To ensure that your board is truly diverse, you will need to be clear in your objectives and work hard at executing them. Once you know the demographic balance you are looking for, you will need a plan to help you find the right people.
3. **Board Leadership:** Take your board chair position very seriously. Although your CEO is responsible for carrying out your credit union's strategy on a day-to-day basis, no individual in your credit union has more potential to add value than your board chair. Ensure that you have a robust, concrete job description in place for this important position.
4. **Board Governance:** Build alignment around what "effective" truly means. It is both normal and constructive for board members to disagree. One might argue that without disagreement there can be no excellent decisions. In too many cases, however, our data highlights boards where one or more directors have assessed the board's effectiveness at polar opposite ends of the spectrum. Ensure that you are engaging in these types of conversations in the boardroom—what does "effective" really look like for you?
5. **Strategic Thinking, Learning and Planning:** Invest more time in strategic matters. The most valuable skill identified in credit union boardrooms today is the ability to focus on the future, yet we found that 32% of survey respondents do not feel that their board is effective in helping to develop the credit union's vision, mission and strategy. Ensure that your board is doing everything it can to be effective in this fundamental role and responsibility.

CUES members can download their free copy of the 2020 report at *cues.org/govreport2020*.

Jennie Boden *is VP/strategic relationships at CUES strategic partner Quantum Governance L3C* (quantumgovernance.net)*, Herndon, Virginia.* **Tony Spizzirri** *is senior research officer for The David and Sharon Johnston Centre for Corporate Governance Innovation at the Rotman School of Management, University of Toronto* (rotman.utoronto.ca)*.* **Manini Sheker** *is research officer at The David and Sharon Johnston Centre for Corporate Governance Innovation.*

Special Report: Fraud Prevention

Credit Union Management

APRIL 2020

COLLABORATIVE SECURITY

Sharing information can help CUs fight off attacks.

PLUS

Collaborative *Security*

SHARING INFORMATION CAN HELP CUs FIGHT OFF ATTACKS.

BY STEPHANIE SCHWENN SEBRING

Fraudsters continually reinvent themselves. Unfortunately, for financial institutions and the public, they do so with vigor, intelligence and expertise. For this month's special report, we dug into best practices in fraud prevention, including the role of collaboration.

JOIN FORCES

Strength in numbers of fraud fighters pooling resources to net criminals works well in the fight against localized fraud types, such as phishing or skimming.

"Credit unions are one of the most collaborative segments in the payments industry, and that's a huge benefit to leverage," observes Eric Kraus, business executive/fraud, risk and compliance solutions for FIS (*fisglobal.com*), a CUES Supplier member based in St. Petersburg, Florida. "There's a member-driven purpose and openness to learning from each other's successes and challenges. Often, an impacted credit union within a targeted geographic threat vector will reach out to others in the immediate area to provide early fraud warnings.

"For example, a couple of years ago, a group of organized criminals was hitting ATMs along a highway corridor on the East Coast, and several credit unions sounded the alarm proactively. We're also seeing more data-sharing related to areas like negative customer databases to combat fraudulent account openings."

FIS empowers collaboration among its clients through advisory councils and focus groups, annually bringing credit unions of all sizes together for strategic planning.

"These sessions include fraud and risk topics that focus on industry trends, best practice fundamentals, and emerging innovations to protect against threats," says Kraus. FIS also hosts a quarterly fraud forum, where financial institutions from across the country come together to learn from fraud and risk experts, of emerging trends, and dive into key industry performance metrics. Credit unions have an opportunity to ask questions and seek guidance from the assembled experts and other participating credit unions.

Recent topics included a focus on emerging fraud trends in P2P and contactless payments.

"First-party fraud continues to plague the industry," says Kraus. Card-not-present and ATM fraud

trends are two other areas of focus.

This continual learning helps institutions from becoming too passive. "Take a defensive posture and understand your weaknesses," he adds. "Assume you're continually under threat because you more than likely are. Have a proactive plan so that you can quickly pivot if fraud occurs and your staff knows what to do."

RESPONDING TO FRAUDSTERS

"Since the adoption of EMV, credit unions have shifted their focus to the more innovative tactics of fraudsters not seen before," notes Ashley Town, director/fraud services for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California. "They also engage each other when new trends occur and work collectively on solutions for prevention." She notes that CO-OP Financial Services hosts a monthly fraud webinar, Fraud Buzz, to assist. In these sessions, credit union participants and guest speakers from across the U.S. discuss industry fraud trends.

Local fraud collaboration forums are also extremely advantageous. "Often, we see fraudsters attack specific geographic areas utilizing the same fraud pattern," says Town. "Here, having a network of local fraud contacts allows for proactive communication for those likely to be impacted and timely collaboration shortly after a fraud trend arises."

A credit union doesn't want to wait for a monthly call to notify industry peers, she adds. Instead, she recommends participating in a virtual fraud forum, such as an email group or online bulletin board "to alert colleagues and discuss trends promptly, allowing others to be on the lookout."

WIDENING THE CIRCLE

Liz Little, fraud consultant for CUES Supplier member SHAZAM® (*shazam.net*), a debit and credit payment processor based in Des Moines, Iowa, sees the best outcomes when information is proactively

MORE ON SECURITY

Tech Time: How to Build a Proactive Data Security Plan (*cumanagement.com/0220techtime*)

Why Security Awareness Matters (*cumanagement.com/011520skybox*)

Don't Be the Weakest Link (*cumanagement.com/0120weakest*)

First Line of Defense™ (*cues.org/firstline*)

shared. This doesn't mean proprietary or internal procedures, but rather spotted trends or fraud. "This includes sharing with us (or your payments processor) any compromised card data," she says. "We, in turn, share this with all members without naming the reporting financial institution."

She also recommends a point person join a community fraud group comprised of law enforcement, postmaster generals, attorney generals and other key players. "Here, credit unions can share and glean information and stay united as an industry, pertinent because of rising fintech competitors that can take advantage of perceived weaknesses" and quickly develop products and services to serve (and potentially steal away) credit unions' members.

Another key stakeholder is the member, notes David McClurg, product manager/digital for Shazam. "Consider that a typical credit union spends about 80% of its time talking to members about products and 20% on how it protects member data. By sharing your story and stressing security innovation with members, you create brand affinity."

Kraus also sees some of the most vigorous collaboration in CUs' member education efforts. "We've seen credit unions partner to provide consumer tips on phishing schemes, social engineering scams or tips on practicing strong cyber hygiene. The more you can educate and empower your members, the more likely they can help in the fight against fraud."

Fraud prevention products—such as Brella™ (formerly known as SHAZAM® BOLT$™), SHAZAM's card control app (*tinyurl.com/shazbrella*)—also can bring members further into the fraud prevention circle. Using the member's smartphone, Brella adds a layer of protection to card transactions by notifying the cardholder of potentially fraudulent activity.

"These products also remind members how hard you're working for them, while transactions are monitored from a self-protection perspective, providing data-rich insights, which help the institution to prevent fraud at a macro level," stresses McClurg.

Onsite crisis management training further promotes collaboration within the broader community. "In our skimming and card cloning presentation, for example, we use actual photos and videos to show how thieves set up these devices and steal from cardholders," adds Little. "A live demonstration encourages interaction with community partners ... including business owners and city officials."

TAPPING EXPERTISE

Fraudster sophistication is escalating, and the concept of collaboration needs to take on ever more meaning, says Jack Lynch, chief risk officer for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, and president of CU Recovery (*curecovery.com*).

"Only by working collectively can we combat movements on the dark web, such as the move from counterfeit card information to selling personal information, and other efforts by thieves," Lynch explains. "It's the combination of technology and data as well as our Linked Analysis product (*tinyurl.com/psculinkedanalysis*) that makes a difference."

He notes that PSCU's contact center can detect a fraudster via voice printing. Here, an attempt is made to gather information from one credit union's interaction with a suspected fraudster, then link it to that same phone number to gain information from another credit union.

"Without this data collaboration, a pattern would not be detected until it was too late to avoid a loss," explains Lynch. Analyzing many points of data (including contact center, interactive voice response, online banking and card transactions), aids fraud detection.

There is also a need to tear down siloes internally, stresses Lynch. "Realize everyone within the credit union plays a role, from the front line to lending and new accounts. Develop a plan that incorporates all people and channels holistically—so collaboration is layered, and solutions are reviewed for the right fit."

Another networking avenue is the members' area of PSCU's website, where member credit unions and the online community can follow fraud trends, attend monthly fraud webinars and pose questions to the community in real time.

It's a process. And ultimately, says Lynch, technology can't save any organization from a weak link in its system. "Collaboration includes people, processes and technology, and with a chink in one, all are susceptible. A credit union must ensure all parts are working together, using the same processes to prevent fraud."

EDUCATING STAFF

Well-informed employees are another advocate in the fight against fraud.

"Knowledge is power," says Cynthia L. Carter, lead compliance officer for training company TRC Interactive, Inc. (*trcinteractive.com*), Harrisburg, Pennsylvania. "It involves many avenues of training—getting information to the people who can make a difference not only to their institution but also the people they serve."

TRC Interactive provides various levels of training to financial institutions in the U.S., including its staff fraud training program (First Line of Defense™, *cues.org/firstline*). "Ten interactive scenarios are provided quarterly to clients" through the program, explains Carter. "Using real-life scenarios, such as check-cashing or deposits with account screens and sample items processed, the front-line employee goes through the transaction as if the person were in front of them."

Using interactive modules (not dialogue reading), the program illustrates how integral collaboration is to the process. "In any given week, we might have hundreds of conversations with financial institutions," notes Carter. "Customers contact us to ask that we highlight a specific fraud situation they have experienced. While not traditional collaboration, a teller in Pennsylvania could be working his or her way through an interactive training scenario a teller in Texas experienced last month. While many resources are used to create scenarios, real-world examples are some of the most valuable."

Carter has also learned it's a mistake to see fraud as a once-and-done training situation: "Ensure information is in the hands of the people who interact with your members every day. Fraudsters are not waiting for a new idea to come to them. Financial institutions need to do everything they can to protect their institutions and the people who rely on them for their financial well-being."

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.*

Q&A: Safely Sharing *Fraud-Related Information*

CUES member David Stephen Baker, operations & security manager for $700 million Connex Credit Union (*connexcu.org*), North Haven, Connecticut, shares his thoughts on how credit unions can best support fraud investigations while still complying with the rules protecting members' private information.

Q: What information can CUs share when it comes to fraud prevention?

In an ideal world, CUs could freely communicate with each other to prevent potential losses. However, a list of legal restrictions—such as the Gramm-Leach-Bliley Act and contractual obligations with card industry vendors—protects members' private information from being shared without their consent or a warrant issued by the government in support of the administration of justice.

Q: What if organizations ask for information that could be considered "private"?

The fraud prevention information that CUs share amongst themselves, either directly or through a common vendor, is typically high level and couldn't be used to identify a specific member. For example, a CU might share its observation that a known fraud technique is making a comeback—or that it thinks it has spotted a new scheme being perpetrated in the marketplace. In contrast, law enforcement agencies may request specific information about a particular member or members. And that's where credit unions need to be especially knowledgeable and cautious.

"Sharing comes with certain risks, such as breaking regulations/policy, reputation risk and frivolous litigation risk," Baker says. "Each institution should determine the level of risk it is willing to accept. Communicating … information (related to fraud investigation) should include a minimal sharing of details."

Q: How does Connex CU respond to requests from law enforcement?

"We have specific employees who can communicate about fraud," Baker says. When law enforcement agents call, "these individuals can always safely say, 'Tell me what you think happened, and I'll tell you if you should get a warrant and can start getting information compiled and retained for you.'" Connex CU employees will rarely begin the process of releasing member information without first having several people review the details and reach a consensus about what should be done before they relay that information to an executive, he adds.

"If law enforcement requires information to hold a suspect and is willing to send an email that dictates some type of emergency, we will share enough redacted information to hold a suspect and convince a judge to request more information through the proper channels," he continues. "When another financial institution or the police department calls because one of our members may have done something unscrupulous and there is reasonable doubt, we can either tell them that, based on the information they've provided, obtaining a warrant would be the best next step, or let them know that there's nothing available to help them.

"We typically verify or deny extremely detailed queries or accusations about members' activities," Baker says. "But this only occurs after extensive verifications of the inquiry's source, and we receive detailed information on the incident."

Q: What are some best practices for deciding whether a request for information is on the up and up?

"At Connex, we're far more receptive to organizations calling with verifiable International Association of Financial Crimes Investigators (*iafci.org*) credentials," explains Baker. IACFI members include retail loss prevention and financial organizations, fraud investigators, and members of federal, state and local law enforcement agencies. They are specifically trained in financial industry fraud and the information-sharing guidelines. They are fully experienced in what can be communicated and the limitations of sharing before a warrant is required.

Baker suggests joining IAFCI. "It is an amazing group of industry leaders who understand your limits (as a credit union) and can assist with identifying flexibility in the law on specific situations."

Baker also notes that Connex CU prioritizes information-sharing in cases with a high degree of certainty a crime has occurred, causing a loss.

Q: What other tips do you have for doing a good job with all of this?

To effectively fight fraud, Baker suggests partnering with a much larger financial institution. For example, Connex CU has a good fraud-prevention relationship with a large regional institution.

"Things show up on our screens long before they hit the radar at a larger institution," he says. "Larger institutions, meanwhile, have the resources to lean on officials and the payment card industry."

Also, consider forming a weekly review committee for fraud and claim responses. "This committee should include … multiple disciplines within your credit union," advises Baker. "This review helps to eliminate liability concerns and potential delays from placing weighty decisions on one individual. It also allows for fraud trends, losses, exceptions to policy and responses to be communicated to executives, who can ensure decisions are in line with the credit union's policies."

Baker also suggests making sure your CU has a blanket indemnification and liability waiver specific to fraudulent activity communications—as well as knowledgeable legal and compliance advisors on speed-dial. Plus, he says, "Remember, the front line often sees emerging fraud first, so ensure they are properly trained to identify and respond to fraud."

PSCU

From Detection to Predictions: Combatting Fraud with Machine Learning

By PSCU

Since it was introduced in 2004, internet users have been fascinated with the "magic" of Google's search predictor. In reality, there is very little magic involved, but rather a machine-learned ability to find complex patterns in data streams that generate actionable predictions in real time.

The latest risk intelligence method for combating fraud operates on a similar premise. When used in conjunction with human-curated adjustments, it creates a mechanism for not only identifying fraud across multiple channels, but also for predicting it.

From Past to Present

Many organizations initially detected fraud by viewing and analyzing activity logs one platform at a time. While this worked as intended, it could not compete with the newest wave of fraudsters who are skilled at utilizing multiple channels to accomplish a successful fraud scheme. Many of the older fraud detection systems managed to prevent fraudsters from making their final cash-outs, but they were not able to stop the fraudsters from committing fraud in the first place.

Moving Beyond Detection to Prediction

Linked Analysis is PSCU's proprietary approach to intercepting and predicting fraud through the combined use of machine learning, anomaly analysis, phone printing technology, data analytics and human intelligence. Utilizing a framework primarily relied upon by the IT world, Linked Analysis uses a consortium of data – including phone calls, online banking logins, authorization data, etc. – to monitor connected events across multiple channels, and predict fraud before it happens. By analyzing data holistically, across multiple channels, Linked Analysis can identify and intercept malicious patterns of fraud.

While most credit unions have a plan in place for combating fraud, the real differentiators for Linked Analysis are scalability and reach. With Linked Analysis, PSCU's fraud intelligence teams can analyze data at scale across multiple channels and create alerts about events as they happen – or even before they happen. Consortium data is a key component of Linked Analysis' methodology, where collected metadata related to a fraudulent event is combined with metadata from third-party sources. Intelligence gathered from a variety of sources, including 1,500 PSCU Owner credit unions, is the key to the success of Linked Analysis. Over the past 12 months, PSCU's average save per cardholder was nearly $6,000.

The Science Behind Fraud Prediction

Machine Learning (ML) is a trending technology in many industries. Just as some companies use it to serve up song suggestions, financial institutions use it to secure accounts and proactively stop fraud. It is also a critical component of Linked Analysis, as ML contributes to the agility needed to continually monitor re-occurrences in fraudulent behavior and analyze information down to the cardholder, merchant or any other individual data element level. In fact, the ML functionality behind PSCU's Linked Analysis can monitor nearly two million unique merchants on any given day and identify anomalies that may be tied to other fraudulent transactions.

A majority of the accounts that PSCU secures using the ML capabilities of Linked Analysis are identified as fraudulent before the fraud actually occurs. This makes for a better credit union member experience, as no money is lost and the credit union does not have to recover funds.

A Fraud-Stopping Combination

As fraudsters continue to find new ways to commit their crimes, more sophisticated fraud solutions must be implemented as part of credit unions' larger crime compliance initiatives. Delivering a safe and seamless user experience is crucial to keeping credit unions competitive and members happy. It may be a new digital world filled with highly skilled adversaries, but reliable risk management is not out of reach – and PSCU's Linked Analysis methodology enables credit unions to meet force with force via shared data on the threats we face collectively.

To learn more, visit pscu.com.

New Tech Brings *Revenue & Risk*

FUNDAMENTALS KEY IN CREDIT UNIONS' BATTLE AGAINST FRAUD.

BY ERIC KRAUS

The rapid shift of payments to digital channels introduces new opportunities to satisfy members while increasing credit union revenues and profits, but it also presents new risks. Fraudsters are becoming shrewder at creating entry points for their attacks.

FOUR TYPES OF FRAUD

Fraud is moving toward earlier strikes in a member's tenure. Credit unions should be on the alert for four types of increasing or emerging fraud.

While **card-not-present fraud** isn't new, it is now originating from mobile channels as consumers shift more of their transactions to e-commerce. In fact, about 50% of CNP fraud is now emanating from mobile devices.

P2P "fast funds" fraud is gaining traction as fraudsters compromise new accounts and use stolen personal account numbers, debit cards or credit cards to register on a P2P application. For example, fraudsters might open a new account with personal or stolen credentials or take over an existing account. They could then fund a money transfer with the compromised cards loaded into the digital app and send payment to a "partner in crime" or to themselves.

First-party fraud is defined as fraud committed by customers who have no intention of paying. Some first-party fraudsters are simply run-of-the-mill deadbeats—for example, they may continuously submit fraud claims, often for less than the amount at which claims trigger a dispute.

A more sophisticated and surging type of first-party fraud is synthetic identity fraud. McKinsey reports (*tinyurl.com/mckinidfraud*) that synthetic identity fraud is the fastest-growing type of financial crime in the U.S. The explosion of personally identifiable information available on the dark web provides a vast amount of fodder for thieves to use in cobbling together synthetic identities. These fraudsters can work over the course of several months to maximize their credit lines and optimize their paybacks before they disappear.

Contactless card fraud—often perpetrated when cardholders lose their physical cards and fraudsters find and use them—has also started to grow. Contactless fraud is replacing double-dipping, the practice of getting a product delivered *and* getting a refund for the same purchase. Currently, the rate of contactless fraud is extremely low, according to Visa (*visa.com*), but cases of sophisticated crime rings manipulating the point of sale are occurring. Wily criminals set up a merchant account for fraudulent use and steal a point-of-sale device outright or infect the POS with malware, allowing them to manipulate transmissions.

ADDRESS THE FUNDAMENTALS

Credit unions should take advantage of the opportunities provided by new digital technologies—for example, adopting contactless cards to drive interchange revenue. But in the race to keep pace, it's easy to overlook "the devil in the details."

To ensure your guardrails are in place:

- Patch systems upon releases.
- Deploy network segmentation to contain threats.
- Adopt and practice crisis management.
- Review backup transaction processing rules.
- Review card parameters, limits and velocity controls.
- Employ cyber monitoring—for example, retain a forensics security company to monitor the dark web and the internet for information fraudsters can use for social media spoofing, enticing consumers to click on an infected link or provide additional personal information.
- Maintain PCI DSS compliance.
- Educate members about how to recognize phishing and social engineering schemes.
- Let members know how you will contact them, what you will ask and what you will never ask.
- Give members card controls and real-time alerts.
- Collaborate with other credit unions to keep abreast of fraudsters and their schemes.

Today's fraudsters are both smart and active in coming up with new schemes. In response, credit unions need to be even smarter and more active with their fraud prevention efforts. Be sure to regularly monitor trends that might affect your organization or your members and respond by updating your fraud-prevention efforts.

Eric Kraus *is VP/GM of fraud, risk and compliance solutions for CUES Supplier member FIS* (fisglobal.com), *Jacksonville, Florida.*

MORE FROM FIS ON SECURITY

Taming the Digital Risk Tiger *(cumanagement.com/091119skybox)*

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

SHAZAM®

FIGHTING FRAUD: AN INSIDE-OUT APPROACH

Fraud continues to be a major risk and a serious pain point for credit unions. It's a dark, relentless and multibillion industry in the U.S., threatening your members and you.

While the technologies to fight fraud are improving, so are the fraudsters. Today's fraudsters aren't amateur hackers. Fraud is being carried out by organized criminal groups, domestic and foreign.

It's an ongoing battle, and it's one we must fight on several fronts. SHAZAM advocates a more holistic approach to fighting fraud.

LOOK INSIDE YOUR OWN WALLS

- Review and tune your daily limit settings regularly.

  It sounds simple, but many times, fraud happens within the daily limit. If you're reluctant to limit your cardholders across the board, keep in mind that each card can be customized with a different limit according to use. Cards used for business purposes, or people who travel frequently, may warrant a higher limit than regular use cardholders. Keeping daily thresholds lower, yet reasonable, can prevent large losses for you while minimizing inconvenience to your members.

- Use artificial intelligence to help your credit union detect and block fraud.

  SHAZAM's fraud management services are powered by FICO® Falcon®. Our clients rely on our system to learn their customers' habits and spending patterns to identify potentially fraudulent purchases in real time.

  We've counseled our clients to block transactions from certain countries or states. That has significantly reduced their fraud. Identifying specific dollar amounts that fraudsters are using to test your defenses, or specific merchants the fraudsters use to try to extract money from your members' accounts can be an effective line of defense.

EMPOWER CARDHOLDERS

Your members can be fraud fighters, battling on the front line against fraud. But they must be informed and aware. And, they need the tools to do the job.

- SHAZAM provides clients with simple, effective messaging to share with cardholders so they know what to look for when using a card at an ATM, inside a business or at an automated fuel pump. This multiplies the number of eyes looking for signs of compromise.

- Allow cardholders to set their own alerts or blocks by putting a mobile app like Brella™ (formerly known as SHAZAM® BOLT$™) in their fraud-fighting hands. Cardholders receive immediate alerts to potentially fraudulent activity via email and / or text message. It's an added layer of protection with convenience, speed, and security all in one app.

- Remind your members of best practices, like using reputable merchants, secure online sites, and never, ever giving sensitive information by phone, email, or online.

- When you send out a new card, include clear activation instructions. Once the card is active, be sure your processor is verifying expiration dates on transactions. Your processor should also have a set of specialized notifications for online, out-of-town, or larger purchases so they can be approved quickly. Encourage your members to notify you about pending large purchases to avoid declines.

BUILDING COMMUNITY NETWORKS AGAINST FRAUD

- Create a community of fraud fighters.

  Engage your small business members, merchants, law enforcement and even lawmakers in this fight. When merchants know what to look for, they can help stop fraud at the point of sale. When law enforcement knows what they are looking for, they'll know how to respond.

- Host a community fraud forum, invite these fraud-fighting partners together for a discussion on how to battle fraud.

- Tap into your state and national associations to see what's being done at these levels in the fraud fight.

WHAT'S SHAZAM DOING?

- SHAZAM engages with policymakers at the state and federal levels. We advocate for changes that will lead to an overarching set of security standards. Mutually agreed upon, third party standards will lead to better, stronger user transaction authentication all along the way, from the merchant, to the network, ending with you, the card issuer.

- We've consulted with state lawmakers nationwide to help craft legislation with stiff penalties for crimes like skimming and card cloning. When stronger penalties are in place, criminals know there'll be consequences if they're caught.

Fighting fraud is a group effort. No single approach will defeat fraud, but if we take a layered approach, starting inside and working out into the community, we'll be miles — and dollars — ahead.

Why CUs *Need CUSOs*

CREDIT UNION SERVICE ORGANIZATIONS CONTINUE TO PROVIDE EXCEPTIONAL GROWTH AND INNOVATION OPPORTUNITIES.

BY DENISE WYMORE

The first modern credit union service organization regulation was written in 1982, but credit union collaboration began well before that. One of the earliest CUSOs on record was founded in 1970, a shared branching network in Michigan called Service Center—now part of CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, which has 772 credit union owners, according to data from the National Association of Credit Union Service Organizations.

Today, there are over 1,100 CUSOs in the United States. The majority of CUSOs offer basic products and services, with the top two categories being insurance and lending services. These organizations are important to the industry because they help credit unions work together to achieve economies of scale. Guy Messick, in his best-selling book *Credit Union Collaborations* (*tinyurl.com/ugvmg9z*), says, "Scale is king and picks off the weaker credit unions left and right. There are only three choices for credit unions to grow scale quickly: merge, buy bank assets and collaborate."

On an annual basis, CUSOs provide millions of dollars in net income to the credit union industry through lower operating costs and additional fee and interest income.

THE ANATOMY OF A CUSO

Creating a CUSO is not difficult. The biggest hurdle to such collaboration? Ego—the belief that you can do it yourself and don't need help. As credit unions merge into mega-credit unions, our fear is that this belief will become more prevalent. But remember: CUSOs are not the enemy. The enemy continues to be big banks, fintechs and disruptors like Amazon. When the original 13 colonies signed the Declaration of Independence, they were facing a life-or-death situation against a larger and better capitalized foe. Ben Franklin summed up the choice when he said, "We must all hang together, or most assuredly we shall all hang separately."

With that out of the way, let's explore the several CUSO models that exist today in more detail:

1. **Wholly owned, single customer**. A credit union can own or partner with a third-party insurance agency, for example, and receive a share of the commissions on sales to its members if the CUSO is properly licensed. This model is quite common.
2. **Wholly owned, with multiple non-owner customers.** Example: myCUmortgage LLC (*mycumortgage.com*), Beavercreek, Ohio. This CUSO is wholly owned by $4.9 billion Wright Patt Credit Union (*wpcu.coop*), also in Beavercreek, and currently serves more than 50 credit unions.
3. **Multi-owned, with both owner and nonowner customers.** Example: Member Loyalty Group LLC (*memberloyaltygroup.com*), Vernon Hills, Illinois, a Net Promoter Score survey CUSO owned by five large credit unions that has over 100 credit union clients.
4. **Multi-owned, with only owner customers.** Example: Member Support Services LLC, Cranbury, winner of the first NACUSO New CUSO of the Year Award in 2016. Three mid-sized CUs in New Jersey decided to partner to combine various back-office functions to achieve economies of scale without a merger.
5. **Collaborations with entrepreneurs.** Non-credit unions (entrepreneurs and vendors) may be co-owners of CUSOs. Example: Constellation Digital Partners LLC (*constellation.coop*), Raleigh, North Carolina, which is owned by several credit unions and also collaborates with entrepreneurs.

SHOWCASING CUSO INNOVATION

Seven years ago, NACUSO added an event like TV's "Shark Tank" program to its annual conference. In the Next Big Idea Competition, conference attendees vote to determine the winner. The competition continues to grow each year and has become one of the best places to showcase new CUSO ideas and get early adopters and investors. We are seeing a growing number of new, innovative, one-of-a-kind CUSOs emerge—many geared toward attracting and retaining millennials.

Keith Kelly, co-founder and CEO of Rate Reset (*ratereset.com*), McLean, Virginia, won the Next Big Idea Competition in 2016 and again in 2018 with the launch of its KNOCK KNOCK digital lending platform (*ratereset/knock-knock*). Rate Reset allows members to be in control of routine administrative tasks that have historically been time-consuming for both front-line and support staff. Members can "reset" existing loan products without the cost and hassle of refinancing. KNOCK KNOCK is a bilateral communication channel that allows for "just-in-time" member offers.

The CUSO's clients include $24.7 billion PenFed Credit Union (*penfed.org*), Tysons, Virginia; $7.2 billion Patelco Credit Union (*patelco.org*), Dublin, California; $1.2 billion TruWest Credit Union (*truwest.org*), Scottsdale, Arizona; $1.5 billion Financial Partners Credit Union (*fpcu.org*), Downey, California; and $9.5 billion Randolph-Brooks Federal Credit Union (*rbfcu.org*), Universal City, Texas. Rate Reset recently teamed up with myCUmortgage to add features to its mortgage experience. This is a great example of collaboration among CUSOs.

LenderClose (*lenderclose.com*), West Des Moines, Iowa, came in a close second in 2018. After starting National Loan Closings (*nationalloanclosings.com*), Omaha, Nebraska, and earning $17 million in sales, CEO Omar Jordan formed LenderClose in 2015 to bring loan technology into the relationship-based credit union industry. The CUSO's mission is to help credit unions capture younger members by developing state-of-the-art technology to attract and convert more millennials.

CULedger LLC (*culedger.com),* Denver, also a 2018 finalist, is piloting blockchain technology at several CUs with MemberPass (*memberpass.com*), a digital credential that can be used to authenticate financial transactions between members of any CU on the blockchain network. MemberPass users can verify their identities using such biometric features as voice, fingerprint or facial recognition on their mobile devices.

At the 2017 competition, Kris Kovacs took the stage and began his presentation with a powerful video. He spoke to us from the future, when credit unions no longer exist. Then he went on to explain his vision, Constellation Digital Partners. "The sky is the limit," was his message. Constellation is a shining example of the next generation of CUSOs. With more than 11 initial credit union partners and more than 70 fintech partners, Constellation has delivered a revolutionary open development platform to deliver financial services to CUs and provides a unique opportunity to achieve a new level of integrated service for members. Rate Reset, CULedger and LenderClose are all working with the Constellation platform to develop the next generation of digital banking services for credit unions.

Speaking of exciting ways to bring innovative ideas to credit unions, in 2018, two CUSOs—Open Technology Solutions (*open-techs.com*), Centennial, Colorado, and The Veridian Group Inc., a CUSO wholly owned by $4.3 billion Veridian Credit Union (*veridiancu.org*), Waterloo, Iowa—recently partnered with other industry organizations to create VentureTech (*myventuretech.com*), an annual event that allows fintech companies to pitch their solutions to credit unions and CUSOs looking to invest in promising technology. Only fintechs that are actively seeking investment can present. Using the same technology as the Next Big Idea Competition, the audience votes for the winner using an app that provides instant results.

In 2019, NACUSO sponsored a "Best in Show" cash prize of $1,500 at VentureTech, plus a guaranteed spot in the 2020 Next Big Idea Competition. Illuma Labs (*illuma-labs.com*), Plano, Texas, won the top honor, a real-time voice authentication platform whose core technologies arose from research and development projects with the U.S. Department of Homeland Security. The company will be competing at the 2020 NACUSO Next Big Idea Competition on April 22 in Orlando, Florida.

As industry mergers fuel questions about the survival of smaller CUs, one CUSO has a different philosophy. Using the power of the sixth cooperative principle, "Cooperation among cooperatives," this CUSO is invested in the future of small CUs. After all, even $110 billion Navy Federal Credit Union (*navyfederal.org*) was small in the beginning.

CU Evolution (*cu-evo.com*), Cross Roads, Texas, originated from $21 million Living in Fulfillment Everyday (LiFE) Federal Credit Union (*lifefcu.com),* Denton, Texas, in 2018, joined shortly thereafter by $14.5 million Family 1st of Texas Federal Credit Union (*family1stfcu.org*), Fort Worth, Texas.

"The CUSO gives small credit unions (under $100 million in assets) the strategies and tools to provide exceptional member and employee experiences in a rapidly evolving world," says CU Evolution President Howard Bufe in a NACUSO blog (*tinyurl.com/rtn2ts4*). "The small credit unions that partner with CU Evolution are taken through a three-step process coined 'Engage. Equip. Evolve.'" The CUSO doesn't just write a plan and walk away, he says—its staff members see themselves as an extension of the credit union's staff.

What a good example of the very essence of the CUSO model: We are better together.

Denise Wymore *is member & advocacy officer for the National Association of Credit Union Service Organizations* (nacuso.org)*, Newport Beach, California*

MORE ON CUSOs

The 'Union' Part of 'Credit Union' Is Alive and Well (*cumanagement.com/051419skybox*)

Unlimited+ Video: How CUSOs Can Help Credit Unions With Data and The Bottom Line (*cumanagement.com/video040819*)

Loan Zone: CUSO Bridges 'Justice Gap' for Texas CU Members (*cumanagement.com/0419loanzone*)

Using CUSOs to Generate Net Income (*cumanagement.com/0419cusos*)

CUSOs Ignite Collaborative Innovation (*cumanagement.com/0417ignite*)

Drumming Up *Business*

TO BECOME BUSINESS MEMBERS' LENDER OF CHOICE, DELIVER THE WIDER RANGE OF THE FINANCIAL SERVICES THEY NEED TO POWER THEIR OPERATIONS.

BY KAREN BANKSTON

As the benefits associated with commercial lending add up steadily for credit unions—in boosting their bottom lines and securing member relationships—momentum is building to broaden the range of services and support for business members.

At $522 million Sidney Federal Credit Union, for example, expansion of business services has become a key organizational growth strategy. For the first time since the Sidney, New York, credit union (*sidneyfcu.org*) began making commercial loans in 2007, Business Loan Manager Marty Eldred participated in strategic planning with the board and executive team to set 2020 growth goals for business loans and deposits.

To meet its ambitious aim to grow business deposits by at least 30% over last year, Sidney FCU is introducing new dividend checking and money management accounts with higher-tier rates and a more advanced online banking module—from digital banking platform provider Alkami (*alkami.com*), Plano, Texas—that will allow business owners to set account access authorizations for managers and bookkeepers. Expanding deposit relationships will help to fund the credit union's targeted 10% growth in business loans, Eldred says.

She has also hired two business service specialists to work with branch staff "to help develop their confidence and competence in serving business members and to meet with our business members to ask what we can do to become their primary financial institution."

FROM MBL TO MBS

Just under 2,400 U.S. credit unions—about 45% of federally insured financial cooperatives, according to National Credit Union Administration (*ncua.gov*) data—offer some level of commercial lending. Many of those organizations are recognizing the need to expand the range of services they provide business members, suggests Jim Devine, founder, chair and CEO of Hipereon Inc. (*hipereon.com*), Kirkland, Washington, and lead faculty of CUES School of Business Lending™ (*cues.org/sobl*), now in its 19th year.

If credit unions want to position themselves as partners alongside business members in powering local economies, they should "move from MBL to MBS," by offering member business services such as cash management, merchant services, payroll processing and employee benefits management, Devine recommends.

Undertaking the core processing upgrades and new system, sales and service requirements needed to move business services to the next level entails a major commitment, "but what credit unions are finding once they make that transition is that there's more stability in what they're doing," he says.

Business services produce fee income that grows over time as companies expand, and business deposits can generate a more stable and lower-cost source of loan funding than consumer accounts. "And there's a cost-benefit logic for these services that businesses don't mind paying, because it's helping them manage and grow their business," he notes.

Offering a full suite of business services can help credit unions connect with small business owners who don't use business credit, a segment estimated to encompass at least a third to a half of business members, says Joel Pruis, senior director with CUES Supplier member and strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

A full-service business division will also allow credit unions "to take advantage of their fiercely loyal member base—as their first and primary target market," Pruis contends. "As soon as they start offering comparable products to what their business members have been looking for elsewhere, credit unions will likely be able to sign them up."

SHARPENING STRATEGIC FOCUS

With its track record of commercial lending that stretches back to the 1980s, $2.6 billion Royal Credit Union has recently made a strategic decision to enhance its commitment to serve the needs of small business owners. The Eau Claire, Wisconsin, credit union (*rcu.org*), which serves 210,000 members, has created a new division to connect with these businesspeople, identified as an underserved group within its membership and geographic market.

"The needs of someone applying for a $5 million commercial real estate loan for a hotel or strip center are much different than those of a member with a landscaping business who needs a Bobcat or truck," says EVP/Chief Lending Officer Mike Dill. "We've carved out a specialized division with people, procedures and resources to attract and meet the needs of small business owners, and that's going to be a core growth strategy moving forward."

Large national and midsize regional banks often aren't interested in making the smaller loans these businesses need, and while community banks do serve them, there's enough opportunity for credit unions in that niche market as well, Dill suggests.

Since it moved into commercial lending in the 1980s, Royal CU has focused primarily on loans for income-producing real estate, including multifamily, commercial and owner-occupied business properties. Over the years, it has expanded into business term loans, lines of credit and credit cards.

Its overall strategy is to build relationships with member borrowers across a balanced portfolio divided roughly into thirds among consumer loans, residential mortgages and business loans, Dill says. In support of that relationship-building strategy, the credit union also offers a full suite of deposit, cash management and other financial services for its 12,000 business members and hosts regular focus groups "to continue to understand what our members and future members want and need."

One consistent message from business members is a desire for streamlined access to their personal and business accounts. Currently, Royal CU's consumer and business systems require separate logins for remote access, but connecting members to all their accounts through a single sign-in is one of the priorities identified through a digital readiness initiative held in 2019.

This year, the first of Royal CU's new five-year strategic plan is focused on business services, with plans to implement the improved remote account access, a more dynamic loan documentation system, and mobile and desktop deposit capture upgrades.

SELCO Community Credit Union, based in Eugene, Oregon, is also deploying new tech services for its business members. In January, the $1.7 billion credit union (*selco.org*) rolled out a new cash management system with mobile capabilities to enhance its deposit product offerings and keep pace with the competition. The new system from Malauzai (*malauzai.com*), which was acquired by CUES Supplier member Finastra (*finastra.com*), London, in 2018, offers enhanced functionality for ACH and wire transfers, remote deposit capture and capabilities to set account access authorization for specified employees.

"We wanted to make sure we could grow with our existing business members as their operations expanded to more than a couple employees and they started needing services like payroll processing and cash management," says Mike Donaca, VP/commercial and business banking.

STABILITY FOR BUSINESS MEMBERS AND STAFF

Emphasizing a commitment to be there for business members can be a key differentiator in the volatile financial services sector. The bank building across the street from SELCO Community CU's main business services office in Springfield, Oregon, has changed hands four times since the credit union began serving business members in 2003.

"A lot of the banks that were here then are gone, closed or merged up," Donaca notes. "A lot of business owners moved from one bank to another, dissatisfied with the service, and ended up back at the

"The credit union tradition is to reach out and help members. What we need to do on the business side is to look beyond the single question of whether members are worthy of credit and help them figure out ways to improve their business."

– Jim Devine

original bank due to a merger. They were ready to switch to SELCO and appreciate the stability we've offered."

The same can be said of the credit union's 24-member business services team, which brings together a blend of internally developed talent and commercial bankers with a combined 200-plus years of business lending expertise, says Craig Carpenter, SVP/lending and business solutions.

Carpenter was an experienced lender with a regional commercial bank when he joined SELCO Community CU to help launch member business services. The aim of the program was to offer business owners a variety of deposit and loan products and diversifying the credit union's portfolio beyond auto loans and consumer mortgages. Business loans currently account for about 16% of the total portfolio, and the credit union has set a strategic goal to grow that share.

Initial loan growth relied on business with clients Carpenter and other lenders brought with them and through loan participations purchased to build the revenue necessary to support the new division. "It would be nice if all 140,000 SELCO members knew about the full range of business services we provide, but many members think of the credit union primarily for the consumer services it has offered for 84 years," he notes.

The credit union has grown its business loan portfolio to $225 million and holds about $100 million in business deposits. By dollar value, the loan portfolio is about 85% in commercial real estate loans, including significant recent demand for financing owner-occupied professional offices, Donaca says. But the credit union has also made a lot of smaller loans in the $50,000 range for business equipment and vehicles, irrigation systems, crop duster airplanes and print shop equipment. "We look to work with as many types of businesses as we can," he adds.

Members of its business team are regularly recruited by other financial institutions, but Donaca credits a combination of competitive compensation and professional development opportunities for strong retention.

"We offer good benefits and pay, and we invest in their careers and training to create a cohesive team," he notes. The credit union's salary strategy is to pay the bulk of compensation through base salary, "with decent incentives, so that there are [fewer] low pay cycles during those inevitable economic downturns."

BUILDING PRODUCTIVE PARTNERSHIPS

Members holding business loans and deposit accounts make up only about 1% of Holyoke Credit Union's 20,000-member base, but they contribute an outsized share to revenue production that helps build capital and maintain a healthy return on assets, says Mike Murphy, CEO of the $205 million Massachusetts credit union (*holyokecu.com*).

That's not the only reason Holyoke CU began offering business loans in 2005, however. As a community credit union, "there was nothing worse than having to turn away a long-established consumer member because we didn't offer business loans or deposit accounts," Murphy says.

Holyoke CU's business lending operations have evolved over the years, initially relying on CU Business Group (*cubg.org*), Portland, Oregon, to launch the product line and later hiring an experienced commercial lender to lead the program internally. Last year, the credit union parted ways with its on-staff lender and has turned back to the CUSO for underwriting, processing and loan reviews as its new small business lending officer focuses on bringing business in the door.

The current arrangement allows Holyoke CU to offer business loans through a variable-cost operation and offers "access to expertise that we can't necessarily afford on our own," Murphy says.

Sidney FCU also launched its business lending program with support from CU Business Group and continues to work with the CUSO to underwrite larger, more complex CRE loans—including several of $1 million or more—and commercial and industrial loans as well as to conduct annual loan reviews.

Holyoke CU's portfolio mirrors that of most credit unions in business lending, with a focus on CRE, along with some working capital lines of credit and inventory financing. The credit union also offers a variety of business deposit services, commensurate with the needs of its members, including business checking, remote deposit capture and positive pay, a fraud-prevention service that verifies checks issued by business members in advance of releasing funds.

"One of our goals when we make a commercial loan is to have the business's operating accounts here at the credit union. It makes for a better overall relationship," Murphy says. "By and large, business deposits are a relatively low-cost funding source, and business owners tend to maintain higher balances than consumers."

Holyoke CU positions itself on personal service and rates in an overbanked business lending market. While the credit union adheres to prudent underwriting standards, "we can be very competitive on pricing to get a good loan on the books," he says.

EXTENDING THE CREDIT UNION DIFFERENCE

In making the transition to a full-fledged business services provider, credit unions have an opportunity to put their own stamp on this sector, Devine suggests.

"The credit union tradition is to reach out and help members. What we need to do on the business side is to look beyond the single question of whether members are worthy of credit and help them figure out ways to improve their business know-how so they can make better business decisions and, as a result, become more creditworthy and capable of growing and financing growth," he says.

In Hipereon's interactions with thousands of small business owners over the decades, a consistent message is that "what they would like is a personal relationship with a knowledgeable professional who understands their business and can help them," Devine reflects. "They're not asking for an unpaid chief financial officer to run their business. They just want help to get smarter about managing their business and improving their credit risk."

Credit unions can adapt their model for supporting personal financial literacy by seeking out partnerships with Small Business Administration and Small Business Development Center offices, universities, CPA firms and other educational resources to develop "a network of know-how" for their business members, he recommends.

Hipereon has created an online Business Knowledge Center for credit unions to share information, diagnostic tools and workbooks "to engage their business members in a process to self-discover the chemistry of their own business model," Devine says. "This is just one more resource for credit unions to get into the business of business education as an ongoing way to connect with and support business members."

Sidney FCU has embraced the education approach, working with chambers of commerce across several counties to sponsor workshops on its business services and topics such as business finances, marketing and social media, succession planning, staffing in a tight labor market, and development of business plans for expansion.

At one recent workshop with about 20 businesspeople, most didn't know about assistance available through the New York Small Business Development Center, Eldred notes. "We're really looking to bring all of those resources together to help educate them and connect them with people with the expertise to help them tackle these issues. We're asking them, 'What do you need—not just from our credit union but from the whole community?'"

Sidney FCU's community workshops and outreach by business service specialists to strengthen business member relationships are designed to shift strategy from "a reactive to a proactive approach to serving these small businesses that really are the life's blood of our community," she adds.

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

Strategies to Strengthen *Business Services*

Credit unions in the business of serving business members are pretty common today, led by sophisticated operations "that have been at it for a while and have the scale to go toe to toe with commercial banks for $35 million loans," says Brian Mielke of Servion Commercial Loan Resources.

At the other end of the spectrum, some financial cooperatives are just beginning to take advantage of business lending as "a fantastic way to diversify beyond consumer loans," says Mielke, VP/national sales director with the New Brighton, Minnesota, CUSO (*myservion.com*). "Commercial loans tend to be longer term and higher yield than consumer loans. If the rate on a business loan is 5% and car loans are going at 3%, and the credit union's cost of funds is 2.5%, the spread is much better."

Industry experts offer these recommendations for credit unions looking take advantage of business lending opportunities:

1. Look beyond commercial real estate loans. CRE lending is familiar territory for credit unions and can deliver "great balances out of the gate when launching a business lending program, but it doesn't really address the needs of the base membership"—smaller business that are likely using consumer financial products today, says Joel Pruis, senior director with CUES Supplier member and strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

Credit unions can move beyond their reliance on CRE lending, which accounts for most of the $78 billion in the industry's current combined business loan portfolio, by developing their expertise to provide financing for business operations through commercial and industrial loans, says Jim Devine, founder, chair and CEO of Hipereon Inc. (*hipereon.com*), Kirkland, Washington.

"C&I loans are technically more complex credits to underwrite because they have more moving parts in the business model structure that need to be assessed," Devine explains. While these loans pose more risks, they also provide the financing that many businesses need to grow and employ more people.

2. Find your sweet spot. Big national and regional banks dominate business services across the state of Oregon, but SELCO Community Credit Union is carving out a niche through high-profile community involvement, a lean credit approval process and a willingness to work with small businesses, says Mike Donaca, VP/commercial and business banking for the $1.7 billion credit union (*selco.org*).

"We'll look at ways to make the loan, with additional collateral or government guarantees, for instance," he notes. And for loans already on the books, "when businesses hit rough spots, as they invariably do, the banks will cut and run. But we will work with businesses for years if the borrower is engaged and working hard to do the best they can."

"What we tell the members we can do, we actually do," agrees Craig Carpenter, SVP/lending and business solutions at SELCO Community CU. "That leads to great loyalty."

MORE ON BUSINESS LENDING

Loan Zone: 9 Strategies to Strengthen Business Services (*cumanagement.com/0320loanzone*)

Loan Zone: Why SBA Lending May Offer Growth Prospects for Credit Unions (*cumanagement.com/1019loanzone*)

Loan Zone: Small Business, Big Deal (*cumanagement.com/0519loanzone*)

Keys to (Any) Member Business Lending Program (*cumanagement.com/podcast51*)

Great Green *Buildings*

THESE BEAUTIFUL SPACES ARE FRIENDLY TO BOTH PEOPLE AND THE ENVIRONMENT.

BY STEPHANIE SCHWENN SEBRING

Innovative credit unions are building green facilities, integrating in a variety of ways such enhancements as recyclable materials; smart technology for heating, air conditioning and lighting; health and wellness elements for staff; and elements of nature. The result is often buildings that are better for the environment, members who feel welcomed, and employees who are happier, healthier and more productive.

The three credit unions featured here are taking green to the next level, intent on creating wonderful spaces for members, staff and the environment.

Great Green Building No. 1

HAPO Community Credit Union

Wellness Beyond Design

Location: Vancouver, Washington
Builder: Momentum Inc. (*momentumbuilds.com*), a CUES Supplier member based in Seattle
Completion date: Fall 2018
Square footage: 9,800
Accommodates: 20-25 people

"Green buildings have matured to the point where they have gained widespread acceptance and are viewed as a commitment to the community, a necessity and a competitive advantage by our clients. Clients are also taking it to the next level and adding a focus on the impact their facilities have on local communities and staff."

— Michael Downs, VP/client solutions, Momentum Inc.

WHAT MAKES THIS BUILDING 'GREEN'?

"HAPO wanted to bring the healthiest credit union in the world to its Vancouver staff and members and increase health and wellness awareness in every community it serves," says Steve Anderson about this building, which has a WELL Silver certification (*wellcertified.com*) from the WELL Building Institute, New York. Anderson is CEO of $1.8 billion HAPO Community Credit union (*hapo.org*), Vancouver, Washington.

Michael Downs, VP/client solutions of Momentum Inc., explains that compared to other environmental building standards programs, "WELL places a higher emphasis on the built environment immediately within the facility and the surrounding community and the positive impact on the human experience."

KEY GREEN FACTORS

- Recycled and reprocessed wood in building's structure
- Interior lighting systems that mimic changing outdoor lighting conditions, supporting occupants' natural circadian rhythms (sleep-wake cycles)
- Daylight projected into interior rooms via an extended window and skylight design
- Living plant (biophilia) walls and natural finishing materials
- Purified drinking water and ultra-filtered, conditioned air to ensure a healthier workplace
- Workout area and quiet space to support the physical and mental well-being of staff

Momentum planned and designed every aspect of the building in close collaboration with the HAPO Community CU team. In particular, the CU wanted to develop a facility that would help it better recruit and retain talent. It viewed WELL Certification as a way to differentiate itself in the market as an employer that cares deeply about the well-being of staff. It wanted to be able to communicate to current and prospective employees that its facilities support their health and well-being and, by extension, their productivity and engagement.

Great Green Building No. 2

PCM Credit Union

People Caring More

Location: Green Bay, Wisconsin
Builder: La Macchia Group (*lamacchiagroup.com*), Milwaukee
Completion date: Spring 2011
Square footage: 12,300
Accommodates: 32 employees

"A commitment to green building shouldn't be an afterthought but the embodiment of a credit union's commitment to the community. In the case of PCM Credit Union, we rolled out an entirely new name and brand to accompany the new retail branch, … 'People Caring More'."

— Ben La Macchia, SVP, La Macchia Group

WHAT MAKES THIS BUILDING 'GREEN'?

Every component of this building built by $269 million PCM Credit Union (*pcmcu.org*), Green Bay, Wisconsin, was analyzed and chosen for its impact on the environment and ROI. For example, to save on operating costs compared to a conventional heat and air conditioning system, La Macchia Group installed geothermal wells more than 300 feet deep. Geothermal systems utilize the stable temperature built up in the earth and groundwater (about 55 degrees year-round) to provide heating, cooling and hot water at remarkably high efficiencies when needed. La Macchia also used permeable pavement, allowing more of the rainwater collected on the site to naturally percolate into the soil, minimizing the need for water containment and lessening the burden on municipal stormwater systems.

Since natural lighting not only reduces electricity costs but also enhances aesthetics, increases productivity and keeps people calmer, the PCM CU building design allowed for as much natural light as possible through techniques like "daylighting" (placing windows, skylights, other openings and reflective surfaces so that direct or indirect sunlight can provide effective internal lighting) and installing light shelves (horizontal surfaces that reflect daylight deep into a building.) In addition, the building features countertops fabricated from recycled paper and flooring that is 97% organic.

KEY GREEN FACTORS

- Geothermal heating and cooling
- Natural lighting techniques
- Recycled paper countertops
- Organic flooring

"LEED certification is important and valued, but it isn't the be-all, end-all for becoming a green building," says Ben La Macchia, SVP of La Macchia Group, of the leadership in energy and environmental design program offered by the U.S. Green Building Council (*usgbc.org/leed*), Washington, D.C. As PCM CU did with this non-certified facility, "consider not only the materials used and how the building is constructed but also its ROI—and how it represents an investment back into the local community."

Great Green Building No. 3

Libro Credit Union

The Carbon Footprint and Community

Location: Kitchener, Ontario
Builder: CUES Supplier member NewGround (*newground.com*), Waterloo, Ontario
Completion date: Fall 2010
Square footage: 4,300
Accommodates: 7 employees

"Canadians are concerned about the environment, and Canadian credit unions in general tap into this concern, as it reflects most of their members' viewpoints. But ROI remains an integral component in these decisions as well."

— Greg Ward, president, NewGround Canada

WHAT MAKES THIS BUILDING 'GREEN'?

This building is one of three green projects $4 billion Libro Credit Union (*libro.ca*), Kitchener, Ontario, has completed with NewGround Canada. The CU pursued a green path because it coincided with its community philosophy to care about its members and the environment.

This building meets the standards for Green Globes (*greenglobes.com*), offered by the Green Building Initiative (*thegbi.org*), Portland, Oregon. GBI certifies buildings in the U.S. and Canada through an online assessment protocol and provides guidance for green building design, operation and management. It is also certified by Building Owners and Managers Association (*boma.org*), Washington, D.C.

Libro CU is also unique in that it is a certified B corporation—a for-profit company certified by the non-profit B Lab (*bcorporation.net*) for meeting the highest standards of social and environmental performance, accountability and transparency.

Each of the components in the green building design was analyzed for ROI, notes Greg Ward, president of NewGround.

"For example, the fiberglass windows cost more than aluminum up front but are known to have a three-year payback on the extra investment," Ward explains. "Another illustration is ... [that] despite copper being more expensive to use, a copper roof has a three-times longer life than steel, making it a better value over its life."

KEY GREEN FACTORS

- Recycled exterior brick
- Long-life copper roofing
- Energy-conserving reflective flat roof
- Upgraded wall and roof insulation
- Highly insulating fiberglass window frames
- Geothermal heating and cooling
- Low-carbon, recyclable interior finishes

When it comes to going green, a building's interior is as important as its exterior, adds Ward. For Libro CU, this impacted the choice of finishes, such as natural linoleum and recyclable carpet tile, which enhanced the building's beauty and contributed to its lower environmental impact. Many factors successfully coalesced into making Libro CU a great space for its members, keeping environmental values at the forefront.

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

MORE ON FACILITIES

4 Fab Facilities (*cumanagement.com/01184fab*)

Facility Solutions: Light, Well-Being and Workplace Performance (*cumanagement.com/1119facilitysolutions*)

Online Fraud Prevention Training *for the CU Industry*

CUES and partner TRC Interactive are pleased to bring First Line of Defense™ (*cues.org/firstline*), a low-cost, scenario-based fraud prevention training tool, to the industry.

Subscribers to the service will receive a new edition quarterly, each containing 10 to 12 training scenarios representing real-life fraud attempts as reported by the FBI and the Office of the Comptroller.

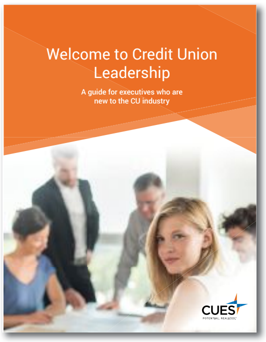
"First Line of Defense is highly interactive," says Jay H. Bowden, chief financial officer at TRC Interactive (*trcinteractive.com*). "In each scenario, the learner virtually meets and interacts with a member who is requesting a transaction. They can request the same documents they would see in real life, and all are customized to show your credit union's routing number and MCIS. What's more, checks, driver's licenses, state IDs and other documents will be from your state or surrounding states."

When the learner has completed all the lessons, First Line of Defense generates a report demonstrating how much money the decisions made would have saved or cost the credit union.

"The report is a great way to keep track of your ROI. And credit unions can have as many staff members go through the scenarios as they'd like, making it even more cost-effective," says Laura Lynch, products and services manager at CUES.

Each subscription also includes "Just In," a supplemental reading section that highlights the newest reported fraud schemes, and "Branch Activities," a supplemental learning tool giving subscribers the option to extend in-person training to reinforce policies and procedures.

To see pricing, request a demonstration and learn more, visit *cues.org/firstline*.



Newest Member Benefit *Welcomes Execs and Staff to Credit Unions*

"Welcome to Credit Union Leadership: A Guide for Executives Who are New to the CU Industry" is now available for CUES members to download.

The 30-page manual was developed to help executives who started off in other sectors shine when they join the credit union movement.

"We've seen a growing trend of credit union talent being recruited from other financial services industries and business sectors," says Jimese Harkley, JD, CUDE, CUES VP/membership. "Our hope is this guide will help these talented executives and emerging leaders understand the philosophy of the industry and thrive in their new role while gaining an understanding of what makes the credit union movement so special."

The manual offers a look into the history of the industry in North America, its legal foundation in the U.S. and Canada, strategic challenges and opportunities, similarities and differences between the movement and other sectors, tips on moving up the ladder, and ways for leaders to start strong and hit the ground running.

"In developing this manual, we turned to six executives who shared their perspectives on joining credit unions from other business sectors with us," says Harkley. "Their insights will be invaluable to the industry's newest executives."

Readers will also find key laws and regulations and common industry terms to help as they embark on their new career.

Members can download the manual now by logging in at *cues.org* and selecting "Access My Benefits." Learn more about CUES Membership at *cues.org/membership*.

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We’re In This Together

Like you, CUES has been closely monitoring the COVID-19 situation, making the safety and needs of our members, sponsors, and CUES staff a priority. We want you to know we’re here to help during this difficult time.

We have created a web page dedicated to bringing you the latest on our response, which we are updating on a regular basis; you’ll find it at **cues.org/coronavirus-update**.

Please feel free to reach out to us if there is anything you need.

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If you’re a CUES member, don’t forget to turn to CUESNet, our online networking tool. It’s a great way to help each other out given the current situation—you can share the steps and precautions your credit union is taking, or see what actions others are implementing.

Purposeful Talent Development: *Retaining What You've Learned*

BY JENNIFER STANGL

As much as we would like it to be, new knowledge is not absorbed by osmosis and carried forever in our brains—we have to work to retain it.

For those of you familiar with the forgetting curve, you understand how much work it takes to retain information. For those that may not be familiar, the Ebbinghaus curve of forgetting (*tinyurl.com/h8q7jm8*) hypothesizes the decline of memory retention over time. It shows how information is lost when there is no attempt to retain it. Anyone who has parked in a ramp and couldn't find the car upon returning is a victim of the forgetting curve. (I'd recommend taking a picture of any signs near your car in the future.)

Now, as annoying as it is to forget where you parked, forgetting something you learned at a conference or training or from a colleague is far more frustrating. At these events, you spent your time, energy and budget to participate and you want to walk away with something new or even enlightening.

Here is where the work comes in. Let's say you attend a conference or training. Without work, here are some facts about the amount of information you will retain.

- After an hour, you may retain less than half of the information presented.
- After a day, you may forget more than 70% of what might have been taught.
- After six days, you may forget 75% of the education provided.

I am not sharing this to deter you. In fact, I'm sharing it to create awareness and identify steps to retain what you've learned and deepen your development. Whether you're participating in formal learning (conference, training), engaging in self-directed learning (reading or online courses, see *cues.org/clp*), or connecting with a colleague, follow these tips to help retain this new information:

1. Take a break. It is recommended that students take a 10-minute break after learning something new. This improves recall 10-30%. Be sure to take advantage of scheduled breaks during formal learning or step away from your desk for a few minutes during self-study. Give your mind a chance to recharge.

2. Quiz yourself. Using an interactive method, such as a brief quiz, after learning something new can help you retain the information better. Whenever we retrieve information from our memory, it builds pathways and increases the chances that we'll find it again in the future.

3. Tell someone. According to the NTL Institute for Applied Behavioral Science (*ntl.org*), teaching others helps students retain 90% of what they read. The ability to teach or share learning with others demonstrates your mastery of concepts and helps you formulate the content in a way that makes sense to you. Through conversation, you also share knowledge and create an opportunity to have a discussion and hear another perspective, thereby increasing your depth of knowledge.

As you move through the year, try these tips out. As each learning experience is different, you may find that one of these works best for you when you are collaborating with a peer and another works better when attending training. Identify the memory aid that works best for your situation or blend them to support your professional development.

Jennifer Stangl *is director of professional development at CUES.*

Read the full post and leave a comment at cumanagement.com/022420skybox.

"Conventional thinking tells us the best way to attract and retain employees is to increase base salary levels and/or year-end bonuses. While research has historically supported this, … there is a compensation cut-point where monetary increases become substantially less important to job satisfaction than other aspects of their work."

Michael Becher, CPA, vice president of Industry Insights Inc. (*industryinsights.com*), Dublin, Ohio, CUES' partner in the CUES Executive Compensation Survey (*cues.org/ecs*) and CUES Employee Salary Survey (*cues.org.ess*), in "Do You Know What Your Employees Value?" on CUES Skybox: *cumanagement.com/021720*


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