CU MANAGEMENT

FEBRUARY 2020 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

Up the OCTANE

Bad data can cause credit unions' engines to sputter and stall.

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Magazine Staff

PRESIDENT/CEO
John Pembroke • *john@cues.org*

MANAGING EDITOR/PUBLISHER
Theresa Witham • *theresa@cues.org*

SENIOR EDITOR
Lisa Hochgraf • *lisa@cues.org*

EDITOR
Danielle Dyer • *danielle@cues.org*

DIRECTOR OF CREATIVE SERVICES
Nicole Morrison • *nicole@cues.org*

DIRECTOR/SUPPLIER RELATIONS
Kari Sweeney • *kari@cues.org*

SUPPLIER RELATIONS MANAGER
Loriann Mancuso • *loriann@cues.org*

SUPPLIER SALES COORDINATOR
Rina Salverson • *rina@cues.org*

MARKETING COPY WRITER AND COORDINATOR
Molly Parsells • *mollyp@cues.org*

ADVERTISING/SALES REP
Catherine Ann Woods •
cathy.woods@mediawestintl.com
Phone: 602.863.2212

DESIGN & PRODUCTION
Sara Shrode • *sara@campfirestudio.net*

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

TWITTER: @tawitham
LINKEDIN: Theresa Witham
INSTAGRAM: tawitham

YOUR THOUGHTS

WHO WILL YOU ENCOURAGE TO APPLY FOR THE NEW CUES EMERGE PROGRAM AT *CUESEMERGE.COM*?

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

Is Your Data Incomplete, Outdated *or Just Plain Wrong?*

Several years ago, there were reports about how Target uses predictive analytics to identify customers who are pregnant and then markets to them accordingly. A *New York Times* article (*tinyurl.com/nytpredictbaby*) included the story of a father who was upset that his teenage daughter received coupons for baby clothes and cribs … until his daughter confirmed that she was expecting.

Therefore, I was not taken by surprise when, soon after reading about it, I received an email from Target congratulating me on my new baby. Except I wasn't pregnant. I still sometimes wonder which combination of purchases it was that put me in the wrong bucket. I laughed it off and told the story a few times. But I can easily imagine how upsetting that message could have been be for a different woman in a different situation.

That is an extreme example of just how bad inaccurate data can be. But bad data isn't always wrong data. As our cover story explains, bad data is also incomplete or outdated information about your members.

"Bad data happens more often than we think," says Karan Bhalla, CEO of CUES Supplier member CU Rise Analytics (*cu-rise.com*), Vienna, Virginia. "Everybody is having a lot more information thrown at them every day. Managing all that data requires a big culture shift and new expertise."

Turn to p. 8 for six strategies to help keep your credit union's data clean.

If your credit union has growth goals, turn to our special report, starting on p. 23, to read the stories of three credit unions that are growing strategically.

"We can't possibly help members grow and advance on their own journeys if we're not willing to do the same," says CUES member Shawn Hanson, CEO of $850 million Marine Credit Union (*marinecu.com*), La Crosse, Wisconsin. "Growth is required so we can invest in products, services and technology to reach more people and stay relevant for their evolving needs. The same is true for our team. Our mission demands we're equally committed to advancing the lives of our team members through career development opportunities."

This month, CUES is launching a new way to invest in the next generation of credit union leaders. CUES Emerge updates and evolves the long-running Next Top Credit Union Exec challenge for emerging leaders of all ages. CUES CEO John Pembroke explains more about the new program on p. 22. Visit *cuesemerge.com* for details and to apply.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

Up the *Octane*

BAD DATA CAN CAUSE CREDIT UNIONS' OPERATIONAL AND MARKETING ENGINES TO SPUTTER AND STALL.

BY KAREN BANKSTON

As credit unions rely increasingly on data to power their operations, running on cleaner "fuel" will improve performance.

"At a fundamental level, credit unions need quality data to understand the markets they're in and the members they're serving and want to attract," says Shazia Manus, chief strategy and business development officer with CUNA Mutual Group's AdvantEdge Analytics (*advantedgeanalytics.com*), a CUESolutions provider based in Madison, Wisconsin.

Data quality is at the core of intelligent decision-making that impacts every member service interaction, operational issue and regulatory requirement, Manus says. By extension, the difference between good data and bad tips the scale toward success or failure in identifying and implementing strategic initiatives and in deploying such advanced technology as artificial intelligence and machine learning.

BAD DATA GUMS UP THE ENGINE

A useful first step toward improving data quality is to define how information can go bad. "In today's day and age, our decisions are being driven more and more by data, and the idea of bad data itself is changing," says Karan Bhalla, CEO of CUES Supplier member CU Rise Analytics (*cu-rise.com*), Vienna, Virginia. "Data can be just flat-out wrong. Or it can be stale, which is a problem if there's more recent information out there."

Incomplete data is another concern, and one that is especially common and problematic for credit unions, Bhalla suggests. He offers collections as an example where only a partial view of member relationships can be troublesome. Especially if different areas of collections such as credit cards and auto loans are outsourced to separate third parties, the result can be a siloed perception of members' standing. A vendor collecting past-due credit card payments will apply the same tactics to all members on its list, even those who are current on their auto loan payments and have multiple active deposit accounts. Equipped with a more complete view, a credit union would likely take a different approach to collections for members with deeper relationships.

Given the high potential for inaccurate, outdated or incomplete information to send

"Standardization in defining data is a huge issue, and this can be especially hard to overcome when data ownership and stewardship are not clearly defined."

– Shazia Manus

credit unions down the wrong path, Bhalla adds a word of caution: "Bad data happens more often than we think," he says. "Everybody is having a lot more information thrown at them every day. Managing all that data requires a big culture shift and new expertise."

WARNING LIGHTS ACROSS LENDING AND COMPLIANCE

As credit unions' primary source of revenue, a strong lending program relies heavily on accurate, timely information. Basing decisions on incorrect or partial data could lead to denying loans to creditworthy members or approving loans that are more likely to default. Both of those paths can significantly impact a CU's financial performance.

Regulatory compliance and reputational risks exacerbated by problematic data can also arise throughout the life of a loan, Bhalla notes. If a credit union raises a member's credit card interest rate because of late payments, the CU is required to check on a periodic basis whether that member's payment history is back on track and, if so, to reduce the rate accordingly. Both the initial APR adjustment and subsequent actions must be based on sound and complete information.

Inaccurate or incomplete, siloed data can interfere with the ability to comply with a wide range of regulations, Manus says, from anti-money laundering reporting requirements to restrictions on outbound calls under the Telephone Consumer Protection Act.

"If information is not properly organized, curated, standardized and accessible to business units, the credit union is not able to act in an intelligent way," she adds. "That increases hidden costs to capture data and remediate it."

And the longer credit unions have been in business, the more problematic bad data may be, as inaccurate or dated information aggregates in disconnected systems, Manus cautions. Those issues can be exacerbated by poor data governance and processes, ineffective tactical solutions and tools, and weak rules governing data systems and storage.

Incomplete or inaccessible data could also make it difficult for credit unions to apply the current expected credit loss standard set to take effect in 2023, says Carlos Caldera, SVP/chief data officer for CUES Supplier member Trellance (*trellance.com*), Tampa, Florida. "CECL will require a lot of granular data details. If that level of information is not available, that's going to impact the amount of provisions the credit union will need to put aside to cover those contingencies."

And in the IT department, "the lack of good data discipline shows up in the proliferation of data sources," he notes. "Without good controls about where data is, a credit union can end up with duplicated data, even duplicated databases, and that obviously is going to increase storage and maintenance costs."

CLOGGING THE MARKETING FUEL PUMP

Marketing offers many examples of how bad data can increase expense and derail the potential to build business with existing and new members. Without current email addresses and mobile phone numbers, credit unions can't communicate via members' channels of choice. Without psychographic data—information about interests, values and personality traits—credit unions can't develop strategies in line with members' evolving preferences related to financial services.

Without accurate, complete information, "you will see poor uptake, at best, if you're trying to target and run a campaign," Manus says. "At worst, if you don't know who your members are, what their wallet share is and how they're engaging with different channels, you're likely to see higher rates of attrition."

When marketing credit cards, for example, managers should be able to classify members into cardholders who rely on revolving credit versus those who pay off their balances each month and differentiate inactive accounts from occasional and high-volume transactors.

"If you don't know who these members are and how they are using credit card or payment channels, you won't be able to engage them with the right offers for rewards or rates to keep your credit cards top of wallet," Manus says.

Effective data management and digital maturity allow credit unions to take a wider, more active view of their progress toward growth goals. Leaders of one credit union working with AdvantEdge Analytics were committed to using data to drive business strategy and activation, Manus recalls, but they were confused about why success in signing on new members didn't have the anticipated impact on financial performance.

"In working with the data, they discovered that member attrition was actually siphoning off almost as many members as they were gaining each month," she says. "Having a holistic view of clean and accurate data told the whole story and showed that it was prudent to allocate some funds and focus to member retention strategies alongside attracting new members."

TIME FOR A TUNE-UP

These data management challenges can be especially daunting for credit unions with information stored in diverse systems: core processing, consumer loan origination, mortgage origination and servicing, marketing, and multiple channels for debit and credit card, ACH and direct deposit processing. Committing to the following strategies can help clean up all that information and

bring it together to form a clearer view of member relationships.

Set a data management baseline. Improving data management encompasses data quality across such dimensions as accuracy, completeness, timeliness, consistency, integrity and validity; data rationalization, with a focus on controlling duplicates or redundancies; and data architecture, which includes specifications to define data requirements, develop a disciplined data strategy and guide data integration from multiple sources. Caldera recommends conducting a gap analysis to evaluate how far the credit union needs to go to achieve these capabilities and then developing a road map to identify the necessary resources and guide implementation across the organization.

Whatever organizational structure a credit union adopts for these efforts, it must commit to a culture change in support of data management, he adds. "This is not a one-, two- or three-year initiative, but an ongoing commitment. It is more a change in lifestyle than a project. It is harder going on the front end to implement new practices and systems and train staff to develop the necessary skillsets. But even once you've reached maturity, you need to maintain data governance and continue to execute effective practices."

Make data management everyone's business. A fundamental message is that data is an enterprise-wide asset and belongs to the entire credit union, not just a single functional area, Manus recommends.

"That requires a whole different cultural lens to understand the importance of data at the enterprise level and to break down siloes and work together to develop a single view of members and their interactions with the credit union," she says. "The organization has to have a clean foundation on which data is added every day, with transactions and member interactions through all the different channels. Even something as simple as a change of address must be changed across core, lending and other systems to facilitate marketing, contacts, fraud alerts and other interactions.

"Each of these disparate systems has different data definitions, different standards and different ways information is being 'data-fied.' Standardization in defining data is a huge issue, and this can be especially hard to overcome when data ownership and stewardship are not clearly defined," she adds.

Introducing new technology alongside legacy business systems can exacerbate these problems. Manus cites the example of a new call center interactive voice response system with the capability to store data from conversations with members.

"How are these new sources of data being integrated with existing systems and data generation?" she asks. "This brings up the potential for more duplicates and overlap."

Hone data management expertise and accountability. "IT staff and managers may not have complete training around issues raised by the increasing volume of data coming at them, not just through core and lending systems, but social media and psychometric data that is available," Bhalla cautions.

Larger credit unions are beginning to recognize the need for a chief data officer to lead development and implementation of data management strategy, but at small and midsized organizations, those responsibilities may be assigned to the CIO or IT managers, he notes. Their approach to data management may be informed primarily by their experience in programming, tech support or networking, which may limit their ability to make informed decisions about how data from diverse sources is used, managed, distributed and decisioned across an organization.

Assess risks and set priorities. An all-too-familiar challenge is the need to make the most of limited resources in an ever-changing environment. In marketing, for example, Bhalla recommends evaluating both the possible return and the relative likelihood that bad data could increase risks in targeting offers.

"With any kind of a campaign, you should analyze what the level of impact could be—the potential downside of getting it wrong," he says. "If that comes out high, that's an indication that it's worth the extra time to make sure you're using good data."

Consider the difference between two marketing efforts: A credit card upgrade campaign that moves qualifying members from gold to platinum cards has the upside potential to increase transaction volume with limited downside potential for added risk if the offer is extended to a few members who don't meet the criteria. In comparison, preapproved offers for home equity lines of credit, with loan amounts running up to $50,000, convey more significant risks.

"If a credit union offers these loans to just 20 credit-challenged members based on bad data, the potential losses could amount to $1 million," Bhalla notes.

To improve their capabilities to conduct these types of proactive evaluations, credit unions need to spend more time quantifying the costs of decisions based on inaccurate and/or incomplete information.

"How often do credit unions perform post-mortems to determine to what extent their charge-offs were a result of bad data?" Bhalla asks. "As the culture shifts to recognize the critical and far-reaching impact of data, that sense of accountability is evolving. It's time for credit unions to step back and look at how stronger data management can improve decisions and outcomes."

Applying that discipline to marketing, he recommends taking a more concrete approach to setting goals for increasing returns by working with higher quality data. A good place to begin is to aim for steady gains above the baseline of returns for prior marketing activities and then to apply strategies for cleaning up member data and combining information from various sources to better target offers. Comparing results to previous campaigns will demonstrate the return on investing in better data management.

Setting benchmarks drives those efforts forward, and developing controls, a series of checks and balances to identify and correct bad data, can reduce risks and produce steady gains. CU Rise Analytics is developing predictive analytics to run simulations on marketing campaigns to compare with small-scale sample test runs, Bhalla explains. If the results are close to the simulated

"With any kind of a campaign, you should analyze what the level of impact could be—the potential downside of getting it wrong. If that comes out high, that's an indication that it's worth the extra time to make sure you're using good data."

– Karan Bhalla

forecast, that confirms the credit union is using the right data, so it can launch the campaign to the full targeted audience with greater confidence.

Apply sound logic. In implementing analytic tools, managers must be on the lookout for algorithms with built-in biases that may be hard to spot and hold the potential for discriminatory decision-making, Manus advises. "Make sure that you have enough rich, clean, quality data from diverse sources in enough volume ... and then test the results to make sure you have confidence in the predictions and outcomes.

"My high school teacher always said, 'Show me your math,' and that same principle goes into advanced analytics," she adds. "If you cannot tell which steps you took, you don't know what steps you didn't take. If you don't know what questions you asked, you don't know what questions you didn't ask."

Supplement data know-how. As credit unions develop their in-house expertise, especially for high impact data-based decision-making, they can work with experienced third parties to improve data management and analytics. For example, CU Rise Analytics has developed an attrition model that identifies in real time, based on data across systems, which members may be moving away from their credit union toward other financial service providers. Signs of disengagement include the disappearance of recurring direct deposits or bill payments, a decrease in the number of debit and/or credit card purchases, and changes in members' shopping habits or locations.

"Any significant change in pattern could signal a shift to other financial institutions' products," Bhalla notes. "These models are constantly monitoring for behaviors such as sharp decreases in account balances and transaction volume. Accurate data and timely follow-up are crucial in stemming attrition."

There's a lot of interest in data analytics among credit unions these days, but Trellance recommends that its clients conduct a thorough review of their foundational data management capabilities before committing to develop and implement complex analytic systems. Caldera cites a *Wall Street Journal* article offering a caution from an IBM executive that 80% of the work in developing AI projects involves collecting and preparing data (*tinyurl.com/wsjaidata*).

"Sophisticated data analytic models are very sensitive to bad data, so before investing in that level of analytics, you need to ensure that the data is sound. Any suspect data will impact the results generated by those models. Pristine data quality is important," Caldera says.

"A common problem is that many organizations have so much data they don't even know where it all is," he adds.

To go from bad data to good, differentiate between data vision and strategy, Manus advises. The vision sets out why the credit union aims to develop data capabilities, and strategy specifies how the organization will move its people, processes and technology forward to improve governance, business maturity, change management and cultural readiness.

"Having a budget and road map in place takes you from where you are to a higher elevation—to mature your 'data muscle' along that journey," she says. Toward that end, AdvantageEdge Analytics has launched a consulting service (*advantedgeanalytics.com/strategy-first*) to guide credit unions in their data strategy development and implementation.

It's difficult to overstate the complexity of the job ahead for many credit unions to improve the quality, depth and diversity of data in order to take advantage of sophisticated analytics, or "to use data in the rearview mirror to predict what will happen through the windshield," as Manus puts it. Rooting out bad data and aggregating more reliable and complete information will power those efforts.

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 DATA

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Improving the Lives *of Others*

2019 CUES DISTINGUISHED DIRECTOR LINDA MEDINA IS DEDICATED TO HELPING INDIVIDUALS REACH THEIR FINANCIAL GOALS.

BY DIANE FRANKLIN

Linda Medina has dedicated herself to a lifetime of service, with a career in state government and a quarter-century of volunteerism in the credit union movement.

Currently serving as board chair of Guadalupe Credit Union (*guadalupecu.org*) in Santa Fe, New Mexico, Medina firmly supports the credit union tenet of people helping people improve their financial lives. She is especially supportive of giving those in need the opportunity to better themselves.

"I'm very proud of the fact that we are helping the community and low-income individuals reach their goals," says Medina, who was recently named the 2019 CUES Distinguished Director (*cues.org/awards*). The Distinguished Director honor is given annually in recognition of a board or committee member whose actions have helped strengthen their credit union and the industry. Medina received her award during the 2019 Directors Conference, which took place Dec. 8-11 in Orlando, Florida.

Medina, a CUES member, has been a volunteer for Guadalupe CU since 1994. In total, she has served eight years on the supervisory committee and 17 years on the board of directors. She currently is serving her second consecutive term as chair.

During Medina's 25 years of service, Guadalupe CU has grown from less than $20 million to over $180 million in assets and from 4,800 members to over 21,600 (as of October 2019). A major accomplishment during her board tenure has been the organization's transition into a community development financial institution—a CDFI—in 2010. With this designation, Guadalupe CU has dedicated itself to providing affordable lending and financial counseling to low-income, low-wealth and disadvantaged individuals as a means of helping them join the economic mainstream.

"We revised our policies and procedures to be inclusive and serve anyone within our field of membership, regardless of immigration status," Medina reports. "We've helped low-income members—and not only members but also other people in the community. We've done a lot of education, such as school reality fairs, and provided financial counseling to our members."

CUES member Winona Nava, I-CUDE, president/CEO of Guadalupe CU, reports that Medina's support and leadership have been instrumental in keeping the organization focused on its mission of serving recent immigrants and other underserved populations in the CU's community. Nava admits that there were times of contention over the pursuit of this mission, but through it all, Medina offered steadfast encouragement. "Linda was adamant in her resolve that GCU stay true to this mission and vision, even when others on the board were not supportive," Nava says.

> **"[Medina's] support for the credit union movement is unwavering. She has vision, dedication, strong ethics and a selfless desire to serve."**
>
> – Winona Nava

> “Because of our financial counseling, we don’t have a very high delinquent loan rate. … What we’re doing with education is making a difference.”
>
> – Linda Medina

FOCUS ON EDUCATION

Guadalupe CU’s focus on financial counseling and education has helped community members learn how to become better at managing their financial lives. This education has encompassed a variety of subjects—from teaching people how to budget to helping them understand what it takes to buy a home and pay a mortgage.

This is compatible with the credit union’s mission of giving those who are overlooked by other financial institutions a place to turn to meet their financial needs. In helping these individuals, Guadalupe CU has seen an uptick in its membership and asset growth.

“It’s not big depositors—it’s small depositors, and our loans continue to grow,” Medina says. She acknowledges that not all the borrowers have perfect credit scores, “but because of our financial counseling, we don’t have a very high delinquent loan rate. So, what we’re doing with education is making a difference.”

Nava confirms that Guadalupe CU is holding the line regarding delinquencies. “Over 36% of GCU loan balances in dollars, and over 50% of the number of GCU loans, are to borrowers with invisible credit or credit scores below prime. In spite of this, GCU’s delinquency ratio is .65%, which is in line with peer,” Nava reports. “The charge-off ratio is .55%, which is slightly higher than peer.”

In addition, the financial coaching that Guadalupe CU provides is helping individuals make discernable improvements in their creditworthiness. A few figures from an annual report outline the coaching program’s success: Of those participating in counseling, 44% achieved one or more of their financial goals. For those in counseling for at least four to six months, 58% improved their credit score by an average of 42 points. Additionally, 48% reduced their debt by an average of more than $5,000.

Another benefit of Guadalupe CU’s approach is strong performance in member loyalty, as measured by an average Net Promoter Score of 83.02. In the credit union industry, a score in the 60s is considered good (*livecusurvey.com/good-credit-union-nps*). A score in the 80s—as Guadalupe CU has achieved—is considered exceptional.

One factor driving this score is Guadalupe CU’s approach to serving its members. As Nava explains, “GCU has far more employees than [most] credit unions of our size in order to provide the individualized attention many of the underserved members need.”

SMALL TOWN BEGINNINGS

Medina has spent most of her life in the state capital of Santa Fe, but she was born and raised about 17 miles to the north of the city, in a small community called Pojoaque. “The town was so small that it didn’t even have streetlights,” Medina recalls.

This small-town experience was essentially like living out in the country—but what beautiful country it was. The town of Pojoaque neighbors Pojoaque Pueblo, one of the eight northern pueblos of New Mexico (*taos.org/what-to-do/native-culture/eight-northern-pueblos*), an area rich with Native American culture and traditions.

Medina’s family consisted of her father and mother, the late Carlos and Genevive Quintana, and four children. “I’m the oldest—and the shortest,” Medina reports. “I guess my parents were saving the height for the others. My brother is 6-foot-2, my sisters are 5-foot-6 and 5-foot-4, but I never made it to 5-foot-2.”

Growing up in a small community, Medina yearned to see more of the world around her. She left Pojoaque to attend New Mexico State University in Las Cruces, about 300 miles south of her hometown.

Enjoying the experience of living in a bigger city, Medina later moved back north to Santa Fe, where she started her career in state government. Her first position was with the Department of Finance and Administration. She then went on to work for a variety of other departments, including Human Services, Health & Environment, Regulation & Licensing, and Tax & Revenue. Eventually she took a job with the state auditor’s office, spending the remainder of her 28-year career in state government there before retiring.

Medina’s work in state government led her to participate in a variety of organizations, both professional and charitable. She served as secretary of the Santa Fe Chapter of the American Business Women’s Association and as president of the New Mexico Association of Government Accountants. She was also an audit advisor for a Public Academy for Performing Arts charter school and has volunteered for Habitat for Humanity.

CU VOLUNTEERISM

In 1978, Medina took a fateful step by becoming a member of Guadalupe CU. “I guess I was at the credit union often enough that they knew me,” she says. “In 1994, when I was working for the Department of Regulation & Licensing, they suggested I run for the supervisory committee.”

Medina attained that position, serving as a member of the supervisory committee from 1994 to 1999. After that, she was elected to the board of directors, serving five three-year terms, which included several terms as chair. After 15 consecutive years, she was required to depart the board due to term limits.

“I still felt like I could contribute in some way, so I ran for the supervisory committee a second time and was lucky enough to be elected,” Medina recalls.

As her term on the supervisory committee was expiring in 2018, Medina decided to throw her hat in the ring to fill a vacancy on the board. “Once again, I was lucky enough to win and was immediately voted in as board chair,” she reports.

Medina’s volunteerism at Guadalupe CU has cemented her opinion that credit unions provide an advantage over other banking options. “Initially I joined the credit union because it was locally owned,” she recalls. “It was not a big bank, so the money stayed in the community. I’ve always been interested and

MORE CREDIT UNION LEADERS

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From left: Guadalupe CU Director Gladys Cobos-Romero, Chair Linda Medina, President/CEO Winona Nava and Supervisory Committee Chair Hazeldine Romero at 2019 Directors Conference

committed to that. They essentially have the same products and services as banks, but they return their earnings to the members and not to a small group of investors. They're friendly and willing to help in any way, and there is a set of core values that shows up in their everyday work."

During her tenure on the board, Medina has done what she can to make a difference. "Linda is always there to represent the credit union at community events, whether it be testifying for immigrant rights, serving Frito pies to members on International Credit Union Day or advocating with our local elected officials," Nava says.

In addition, Medina has volunteered at the state and national level for the Credit Union Association of New Mexico and CUNA respectively. "Her support for the credit union movement is unwavering," Nava reports. "She has vision, dedication, strong ethics and a selfless desire to serve."

FAMILY ORIENTED

Medina has always been devoted to family. She is the mother of two and grandmother of three. Son Justin is married to Jenifer; they live in Yakima, Washington, with their children, Natalie and Hunter. Daughter Marisa and granddaughter Milena live in Albuquerque, about 65 miles from Santa Fe.

Now that she is retired, Medina has more time for personal pursuits. She enjoys driving and has taken several road trips, mostly around the western United States. Other hobbies include working in her yard and caring for her indoor plants. She also loves to read and is methodically making her way through the list of 100 books that were chosen by national survey for the PBS series *The Great American Read* (*tinyurl.com/gar100*). "I've already read about 45 or 46," she reports.

Within the last decade, one of the most fulfilling experiences of Medina's life was serving as her mother's caregiver. She moved into her mother's home in Albuquerque to do so. "My siblings helped, as well as my daughter and granddaughter," she recalls. "We took care of her for 10 years, and I wouldn't have missed it for anything."

Medina's love of family is something she brings to her work in the credit union movement. She appreciates how Guadalupe CU lives up to its motto: "More than banking, we're family."

Not long ago, the board and management of the credit union set aside some time to talk about issues related to the organization's branding. "We spent a day working with an outside consultant to consider the possibility of changing our motto. In the end, we decided not to change it because that's who we are—we're family. We work together to help others."

It is because of this familial atmosphere that exists among the board and staff that Guadalupe CU has been able to serve its members effectively. In her role as board chair, Medina is particularly grateful to her fellow board members for working collectively to move the credit union forward. "Without them and our ability to agree on goals and work together as a family, GCU wouldn't continue to achieve as much as we have," she says.

Based in Missouri, **Diane Franklin** *is a longtime contributor to* Credit Union Management *magazine.*

Cannabis and Canadian *Credit Unions*

IT'S A COMPLEX LANDSCAPE THAT ONLY SOME HAVE EXPLORED AND FEW HAVE ENTERED.

BY ART CHAMBERLAIN

Canadian experience shows that cannabis and credit unions can go together like marijuana and the munchies, but so far, not many people have joined the party.

Only one CU has been public and persistent about its interest in serving the cannabis industry as legal production and consumption has spread over the past 18 months—and even it didn't start with a conscious effort to move into this new field.

CUES member Rob Paterson, president/CEO of Alterna Savings and Credit Union Ltd. (*alterna.ca*) and Alterna Bank, both based in Ottawa, Ontario, certainly didn't set out to become known as the "weed banker," as he's been called by the media. But his organizations have a surprisingly dominant role as the financial services providers for the legal cannabis industry in Canada.

"We probably provide daily banking services for 60 to 70% of the industry across Canada on the producer side, and on the retailer side, just over 50%," says Paterson. In Ontario, those services are provided by $5.9 billion Alterna Savings and CU, founded in 1908, while in other provinces the services come via its federally regulated subsidiary, Alterna Bank.

CANADIAN CANNABIS MARKET

A report by Statistics Canada (*statcan.gc.ca*) says that by October 2019, at the end of the first year after legalization, there were 400 retail outlets across the country, and total sales were about $900 million. Sales were hurt by delays in getting stores open and a mismatch between what suppliers offered and what customers wanted. The year ended with retailers shipping millions of dollars' worth of unsold product back to growers.

In 2020, the industry is pushing "cannabis 2.0," which will include the launch of such edible products as gummies and cannabis-infused beverages, but the experience of states in the U.S. that have already offered such beverages suggests sales may be slow.

Paterson says he backed into the cannabis business loan industry in 2015 when presented with a loan request from Bruce Linton, founder of Tweed Marijuana Inc. (*tweed.com*), a fledgling company that was trying to turn a shuttered Hershey Co. chocolate factory in Smiths Falls, Ontario, into a legal operation growing medical cannabis.

"It's been a great business for us," Paterson says. "The match of credit unions to this sector is so perfect because if you look at most of the producers, they are going into places that are in desperate need of employment and higher-paying jobs. Often they are rural areas, and we as credit unions are in those locations."

POLITICAL AND SOCIAL IMPACT

The cannabis industry is a microcosm of Canadian political and social issues. It involves federal/provincial relations, indigenous issues and the impact of American laws on companies operating in Canada.

The opportunity for CUs is largely due to that last fact—the impact of U.S. laws that restrict the involvement of large Canadian banks that have extensive operations in the states. Even though cannabis is legal in 33 states, it remains a controlled drug under U.S. federal law, and Canadian banks are leery of running afoul of those regulations.

Most small retailers that have wanted to get into cannabis say they have been unable to get service from banks. A few have, but banks are clearly not looking for customers. That may change if the U.S. passes the SAFE Banking Act (*tinyurl.com/1595safe*), designed to allow federally regulated banks to provide services, but that bill is stalled in the Senate.

The effort to legalize marijuana moved in two streams: one aimed to provide medical cannabis that many feel provides pain relief without a high, and one aimed at turning the product into a legal, regulated substance for recreational users to enjoy.

In 2013, Prime Minister Justin Trudeau promised cannabis would be legalized and Canadians would be able to grow a few plants for personal use or purchase products legally.

In British Columbia, the announcement spurred the expansion of dispensaries that operated on the edge of the law, and more than 150 set up shop in Vancouver, confident the police would not crack down on something that would soon be legal. Tiny $56 million CCEC Credit Union (*ccec.bc.ca*), Vancouver, provided banking services for many of the dispensaries. At the same time, dispensaries popped up on First Nation reservations across the country, pushed by similar logic that the police would not interfere in areas that were self-governed.

Eventually, the federal government passed legislation legalizing cannabis products starting in October 2018. This kicked off a stampede by companies and individuals hoping to capitalize on what they expected would be overwhelming demand.

"The big challenge right now for the would-be emerging cannabis industry is that big banks aren't lending [and] aren't even creating accounts for cannabis businesses," says Jeremy Jacob, president of the British Columbia-based Association of Canadian Cannabis Retailers (*accres.ca*), which represents 50 retailers but is in discussions to expand its reach.

"Cannabis for B.C. is like oil for Alberta. There are something like 100,000 unregulated jobs in the cannabis industry here," Jacob says. "Getting those jobs above ground and into the regulated industry should be a real priority."

Weak sales and over-supply issues are starting to hit the industry. Linton has been pushed out of the company he founded, now called Canopy Growth Corp. (*canopygrowth.com*). Controlled by Constellation Brands, Canopy is currently the largest cannabis company in the world and looking at new products, including cannabis-infused drinks. In November, it reported a revenue drop that sent its stock tumbling.

Paterson says he expects consolidation to occur over the next year, similar to what occurred in the dot-com sector in the early 2000s.

DIFFERENCES ACROSS PROVINCES

No CU has taken the lead in serving the legal sector in British Columbia, long the center of the underground cannabis business. Several are providing services to a few retailers and producers, but none has a public profile like Alterna Savings and CU.

CUES member Jeff Shewfelt, co-CEO of $2.4 billion G&F Financial Group (*gffg.com*), Burnaby, British Columbia, says his CU is dabbling in the sector but moving slowly to ensure it develops the needed capacity.

"There is a fair bit of work," he says. "You have to make sure the volumes of marijuana ... are coming from the government-approved suppliers and match what's on the financial statement that they are recording as being sold, because the biggest risk is they inject illegal product into the process.

"It's been an interesting journey, to assess it as management, to talk to our board about it," he adds. "One or two people definitely had a philosophical opposition to doing it. ... We talked our way through that collectively, and we came down to the fact that it was a legitimate business with a lot of due diligence done by the government. They tend to be local businesspeople, people in the community, and that's the reason why we exist."

G&F Financial Group serves two retailers and is going through due diligence on eight or 10 others. "At this point, we'd love to add some more. We've got our processes established and ... the knowledge and skills here," Shewfelt says.

Shewfelt warns about compliance. "I would be a little fearful if you are smaller or a modest size and you don't have some really good compliance skills on your team to make sure you are monitoring it properly," he says.

While the federal government determined what is legal, the provinces regulate and enforce how products can be sold. This has led to wide variations in approach across Canada—and to chaos and confusion in the largest province, Ontario.

"The thing that I find interesting about the Ontario trajectory is that, in the year of legalization, they have retooled their retail program three times ... and the most recent iteration of it, I think they got it right," says Jacob. He likes the change that will permit cultivators to own up to 10 stores and simplifies the licensing for them, an approach he wishes British Columbia would adopt.

EXPERIENCE A PLUS

Over the past few years, Alterna Savings and CU has developed an experienced team that evaluates applications and business plans. Retailers that need an account, payroll and the like pay about $500 a month for the service.

"It does require a lot of time and attention, and you have to invest in the sector," Paterson says. "Partly for that reason, we've seen the whole financial industry in Canada shy away from it, other than trying to go after some of the largest accounts in the country. But the small business retailers haven't been all that attractive to the industry."

Paterson says Alterna Savings and CU is willing to help other CUs serve the cannabis industry—for example, by being the lead on a syndicated loan (loan participation). The CU's experience and expertise should offer other CUs some comfort and "provide a way to help other credit unions get a piece of the industry when they know that someone is in front of it that knows how to underwrite it and knows how to moderate it."

Art Chamberlain *is a writer based in Campbellford, Ontario, with almost 15 years working with and writing about credit unions.*

MORE ON CANNABIS BANKING

Seeds of Success: Marijuana Banking (*cumanagement.com/0219seeds*)

Cannabis and Credit Unions (*cumanagement.com/0119crebox*)

Accountability Is Key to Cannabis Lending (*cumanagement.com/0917accountability*)

Protect Your CU's Reputation (*cumanagement.com/0817protect*)

Finding the Right *Collections Temperature*

CUs ARE BALANCING WARM, PERSONAL COMMUNICATION WITH COOL AUTOMATION WHEN COUNSELING DELINQUENT BORROWERS.

BY RICHARD H. GAMBLE

Collections pose a particular dilemma for credit unions: They can be an expensive manual activity ripe for efficient automation, but they are also at the heart of the relationships that differentiate CUs from other lenders. Nothing cements relationships nor earns credit unions their “caring” stars like throwing a lifeline to a member who is caught in a financial crisis and starting to sink. As such, forward-thinking CUs are finding various ways to straddle the fence between automation and personal service.

Technology today is dividing communication into two camps, notes Sergio Moreira, director of product risk and recovery at CUES Supplier member Allied Solutions LLC (*alliedsolutions.net*), Carmel, Indiana. There are old channels (e.g., mailed paper letters, phone calls), which are gradually losing ground to new channels (e.g., email, text, portals). “More credit unions [are moving] to digital and self-serve channels,” he says. “But the traditional channels still provide value and will continue to have their role in the collections process.”

$6 billion Ent (*ent.com*), Colorado Springs, Colorado, has a leg on each side of the fence. “We upgraded our collections software in 2012,” reports Eileen Clark, collections/member solutions manager. “We can segregate and prioritize delinquent loans for communications in several ways—by days past due, by loan type, by loan size. Each queue gets its own specialized treatment. And we can change it on the fly, without involving IT, if management and staff find a better way of organizing the process.” Collections can be triaged differently when members are affected by such hardships as fires or government shutdowns.

Ent has also introduced staff specialization to improve processes. “We restructured our department of 24 people in 2015 so that they would be more efficient,” explains Clark, a CUES member. “Each group has its own skill set. We hired a staff support person to offload some of the administrative functions so the collectors could concentrate on core work. That has sharpened our focus.”

Ent is holding onto the personal touch alongside these new efficiencies. “We need automation *and* personal involvement,” Clark says. “Automation comes first. We always start with the assumption that we are sending routine, generic reminders. The flow of accounts [through the process] is substantial at 15 days, when we start calling and sending messages, but it shrinks pretty quickly. We give members a chance to cure the problem themselves. Only after that do we start to look for a need for personal attention.

“But when the situation calls for it, we’re handson," she continues. "After automation has performed routine tasks, we're looking for situations where we can have conversations and explore solutions together with the member. If we don't take time to talk to them, we don't really understand what they need. Automation can spot problems; it can't solve them. That takes people. It gets to a point where you have to pick up the phone and call the member. One-on-one conversations will never go away."

UPDATING PROCEDURES

Collections solutions have to change with the times. With delinquencies holding at pre-recession levels, now is the time for credit unions to update their established collection strategies and practices, advises Angela Granger, VP/analytics for CUESolutions Silver provider Experian (*experian.com*), Costa Mesa, California.

"It's review time," she says. "Some strategies were put in place after the last recession and kept. If you're using scoring models, be sure your models are up to date. And review your use of messaging channels. Digital communication has made great strides. There is more data available and more ways to use it now, so ... when you see a delinquency, you're seeing more than how many days it is past due."

Some CUs are indeed continuing programs put in place to respond to the Great Recession. For example, $41 billion State Employees' Credit Union (*ncsecu.org*), Raleigh, North Carolina, introduced a mortgage assistance program in 2009 to help members who were falling behind. Since then, over 14,000 members have participated in the program, which is still going strong, says Alan J. Salzano, SVP/loss mitigation.

The financial crisis may be over, but $500 million Tucson Federal Credit Union (*tucsonfcu.com*), Tucson, Arizona, has institutionalized processes it introduced ad hoc during the 2008 financial crisis so it will be ready for the next one—and because these processes work.

"When losses rose after 2008," recalls Ashley Kemp, AVP/manager of lending and collections, "we saw that our members were struggling on a scale we hadn't prepared for, so we utilized our 'hardship program' that was built to look after the members' best interests. We looked at each situation to see the causes and the best remedies. We extended due dates. We reduced payments when necessary. We refinanced when that was the best option."

Tucson FCU has chosen to continue that program. "Staff can suggest it," Kemp explains, "but the member has to initiate it by filing a written application with an explanation of why they're in a bind, a written budget that shows net income after bills are paid and an explanation of how they plan to get back on their feet." It's not automated. "There's time and paper involved," she admits, but she says the CU is looking into ways to increase efficiency with online documents.

MESSAGE CHANNELS

Collections are all about communicating—or trying to. How messages are being delivered is changing more today than the message content. And—no surprise here—digital channels are picking up some volume as manual and paper-based channels start to shrink. But the big change is yet to come, suggests Steve Balmer, managing VP/delinquency management at CUESolutions Bronze provider PSCU (*pscu.com*), St. Petersburg, Florida. While PSCU collectors still dial a lot of telephone numbers, Balmer has seen the writing on the wall: PSCU is gearing up to move to text messages

> **"Automation can spot problems; it can't solve them. That takes people. It gets to a point where you have to pick up the phone and call the member."**
>
> – Eileen Clark

as the preferred form of collections communication.

That's because of age demographics. "Delinquent debtors are getting younger," Balmer observes, "and younger people prefer to live in the digital world where messages are electronic and can be dealt with at their convenience. Millennials today don't even interact with their friends face to face," he notes, "so they're not inclined to step into a live conversation with a collector. Most don't even have landlines. They look at a screen before they answer a call, and they often don't answer. Text is where the culture is heading, and we have to be aligned with it."

Statistics support the value of texting. Studies have shown, Balmer says, that a person typically returns a phone message in one or two days. They reply to an email the next day. They read a text message and respond within 10 minutes. "Text messages get a much faster response," he observes. Adopting text messages for collections is complicated, however, under Telephone Consumer Protection Act (*tinyurl.com/fcc-tcpa*) regulations that require that members opt in to receive texts, he notes.

When considering communication options, it's important for CUs to remember that each member is different, Granger emphasizes. With changes in technology and culture, some members may prefer to manage their collections experience without engaging directly with a human. "Some consumers don't welcome the pressure that comes when they have to respond to personal contact in real time. They want time to think through their options, to feel that they have control over the situation. For them, being contacted through a self-service channel may be more comfortable."

To accommodate member choice, Tucson FCU uses two main channels for collection messages, Kemp reports: email and phone calls. It's straddling the divide. When a member reaches the point of delinquency that triggers the first message, an email is automatically generated, and the loan goes into the queue for a collector to call—the member gets essentially the same message two ways. Whichever way the member chooses to reply becomes the preferred channel for future communication, she explains.

Decentralized, high-touch State Employees' CU is noticing the change in member preference. Salzano finds that traditional snail mail and dialed phone calls are not working as well as they once did.

"People ... often don't open letters when they see the return address and know it's a collection letter," he observes. "Live interaction is still very effective in working with members to resolve delinquency." However, establishing that live contact can be challenging, he concedes. "People want to control when they hear or read a message. Our delinquency ratios haven't suffered, but members aren't picking up when we call as often as they did." So the credit union is considering opening an email channel and possibly texting at some point in the future, he reports.

AI-DRIVEN COMMUNICATION

Collection message content is typically standardized due to high volume and regulations, but that's starting to change. While it has always been efficient to trigger a few basic canned messages, Granger notes, new tools are allowing CUs to introduce flexible messages that keep the efficiencies but recognize and respond appropriately to a broader range of circumstances. And financial counseling services that many CUs have introduced can be alerted to signs of financial stress or even during early stage collections to head off bigger problems—ultimately helping members manage their financial health, she adds.

Using a handful of standard collection messages is on its way out, agrees Larry Edgar-Smith, VP/business solutions and product strategy for North America at CUES Supplier member Temenos Infinity (*temenos.com*), Malvern, Pennsylvania. "The goal now is to get specific, to craft a message based on the particular circumstances of a particular borrower with a particular loan."

For example, one Wisconsin-based client built its own algorithm that takes available data and generates a score that is imported into the collection module. The collector sees as much information about the debt and debtor as the bank can provide, Edgar-Smith reports. "If a debtor is habitually a few days late but always pays," he illustrates, "you don't want to waste the collector's time and irritate the member by sending a message."

Edgar-Smith is looking ahead to artificial intelligence. Collections could be fertile ground for AI, enabling collectors to know instead of guessing why a member has not made loan payments.

But so far, the impact of AI has been slight. Tucson FCU collectors are not yet informed by anything approaching artificial intelligence, Kemp says. There's no real data mining and analysis behind what collectors see on their screens, but the collection software is linked to the core system, so collectors do see how long the person has been a member and the other CU services that member is using, she explains.

With analytics advancements, PSCU is better able to determine how to collect, but the "why" behind the delinquency is still pretty opaque, Balmer reports. "We see what [member information] credit union clients provide, and it's basic. Artificial intelligence isn't uncovering and reporting a lot about debtors' circumstances, but behavior models are showing us things like the best times to call and the best channels to use to improve responses."

Ent collectors can see the loan origination documentation and the payment history, Clark says. "And since we don't purge collection notes, collectors can see collection history going back as far as 2004." That limited intelligence could soon expand. "We're implementing a 2020 initiative with a vendor, SWBC (*swbc.com*, San Antonio, a CUES Supplier member), that supports artificial intelligence," she reports. "That will give us better analysis of larger amounts of data and multi-channel capability for our messages. We'll be able to use text and e-mail as well as offer member-driven payment portals."

Moreira sees an AI revolution on the horizon for collections, one that will bring cool automation and the personal touch together. "Traditionally, automated service has been considered impersonal and standardized, while face-to-face service has been seen as more personalized and sensitive to each individual's circumstances, but that no longer has to be the case," he says. "Today, we're having discussions about artificial intelligence taking an increased role in communication and debt remediation. Already providers are building debtor 'profiles' that take into account what they know about the debtor, which could include total debt, assets, income from various sources and payment history."

That could be the tip of the iceberg. For risk assessment, Moreira speculates, it could be helpful to know that a member 60 days late on a credit card payment had a motor home repossessed six months ago and a daughter who is getting married in a month. Or that a delinquent member is named in a probated will and is likely to receive upwards of $100,000 within a year. Someday that could be possible, he suggests.

In-depth, face-to-face financial problem-solving, a CU hallmark, won't disappear, but it will shrink, Balmer concludes. "Members apply for loans online; they could apply for loan mitigation online," he says, if that's how the debtor prefers to work.

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

MORE ON COLLECTIONS

Rescuing Troubled Loans (*cumanagement.com/0120rescuing*)

Decentralized Collections (*cumanagement.com/0120decentralized*)

A Guide to Auditing Your In-House Collections (*cumanagement.com/082119skybox*))

Lending Perspectives: The Future of Collections Is Self Service (*cumanagement.com/0318lendingperspectives*)

Completing the Collections Puzzle (*cumanagement.com/0818puzzle*)

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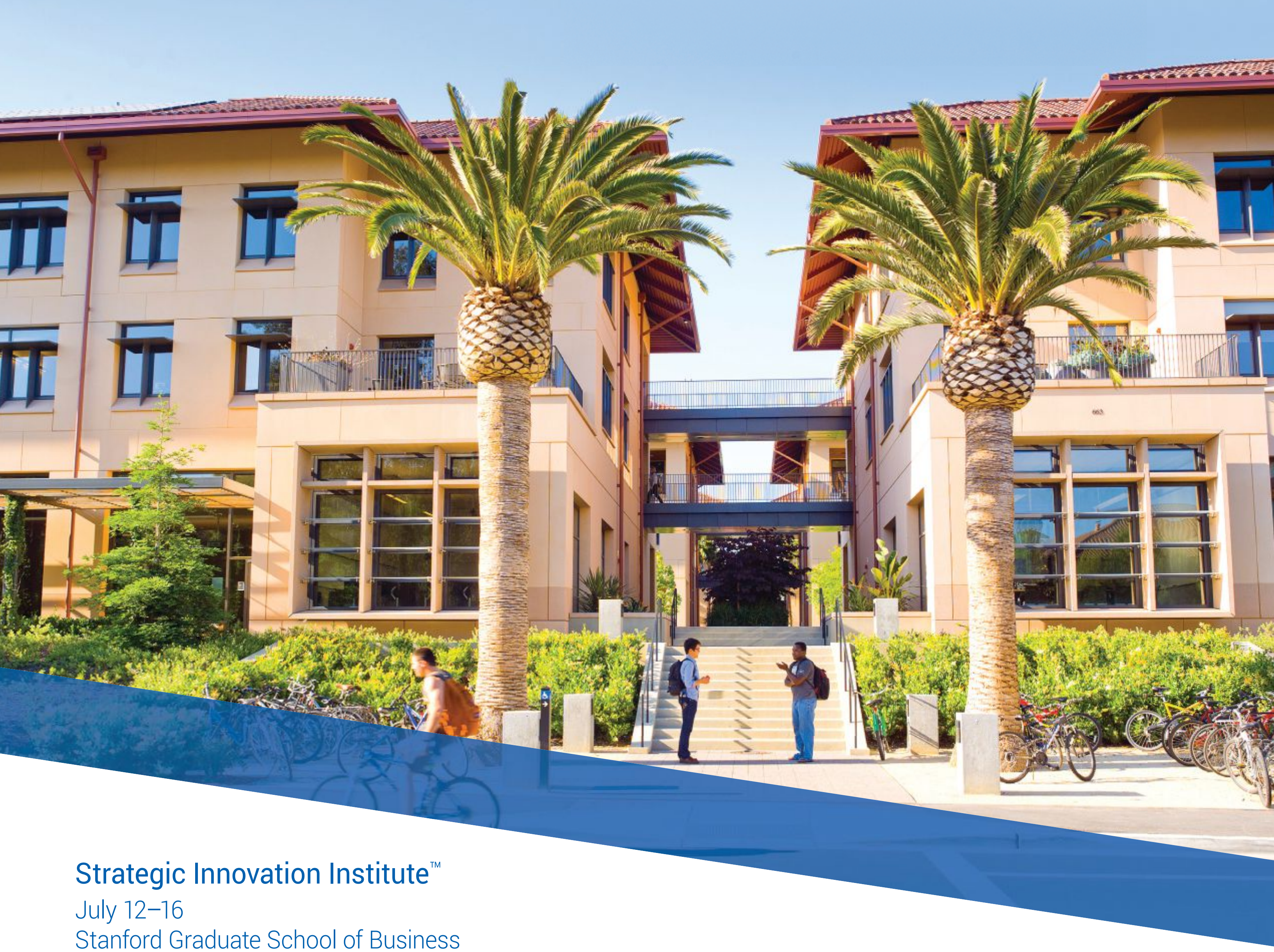

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Educating Emerging *Leaders*

CUES EMERGE PROGRAM LAUNCHES TO SUPPORT THE FUTURE OF CREDIT UNIONS.

BY JOHN PEMBROKE

At CUES, we believe that investing in the next generation of leaders is incredibly important to the credit union industry.

This is why our mission includes educating and developing future leaders. This is why we celebrated the attendance of so many millennials at our recent Directors Conference (*cues.org/dc*)—and why the event program included a session in which young board members gave pointers about recruiting millennials to serve on credit union boards. This is also why we're evolving our very successful, decade-old CUES Next Top Credit Union Exec challenge into our new CUES Emerge (*cuesemerge.com*) program, which combines online learning, peer collaboration and an exciting competition component.

While many emerging leaders are young people, an important feature of the new CUES program is that emerging leaders of all ages are encouraged to participate. Another key component of CUES Emerge is that education is front and center for all participants, rather than the prize for the ultimate winner. I'm also really pleased that all participants in the new challenge who successfully complete the online classes, peer sessions and a business case will receive our new CCM (Certified Credit Union Manager) designation.

In addition to all the education emerging leaders will get from participating, being part of CUES Emerge in 2020 will be a great way for these budding leaders to learn about or deepen their use of their CUES membership benefits (*cues.org/membership*), as the educational components of the program will be delivered via CUES Elite Access courses, the CUESNet online forum and CUES Learning Portal.

HOW IT WORKS

Here are more details on the path CUES Emerge participants will follow:

First, they'll need to apply. Up to 30 applicants will be accepted into a six-week, online course that includes live instruction and an opportunity to collaborate with other participants. Program participants will take three Elite Access classes held every other week. These interactive online sessions will build knowledge and understanding through connections with subject matter experts and peers. Three Mastermind sessions will take place between each Elite Access class. These cohort discussions and workgroups will support the application of learning and guide business case development. The course will culminate with each participant creating and delivering a business case.

At that point, a judging panel will review the submitted business cases and select five finalists to move forward in the competition. The five finalists will further refine and evolve their business cases with the help of professional coaches and credit union mentors, then present their polished business cases during a dynamic online pitch show.

Based on the business cases and participants' presentations, a panel of judges will select the top three emerging leaders. All three of these individuals will receive an education and coaching package that includes registration to the CUES School of Applied Strategic Management™ (*cues.org/sasm*) in 2021. When they complete this school, they will earn the CSE (Certified Senior Executive) designation.

The judging panel will also select the ultimate winner. The 2020 CUES Emerging Leader will receive an all-expenses-paid trip to CEO/Executive Team Network™ (*cues.org/cnet*), slated for Nov. 2-4, in Austin, Texas, where they will be recognized for their accomplishment. The winner will also receive an ongoing leadership coaching package.

Would this program be just the thing for you? Or maybe for a member of your team? I hope you'll check it out and apply—or encourage one of your colleagues to do so. The future of credit unions in 2020 and beyond depends on how well we choose—and prepare—our emerging leaders.

John Pembroke *is president/CEO of CUES.*

MORE ON EMERGING LEADERS

CUES Membership Minute: Calling All Emerging Leaders (*cumanagement.com/120919skybox*)

Embracing Authenticity as an Emerging Leader (*cumanagement.com/1118emerging*)

Developing Talent Must Be a Strategic Priority (*cumanagement.com/0718talent*)

FEBRUARY 2020

Special Report: Growth

Credit Union Management

GROWING WITH MEMBERS IN MIND

Three credit union CEOs share their journeys.

PLUS

Growing With *Members in Mind*

THREE CREDIT UNION CEOs SHARE THEIR JOURNEYS.

BY STEPHANIE SCHWENN SEBRING

We recently asked three CUES member CEOs if they are excited to grow their credit unions—even to lead their organizations to double in size. And they are. But what most inspires the growth efforts of these three leaders isn't economy of scale or a larger market share. It's the opportunity to serve more members well.

LIVING A SERVICE CHARTER

When CUES member Jason Kostura became CEO of $131 million CACL Federal Credit Union (*caclfcu.org*), Pottsville, Pennsylvania, in 2012, he knew the CU had growth potential—and that it could make a bigger difference in its community.

"We've had a low-income designation … but didn't use it," notes Kostura. In 2012-2013, "we changed our philosophy from a typical conservative model (competing for A/A+ loan paper) to embracing the communities we serve, including the underserved."

Also undertaking an outside-the-box ad strategy—establishing relationships with area businesses and auto dealers—and focusing on such less typical loan products as older-model used car loans, the CU has seen exceptional growth.

The strategy was to double in asset size every five years while maintaining an 85% to 90% loan-to-share ratio and a net worth above 10%. From December 2013 to September 2019, Kostura notes, assets doubled to $131 million from $62 million.

Loans to deposits and return on assets increased accordingly, resulting in higher-than-market deposits. All this occurred with no mergers, new branches or charter changes—but required a lot of training.

"We spend five times more on education and training than credit unions our size," Kostura notes. "It was essential that everyone understood risk and how to properly read it. The key wasn't that we took on a lot of risk and did 'X' to mitigate it. The key was we educated our staff/board to understand what is real risk and what to avoid."

Kostura offers this advice on growth: Focus on loans, income and improving efficiencies as well as assets. For example, CACL FCU strives for a loan-to-deposit ratio of 90% while increasing its loan yield.

"Some credit unions focus on deposit growth and have no idea what to do with the deposits once they come in. There must be a plan for smart growth and how to loan out those funds," he says. "If your loan-to-deposit ratio falls below 60%, stop growing assets. Establish clear steps but incorporate member needs and include your vision statement."

Compliance is crucial, he adds. "The NCUA frowns on anything outside the 'normal.' Be ready to have discussions if you're growing faster than your peers. Overwhelm auditors with data and tactics to show you're not doing anything incorrectly or rashly.

"As leaders, look within yourselves as well," he continues. "Ask if what you're doing is profitable, and how and when you will know if the plan isn't working. If things go south, what is the next step? Do you and your board understand that what you are doing may be potentially risky, and does everyone assume that risk? Detail these discussions in board minutes."

MERGERS FOR MEMBERS

The maxim of $850 million Marine Credit Union (*marinecu.com*)—"where you're more than a credit score"—resonates with members and has helped foster a culture of growth and member service at the community-based CU in La Crosse, Wisconsin.

CEO Shawn Hanson credits years of expansion to the CU's aggressive mergers and acquisitions strategy, which is central to its business model. From 2013 to 2019, the number of checking accounts increased from 28,828 to 53,341; member equity (net worth) increased from $45.9 million to more than $93 million; and shares increased from $351.9 million to more than $630 million.

"Our M&A strategy is part of our disciplined focus on attacking the constraints in front of us each day," says the CUES member. "Constraints include access to new markets, finding and retaining top talent, and having the financial resources which allow us to execute on future plans."

In 2019, the CU set the goal to double every four years the number of people it helps improve their financial wellness. Success will be measured by members' improved credit scores and savings balances.

Hanson stresses that growth for the sake of growth is not the credit union's goal, nor should it ever be.

MORE ON GROWTH

Growth coverage on CUmanagement.com *(cumanagement.com/growth)*

The Five Levers of Success for Your Credit Union's Growth Strategy *(cumanagement.com/0817fivelevers)*

Strategic Growth Institute™, returning in 2021 (*cues.org/sgi*)

"At Marine, ... we've realigned our top KPIs (key performance indicators) to ... explain how these positive member outcomes create positive financial results. ... This system will result in an even greater impact in our communities going forward."

This cultural shift has had an overarching impact on the strategic plan, now 100% focused on the CU's mission "to advance the lives of its members from a place of financial need to a life of ownership and giving back in their communities."

"We can't possibly help members grow and advance on their own journeys if we're not willing to do the same," observes Hanson. Growth is required to invest in products and technology to reach more people and stay relevant for their evolving needs. The CU is equally committed to career development for team members.

The highest growth levels in the last four years have been in consumer loans and mortgages, especially for underserved members. "We've granted well over a billion dollars in loans (in 2016-2019) to underserved individuals," notes Hanson. "We work hard to open accounts for people others may hesitate to serve. Our M&A strategy has helped us to reach more of the underserved population; in 2019 alone, we helped about 40,000 people improve their credit scores."

BEING MEMBERS' HERO

$670 million Sun East Federal Credit Union (*suneast.org*), Aston, Pennsylvania, laid careful preparations to grow for members' sake.

"Growth drives innovation—and vice versa—but it's serving our members, being their hero and helping them to reach their hopes and dreams that is the overarching goal," stresses CEO Michael Kaczenski, CCE, a 32-year employee of the CU and a CUES member.

Five years ago, Kaczenski reflects, "we asked what we could do to compete better." The outcome was a five-year growth plan to reach $1 billion in assets by the end of 2023.

It took three years of preparation (2015-2017) to ensure financial prudence, continued member care and the proper infrastructure were in place before the growth phase began. The CU also intentionally pulled back on growth, and return on assets was suppressed to less than 50 basis points.

In the first year, the CU set a 10% growth goal for loans and deposits. By implementing new pricing models, lending systems and processes, marketing strategies, sales expectations and a culture of being "heroic," the CU surpassed its initial targets by more than 50%, achieving 16% growth in both loans and deposits.

At the end of 2018, the CU took a step back to re-evaluate. "Our systems (people and resources) handled the growth; however, some systems were stressed, particularly IT," Kaczenski says. "We realized additional technical talent was needed along with improved systems, specifically hardware and networking capacity." On the service side, staff wanted more cross-training.

The outcomes of 2018 affirmed that the CU could grow, but "we needed to do a better job at planning for growth, spotting obstacles and fine-tuning our processes," says Kaczenski. "We added a second board planning session. ... For better growth management, we adjusted our goals down for 2019 to 9.5% for loans and deposits."

Continuing its journey, the CU has set a goal of 11% annual growth for the next five years. "When we establish these goals, we look at what we can do and the options available—as well as what we've accomplished," says Kaczenski. "We know we can grow at double-digit rates, and we build our business plan around it.

"What levers do we need to pull? Maybe it's business lending or mortgages. ... On the deposit side, perhaps it is pulling a CD lever to bring in money to loan out for a nice spread. We have over 50 different 'levers' to hit growth and ROA goals," he says. "As an executive team, we continuously review these levers."

Despite the planning and projections, in the end, Kaczenski says it doesn't matter if the CU doubles in size. "We'll achieve growth if we do it right by our members. It's not ego or a number we're striving for. When we reach our goals, it will be because we've helped our members—that we've been their heroes."

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.*

Growing Your *Payments Programs?*

We asked Norm Patrick, vice president of Advisors Plus Consulting (*advisorsplus.com*) at CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida, for his best answers to key questions about payments growth planning at credit unions.

1. **What are your top tips for developing growth goals for payment offerings?** Growth goals should be clearly outlined—including acceptable parameters, like credit scores—along with developing and actively managing a set of annual strategies that support those goals.
2. **What are the key elements of a credit union payments growth plan?** A growth plan specific to payments will often have a strong connection with a credit union's strategic plan. It is a best practice to develop annual growth strategies for payments that are actively managed and calibrated over the duration of the strategic plan.
3. **Are there such things as too much growth or growing too fast?** Yes. Growth needs to be calculated, managed and overseen carefully. When not effectively managed, growth can be risky. For example, operational risk may present itself if a credit union is not prepared with scale or staffing to accommodate significant increases in payments volume. Additionally, payments growth on the lower end of the credit spectrum may come relatively easily but also may increase credit risk.
4. **What's the top area in which credit unions should try to grow?** Checking/share draft accounts drive significant non-interest income through debit card interchange and other revenue streams. Credit cards continue to provide a great return on assets for credit unions in a highly competitive market. As part of a credit union growth plan, strategies should be placed on the optimization of payments products, including product offering, positioning, pricing and the member experience.

The Impact of Powerful Partnerships on Credit Union Growth

By Glynn Frechette, SVP, Advisors Plus at PSCU

Advisors Plus | PSCU

Across the credit union industry, executives are grappling with how to continue gaining new members and retain and expand current member relationships. Put simply, how do we continue to grow?

From growth strategies focused on optimizing legacy debit and credit card programs to marketing initiatives and more, finding the right formula to achieving credit union growth can be tricky – but it does not have to be. Credit unions of all sizes should consider partnering with a third-party organization with a track record of successfully helping credit unions grow rather than going it alone.

PSCU's industry-leading team of experts at Advisors Plus is dedicated to and solely focused on creating marketing growth campaigns and portfolio, loyalty, contact center and operations optimizations that help credit unions meet their business challenges and grow. Advisors Plus employs a holistic approach in which a dedicated Advisors Plus consultant engages with a credit union at the start of their partnership to understand the credit union's goals and objectives. The consultant then analyzes all available data in order to not only provide recommendations, but also help execute the resulting campaigns from start to finish. Back-end analysis is provided so credit unions can clearly see the return-on-investment of each campaign. In order to meet a credit union's specific goals, Advisors Plus offers a number of subscription plans, ranging from assistance with the essentials to full marketing consulting and execution support. By following this approach and addressing each credit union's unique needs and challenges, Advisors Plus credit unions experienced a 160% higher growth rate (6.07%) year-over-year on average in active accounts over other credit unions across the industry not working with Advisors Plus (2.33%). And that's just the beginning.

Partnering with a third-party organization can also help credit unions achieve balance and dollar volume growth. During the same time frame, credit unions that partnered with Advisors Plus saw balance growth of 6.86%, 20 times higher than credit unions not working with Advisors Plus (0.34%). The credit union industry, excluding Navy Federal, grew 4.8% during the same time period. Advisors Plus achieves this through a stair-step approach in which Advisors Plus experts help credit unions by providing recommendations on how to acquire accounts, activate those accounts and follow up with a balance-transfer opportunity, as well as a credit line increase.

Dollar volume growth speaks to a credit union's ability to achieve top of digital wallet and physical wallet status. Year-over-year, Advisors Plus credit unions experienced 50% higher growth in this category (10.17%) compared to non-partners (6.79%). According to The Nilson Report, all U.S. issuers – including big banks, financial institutions and credit unions – saw a 9.4% dollar volume growth during the same time period. As PSCU reported in its 2019 Eye on Payments study, convenience and ease of use are the driving factors behind a consumer's choice in payment method. Advisors Plus can help credit unions ensure their programs, offerings and services are well-marketed, clearly communicated and easy for consumers to use in order to achieve and keep top-of-wallet status. Additionally, offering a robust rewards program that is superior to other financial institutions can also lead to higher spend among members.

Contrary to what credit union executives might believe, there is a solution for every credit union challenge, whether it is finding new members, retaining current members or expanding existing accounts. Partnering with a third-party organization like PSCU's Advisors Plus is one solution that can bring unmatched value and growth to your credit union.

To learn more, visit AdvisorsPlus.com.

Glynn Frechette leads the Advisors Plus Consulting and Campaign Services organization and is responsible for directing and deploying the full range of Advisors Plus financial and marketing services to credit unions. He has spent 25 years in the financial services industry, specializing in credit union and community bank partnerships.
Advisors Plus is now offering customized solutions that can be tailored to the needs of any size credit union and include both consulting services and assistance with the deployment of campaigns on the credit union's behalf.

The Lateral Way *To The Top*

INTERNAL MOBILITY IS HOW TO DEVELOP AND RETAIN LEADERS WHO DRIVE GROWTH; THE RIGHT BENEFITS WILL HELP RETAIN THEM.

BY ANDY ROQUET

If your credit union's succession plan is only focused on how to replace the person at the top of your executive pyramid, you probably don't have an effective, long-term leadership continuity strategy. Research shows that a pyramid probably isn't the right structure for a succession program that engages, retains and develops your best talent.

A report by the consulting firm Deloitte makes a strong case for building a succession program around internal mobility. Think of doing so as putting your money where your mouth is when you tell employees, "We promote from within." Building a succession program around internal mobility uses lateral mobility and cross-training to promote a culture of continuous learning and growth.

TALENT MOBILITY TIED TO GROWTH

Internal mobility increases your credit union's pool of employees who have direct experience in multiple areas of operations. As this pool grows, your pipeline for executive talent gets stronger.

This may sound simple, but Deloitte's "2019 Global Human Capital Trends" (*tinyurl.com/y2axvxo2*) survey suggests otherwise: Only 6% of survey respondents said they're excellent at moving employees from role to role, while 59% rated themselves fair or inadequate. Is your credit union in this 59%?

If so, use the six steps below to help you invest in a larger, more versatile pool of leadership talent. But first, let's look at the main reason for your credit union to groom internal candidates: They're more likely to help your credit union succeed.

Deloitte compared the surveyed organizations that had grown 10% or more over the prior year to those whose revenues had shrunk. The high-growth organizations were *more than three times as likely* to have excellent talent mobility programs. (For more evidence, see the sidebar, "Why It Pays to Hire From Within" on p. 30.)

6 STEPS TO A STRONGER LEADERSHIP PIPELINE

1. Establish responsibility/accountability for your leadership succession program.

Assign a board committee to regularly review your credit union's succession program and an executive who will be held accountable for it. Consider assigning this to your head of HR rather than the CEO, to guard against excessive bias based on personal relationships.

2. Routinely recruit candidates from outside of the hiring department.

Break down your internal hiring silos. Publicize all job openings throughout your organization and provide employees an easy online application process. They shouldn't have to jump through the same hoops as outside candidates.

3. Include an employee cross-training program in your management team's core responsibilities.

Prepare employees to move from one department and/or branch to another by creating a structured cross-training program. Give the employee trainers the freedom—and responsibility—to devote time in their daily routines to cross-train. They may sacrifice some short-term efficiency for your credit union's long-term success.

4. Use executive cross-training to change your leadership culture and create freedom from fiefdoms.

Cross-training at the executive level would be a significant culture change for many CUs. Traditionally, executives oversee more and more functions as they move up. But in a cross-training culture, execs would gradually trade some areas they oversee with colleagues. Teamwork becomes a higher priority than empire building.

To minimize disruptions, cross-training executives might keep 80% of their duties and swap the other 20% with another executive. While you slowly add to their knowledge and versatility, you may also see them bring fresh eyes and new ideas that improve results.

5. Reward managers for cross-training/hiring results.

The strongest incentives for your managers and executives are typically for taking care of day-to-day operations. But if they're going to be held accountable for cross-training and cross-hiring, these goals and results should also figure into their performance reviews, raises and bonuses. Again: This is a short-term expense on the path to long-term success.

6. As your top leadership candidates emerge, create meaningful motivation to protect them from would-be poachers.

Once your succession program has identified and groomed your best talent for moving into the C-suite, you need to invest in these people, so they don't end up on your competitors' executive teams instead.

Competitive salaries and bonuses are excellent incentives, of course, but they're also easily matched by a competitor. Same thing for common employee benefits, such as disability and group life insurance. Other supplemental executive benefits, however, can create a stronger tie between your credit union and its most valued leaders.

NOT JUST FOR CEOs ANYMORE: PUT SOME 'TEETH' IN BENEFITS

To compete with stock options and other benefits that competitors can offer, credit unions have been offering 457(f) plans and split-dollar life insurance arrangements to their chief executive officers for many years. Now, however, they're no longer just for CEOs—credit unions are using them to keep their suite of top talent on board for the long run.

According to CUNA Mutual Group's internal data, half of its executive benefits plans for credit unions were for non-CEOs. Of the 50% that weren't for CEOs, about 40% went to COOs, CFOs or CIOs, and about 60% went to vice presidents and managers.

These supplemental benefits are effective for retention because participants who leave your credit union generally must forfeit the proceeds, unlike with a 401(k) plan.

Here's a quick breakdown of how these two benefits options work.

457(F) PLANS

A 457(f) plan is a non-qualified deferred compensation plan. Unlike a 401(k), a 457(f) is owned by the credit union, not the employee, and there are no contribution limits. A 457(f) can be funded by a variety of financial instruments the National Credit Union Administration (*ncua.gov*) otherwise doesn't permit, such as securities, corporate-owned life insurance and annuities.

457(f) plans can provide lump-sum payouts at agreed-upon intervals as long as the employee stays with the credit union. The employee forfeits any 457(f) proceeds by leaving before the vesting dates (or for other reasons specified in an agreement).

Credit unions can fund 457(f) plans to retain multiple management-level employees of various ages and tenures—participants can be added to the program at any time.

SPLIT-DOLLAR LIFE INSURANCE

The most common split-dollar life insurance arrangement for credit union executives is "collateral assignment split-dollar," also called a "loan regime" split-dollar plan. A CASD program can add supplemental retirement income to executive

The question you should be answering is: Who among our current staff could become the best CEO this credit union has ever had, and how can we develop and reward that person before he or she takes a job somewhere else?

MORE ON DEVELOPMENT

Paving the Way for Career Development (*cumanagement.com/0619paving*)

Purposeful Talent Development: Helping Your Staff Navigate the 'Career Jungle Gym' (*cumanagement.com/112519skybox*)

Help Your Credit Union's Future Leaders Be Stars (*cumanagement.com/0119stars*)

Leadership Development Guide, a benefit for CUES Unlimited and Unlimited+ members (*cues.org/membership*)

CUESolutions Provider CUNA Mutual Group (cues.org/cmg)

compensation packages.

According to NCUA 5300 Call Report data (*tinyurl.com/rzgbrhq*), assets for CASD programs increased 115% from third-quarter 2016 through third-quarter 2019. Clearly, they're changing the terrain for executive compensation.

Here's how these arrangements generally work: The credit union issues the executive a loan to cover a cash-value life insurance policy premium. The death benefit collateralizes the loan, and the credit union earns interest on the total loan amount.

So, the credit union receives the loan amount plus accrued interest when the executive dies, and the executive's beneficiaries receive any remaining death benefit.

The objective is for the cash-value policy to generate enough earnings so that the executive can withdraw a portion of the cash value to supplement retirement income. These cash-value earnings grow tax-deferred within the policy, and the executive's withdrawals also can be income tax-free.

CASD arrangements can be designed to generate a steady income stream for about 10 to 20 years.

CASD arrangements may not be incentive enough for younger managers who are still developing into C-suite prospects. But a CASD and a 457(f) can be a powerful combination to motivate and retain an executive who has entered that top tier—and who you want to keep on board until retirement.

BEFORE ASKING 'WHO'S NEXT?' ASK 'WHO CAN BE THE BEST?'

Many succession plans come down to answering this question: When your CEO or another top executive leaves, who should take over?

But that's not all your plan should do.

The question you should be answering is: Who among our current staff could become the best CEO this credit union has ever had, and how can we develop and reward that person before he or she takes a job somewhere else?

Okay, that's really two questions, and they're both much more difficult to answer. But that's the point.

Creating internal mobility requires a commitment of time, effort, resources and oversight. But the result should be a more engaged, adaptable and loyal workforce.

Andy Roquet *is senior executive benefits specialist for CUESolutions Platinum provider CUNA Mutual Group* (cunamutual.com)*, Madison, Wisconsin. Reach him at* andy.roquet@cunamutual.com. *For more information about becoming a CUESolutions provider, please email* kari@cues.org.

Why It Pays *To Hire From Within*

Sometimes it makes sense to look outside your credit union for skills, experience or talent you don't have for a specific job opening—or even to validate internal candidates.

But most experienced credit union executives have probably seen firsthand how much more difficult and expensive it can be to hire a C-suite employee from outside the credit union.

The following research shows that the difference between organizations with and without effective succession plans can be dramatic.

Mobile talent promotes revenue growth. The fastest-growing organizations (10% revenue growth or more over the prior year) surveyed by Deloitte in 2019 (*tinyurl.com/y2axvxo2*) were:

- twice as likely to have excellent talent mobility programs than survey respondents who hadn't grown at all, and
- more than three times as likely to have excellent talent mobility programs than organizations whose revenues had shrunk.

External hires fail too often. According to a survey (*tinyurl.com/w3ukmle*) of C-suite executives by global consulting and technology firm CEB (now a Gartner subsidiary):

- A leader hired from outside takes twice as long to get up to speed as someone promoted internally.
- Of the executives hired from outside the survey respondents' firms, only one in five were viewed as high performers at the end of their first year.
- Almost half of the leaders hired from the outside failed within the first 18 months.

Keith Kasmire

Title: VP/Sales

Company: CU Members Mortgage

Phone: 800.607.3474, ext. 3312

Email: keith.kasmire@homeloancu.com

Website: cumembers.com

What makes CU Members Mortgage unique?
Established in 1982, CU Members Mortgage was the first mortgage solutions provider in the credit union industry, and we're still going strong. For nearly 40 years, we've collaborated with CUs across the nation to fulfill their lending goals and achieve the home ownership dreams of their members. We continue to lead the way with a digital mortgage experience, bringing tomorrow's advancements to CUs today. Plus, retained servicing protects your member relationship and ensures that great service will be the utmost priority for years to come.

What do your clients love about CU Members Mortgage?
Our culture is perfectly aligned with the CU philosophy of people helping people. Unlike most typical mortgage sellers, we focus on families, not files. Experience, dedication and compassion guide our actions and allow our CUs to breathe easy, putting their trust in a partner that will carefully guide their members to solutions, now and in the future.

How does CU Members Mortgage make its credit union clients more successful?
CU Members Mortgage offers lending expertise that positions CUs for success. We provide a strong foundation of lending practices, from examiner-friendly policies and procedures to a wide range of product options. CU Members Mortgage works diligently to deliver the tools and experience that will supplement and leverage your existing talent. Our dedication and expertise strengthen the credit union impact in the marketplace—delivering more and better loans and a first-class member experience.

How is CU Members Mortgage making the credit union industry stronger?
CU Members Mortgage levels the playing field, giving CUs of all sizes the tools, technology and resources to compare favorably to any lender in the country for their members' mortgage loans. Whether it is the digital origination experience, the comprehensive menu of products, the compliance expertise, the portfolio servicing options or the secondary market execution, we've got your back to ensure your success.

Trace Ledbetter

Title: Executive Vice President

Company: State National

Phone: 800.877.4567

Website: statenational.com

Why do credit unions trust State National?
CUs make up the vast majority of our client base, and we have specialized in serving their specific needs since we were founded in 1973. Over the decades, we have developed a deep understanding of CU needs, wants and pain points. Through this understanding, we have proactively built our solutions to help our CU partners successfully meet their needs while maximizing their benefits.

Because we focus exclusively on portfolio protection, we're able to stay on the leading edge of continual improvements and enhancements to that product.

Our clients know that we're their partner and that we have an unwavering commitment to their success and satisfaction. They see those efforts and results firsthand.

Why is State National the industry leader?
Our tracking, reporting and claims payment systems are head and shoulders above what anyone else can offer because we have devoted decades to creating proprietary tools and systems specifically designed for portfolio protection. We've invested heavily in such innovations as insurance verification powered by artificial intelligence and automated workflows to do things faster, easier and with greater accuracy and efficiency.

The fact that we don't outsource to third parties is unique, too. We keep everything in-house, including underwriting and our customer contact center, to avoid unnecessary friction and risk.

Plus, we don't take shortcuts. We take the extra step to make sure we're doing everything we can for our clients. The outcome is less noise and better results for the CU.

What are some main priorities for CUs?
A big part of what helps a CU thrive is successfully mitigating risk. Obviously, that's what we specialize in when it comes to their auto and mortgage portfolios, but prudent management of all risks is critical to carrying out other vital functions, such as maximizing profitability and maintaining superior member relationships.

Keeping up with technology is another priority that touches all areas of a CU. We spend a lot of time researching and exploring technologies that could help CUs so that we can be a thought leader and resource to them as they navigate the rapidly changing landscape.

CUES 2020 CALENDAR

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CUES Symposium	Kohala Coast, Big Island, HI	**February 9-13**	CEO/Chair Team Price $3,700 *addt'l attendees $1,850 each*
March			
Execu/Summit®	Park City, UT	**March 8-13**	$1,795
CEO Institute I: *Strategic Planning*	The Wharton School University of Pennsylvania	**March 29-April 3**	$9,295
April			
CEO Institute II: *Organizational Effectiveness*	Samuel Curtis Johnson Graduate School of Management, Cornell University	**April 26-May 1**	$9,295
CUES School of Applied Strategic Management™	Orlando, FL	**April 27-30**	$2,495
CUES School of Business Lending™ I: *Business Lending Fundamentals*	Orlando, FL	**April 27-May 1**	$2,895 / *Attend all 3 schools in one year for $2,400 each.*
May			
CEO Institute III: *Strategic Leadership Development*	UVA Darden Executive Education	**May 3-8**	$9,295
June			
Execu/Blend™	Santa Barbara, CA	**June 7-10**	$1,645
CUES Governance Leadership Institute™	Joseph L. Rotman School of Management University of Toronto	**June 7-10**	$5,995
July			
Board Chair Development Seminar	Montreal, Quebec, Canada	**July 13-14**	$1,295
Director Development Seminar	Montreal, Quebec, Canada	**July 15-17**	$1,445
Strategic Innovation Institute™	Stanford Graduate School of Business Stanford University	**July 12-16**	$10,595
CUES School of Strategic Marketing™	Cleveland, OH	**July 20-23**	$2,495
CUES School of Business Lending™ II: *Financial Analysis and Diagnostic Assessment*	Cleveland, OH	**July 20-24**	$2,895 / *Attend all 3 schools in one year for $2,400 each.*
August			
CEO Institute III: *Strategic Leadership Development*	UVA Darden Executive Education	**August 2-7**	$9,295
Execu/Net™	Jackson Hole, WY	**August 30-September 2**	$1,645
September			
CUES School of Business Lending™ III: *Strategic Business Lending*	Chicago, IL	**September 21-25**	$2,895 / *Attend all 3 schools in one year for $2,400 each.*
Supervisory Committee Development Seminar	Nashville, TN	**September 21-22**	$1,295
Director Strategy Seminar	Nashville, TN	**September 23-25**	$1,445
November			
CEO/Executive Team Network™	Austin, TX	**November 2-4**	$1,295
December			
Directors Conference	Palm Desert, CA	**December 6-9**	$1,645

Prices are in US dollars and reflect member pricing. For other pricing options, visit **cues.org/Events**.

Finding Time and Energy *for Mentoring*

BY RANDY EMELO

We all know how difficult it is to find the time to complete tasks associated with our daily work duties, much less to find time for such additional activities as mentoring. So why do people mentor? And more importantly, how do they do it?

The answers to these questions are as unique as people themselves, yet there are some common factors. Many people become involved in mentoring so they can learn a new skill, advance their careers, share wisdom and expand their personal networks.

These factors persuade us to engage in mentoring. Yet at times, despite our best efforts, we experience difficulties in our mentoring relationships. The biggest deterrent to a successful mentoring relationship is dedicating time and energy to it. Half-hearted efforts yield half-hearted results. For a mentoring relationship to succeed, people need to fully invest themselves.

So how do we do that, given all of our other obligations?

The answer comes down to commitment—being obligated or emotionally impelled. People who are committed to mentoring make time for it because of the value it holds for them. They find the time to make the relationship work by holding it as a high priority for themselves, ensuring they give the relationship the attention it needs and deserves. They value seeing the relationship succeed and work to make sure the goals for the relationship are realized. As a result, they can be trusted to take actions that follow through on their promises. These traits are also why people like this make great partners to have in a mentoring relationship.

Asking questions at the beginning of the relationship and determining the scope of the potential relationship can help you assess your time and energy commitments. This will also help you figure out if you have the availability to fully invest yourself in the relationship. The following questions can help you determine the scope of the relationship and estimate how much time the relationship will require of you.

- What are the goals for this relationship?
- How can you blend tasks from the mentoring relationship with required work tasks?
- What are you saying no to in order to say yes to mentoring?
- How can you accommodate one another's time constraints?

If, after asking these questions, you determine you do not have the time or energy for the relationship, let your partner know immediately. It is better to say no at the beginning of the relationship than to fail your partner halfway through.

While it is ideal to ask these questions before committing yourself to a mentoring relationship, the reality is that many people are already involved in mentoring and not at the beginning of their relationships. If this is the case, you can still use the questions as a way to reflect on your relationship to date and determine what you might need to do to renew your commitment to the learning and to your partner. In fact, revisit your commitment to the relationship occasionally as a best practice, and then re-establish and reinvigorate the relationship with your new understanding.

Mentoring is a two-way street. If you show up with passion and engage in the relationship with honest enthusiasm, you can help encourage more passion and enthusiasm in your partner.

Randy Emelo *is principal consultant with CoreConnection Consulting* (coreconnectionconsulting.com).

Read the full post and leave a comment at cumanagement.com/120219skybox.

"Protecting vulnerable adults from financial exploitation is everyone's business; these victims are our community members, friends and family. ... Education leads to awareness, and training leads to systematic prevention procedures, both of which our community financial institutions need to combat this rising threat. Our seniors are worth the effort, so keep up the good fight."

Terri Luttrell, CAMS-Audit with Abrigo (*abrigo.com*), Austin, Texas, in "Spotting Elder Financial Exploitation Red Flags" on CUES Skybox: *cumanagement.com/122319skybox*

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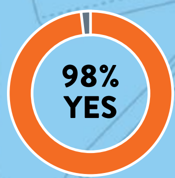

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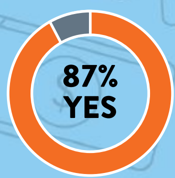

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