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cumanagement.com/1219ransomware

CUES Video

What Is 'Technical Debt' and How Can CUs Overcome It?

What exactly is technical debt and why is it important that it be addressed? Michael Carter, EVP for CUESolutions provider SRM, explains why credit unions should be aware of this debt and gives practical advice on how to remediate it.

cumanagement.com/video123019

Online-Only Column

Leadership Matters: Grace Under Fire

There's no question about it: Today's workplace can be stressful. How you behave when times are bad will define you as a leader and set the tone for how others manage the situation.

cumanagement.com/1219leadershipmatters

CUES Podcast

Episode 83: How Leaders Can Foster Creativity

Beta Mannix, Ph.D., lead faculty member of CEO Institute II, discusses teaching team members how to be more creative, "structured brainstorming," and the role of company culture in fostering creativity.

cumanagement.com/podcast83

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LET'S CONNECT

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Setting Intentions *and Priorities for 2020*

Do you make New Year's Resolutions? I do, though I call them intentions.

I make intentions throughout the year, most often at the beginning of each new season. I like to spend a few minutes with my journal, jotting down what I'd like to accomplish personally or professionally in the coming months, think about what didn't work so well for me and my family over the past season, and ponder what I want to be different going forward.

My intentions are common enough, such as swim more or spend less. But one month, I wrote simply "less chaos, more calm."

Therefore it was perfect timing for me when, in the latest issue of *CU Management*'s online-only publication, *Advancing Women*, we discussed the elusive work/life balance that most of us—but particularly women—find hard to achieve. I loved the tips that the women interviewed share, from scheduling "productivity time" on your calendar to rethinking who attends before- and after-work events on behalf of your credit union.

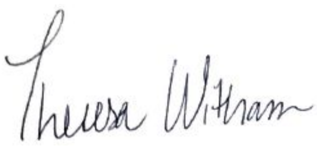
Delegating more is a fantastic intention for a new year, and one of the tips that readers shared in response to the article.

"Delegate! Delegate! Delegate!" wrote Donna Roed, a board member at $900 million Noventis Credit Union (*noventis.ca*), Gimli, Manitoba. "I spent two years flying from Winnipeg to Toronto every Sunday evening and returning every Friday evening. I had three teenage kids and they learned to do wash, buy groceries, plan meals and cook meals. When my husband realized [a messy house] was an issue and his work hours did not provide the additional time, he hired someone to clean so I arrived home to a clean house and could relax for the weekend. I think we can all adapt. At the time, my son was only 12. He is now a father with three sons and he and the boys are all great cooks!"

Another reader, Ruby Flicek, director at $1 billion Synergy Credit Union (*synergycu.ca*), Lloydminster, Saskatchewan, responded: "I honestly don't find balance. I find it is always an imbalance. I never have enough time for everything that I want to do, so I really find the best thing is to prioritize. If I have 20 minutes, what can I do in this next 20 minutes that will have the best impact on my day and will best benefit my family? In that 20 minutes, I try to be as present as possible and don't think about the rest of the day until my 20 minutes is up."

If you haven't seen our quarterly publication with the mission to provide information and inspiration for current and aspiring female credit union executives and those who support them, visit *cumanagement.com/advancing-women*. There you'll find two years' worth of articles, podcasts and videos devoted to advancing women in the CU industry.

This year, in addition to my normal intention—or priority—setting, I'm looking ahead to the next decade and setting long-term goals. What are your professional goals for the 2020s? What are the top priorities that you want to achieve? Perhaps this is the decade that you will earn your Certified Chief Executive (CCE) or Certified Innovation Executive (CIE) designations by completing CEO Institute (*cues.org/inst1*) or Strategic Innovation Institute™ (*cues.org/sii*). Visit *cues.org* to see how CUES can help you advance your career.



Theresa Witham
Managing Editor/Publisher

YOUR THOUGHTS

WHAT ARE YOUR PERSONAL AND PROFESSIONAL GOALS FOR THE NEXT DECADE?

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

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Why We Sold Our Office *Then Leased It Back*

By Eric Vanderhoef, MHA, MBA

In March 2019, West Community Credit Union (*westcommunitycu.org*) in St. Louis successfully executed a sale-lease back of its corporate office, as a means of releasing value in a fixed asset to fund expansion and other projects. Rapid growth in loans and building two new branches had pulled the organization's net worth ratio down and created a choice for the CU: increase reserves or sell well-performing loans to raise capital. As a longtime board member, and in the spirit of credit unions sharing their success stories, I would like to describe the steps that made this process a success.

West Community CU has $285 million in assets, eight full-service branches and a dedicated mortgage office located in the St. Louis metropolitan region and Columbia, Missouri. The CU is efficiently deploying capital in loans to members and has strong earnings. However, like many credit unions, we were facing tightening liquidity and seeking additional ways to grow deposits.

In the two years before the sale-lease back, West Community CU built two new branches and merged with a smaller CU that was struggling with a lower capital base. These investments in new facilities, combined with above-average asset growth in a short period, created significant pressure on our net worth ratio, which dipped to an in-process low of 8.12% in September 2018. Our CEO, CUES member Jason Peach, CCE, came to the board with the proposal for a sale-lease back of our office in spring 2018. The proposal was to allow the credit union to access liquidity, boost its net worth ratio and maintain an above-average asset growth rate.

"West Community's growth and our mission to serve our members are always front of mind," says Peach. "Changes in the 2017 tax law allow credit unions to recognize the profits on the sale of an asset year one versus over time, making an appropriately structured sale-lease back financially advantageous."

Peach initially brought this concept to the asset/liability committee, of which I am a member. A lengthy discussion around mission, member service and control of the corporate headquarters ensued. Once ALCO was comfortable with the concept, the committee began reviewing the financial opportunity of the sale-lease back in the context of the risk of holding the status quo.

Using reasonable estimates for net proceeds on the building, ALCO focused on what this new money could mean to West Community CU's finances in the context of the three-year strategic plan. More specifically, we asked, can West Community CU continue to execute its growth goals while maintaining good fiscal standing with the regulators?

ALCO identified benefits for use of the funds, which included:

- enhance net worth ratio;
- replace the obsolete branch at the same address;
- remodel the retail branch space within the corporate office;
- retain more loans that would otherwise need to be sold to build a larger top-line revenue base;
- invest in additional digital technology;
- renovate branches to align space to meet current member banking requirements; and
- maintain growth goals and objectives of the board.

Rapid growth, the economics of our recent merger and the expansion of our branch network in the previous 18 months created a drag on our net worth ratio, which was on a trajectory to dip below 8% if the credit union did not slow its growth. Slowing growth without the sale-lease back would have required selling loans off the balance sheet that were contributing a revenue stream into the future. Applying reasonable estimates to net proceeds, West Community CU staff calculated a sale-lease back would generate a 90 to 110 basis point increase in our organization's net worth ratio.

A secondary and likely more important analysis is the long-term financial impact from the sale-lease back. In other words, would it be more effective to rent versus own the building? Assuming a triple net lease (under which all expenses associated with the building are paid by the tenant), the operational costs of utilities, taxes and maintenance were calculated to be the same for renting and buying. It is important to go through this step to determine if this is a good long-term strategic move or just a short-term cash raise.

Peach presented financial projections to assess other pros and cons of owning or renting the building. Current carrying costs (loans plus depreciation) were compared to the lease costs plus the projected money that could be earned annually from the net sale proceeds. Using a 3% net interest margin on net proceeds from the sale being loaned out to members reinforced the decision to sell. Projections demonstrated that West Community CU would gross an additional $67,000 a year by leasing rather than owning over the next 15 years.

ALCO presented its findings to the full board and initially received a similar level of questions and trepidation to our own initial concerns. After some discussion, however, the board authorized Peach to proceed with engaging a commercial real estate company to manage the transaction.

After a slow start, West Community CU sold its building to a commercial real estate investor. Once prospective buyers' understood how stable a credit union lessee would be, the process moved much quicker. One of the positive unintended consequences of this process was the response from the buyer's side of the transaction. They now understand how CU sale-lease back can benefit investors' portfolios. Some have even been lobbying for other our properties to buy. Unfortunately, at this time West Community CU's other owned buildings do not have enough equity to make a sale-lease back advantageous, however, it is exciting to know that there is demand for other credit unions buildings if this journey is right for them.

Read a longer version of this article at *cumanagement.com/1119lease*.

CUES member **Eric Vanderhoef, MHA, MBA,** *is a member of the board of $285 million West Community Credit Union, St. Louis.*

CUES SUPPLIER MEMBER SPOTLIGHT

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Why do you love credit unions?
Credit unions make banking and financial services feel more *human*, which is so important in today's digitally-evolving world. Having worked in financial services for many years, I truly believe credit unions, more than any other financial provider, are focused on improving the lives of their members.

At the same time, credit unions have a cooperative spirit that doesn't exist anywhere else in financial services. They are willing to work with (not against) each other to serve the needs of their members.

I am proud to lead a company that is solely focused on ensuring the success of the credit union movement.

How does CO-OP make its credit union clients more successful?
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Tell us about a client success story.
One of our most valuable offerings for CUs is our contact center solution; it enables CUs to outsource their cardholder, lending and member services to a 24/7, fully staffed service operation. Recently, we partnered with a CU that was struggling to fulfill auto-loan applications submitted outside of normal business hours. By leveraging after-hours lending support from the CO-OP Contact Center, the CU saw an additional $5 million to $8 million in monthly auto lending revenue. That's a great example of how CO-OP helps CUs not only fulfill their members' needs but also drive new growth opportunities.

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CO-OP FINANCIAL SERVICES

Don't Be the *Weakest Link*

AVOID CREATING COMPLEXITY WHILE KEEPING UP ON THE LATEST FRAUD-PREVENTION TECHNIQUES.

BY RICHARD H. GAMBLE

Fighting cybercrime is a headache that threatens to become a migraine. It can't be avoided. It can't be confined because it keeps evolving. It can be fought, and credit unions have a growing number of tools and allies to help in the fight. They don't have to fight alone, but they do have to keep up with the latest tactics criminals are using.

One tactic is to use tiny tools, notes Paul Love, chief information security officer at CO-OP Financial Services, (*co-opfs.org*), a CUES Supplier member based in Rancho Cucamonga, California. Thieves have produced a charging cable that looks exactly like an Apple charging cable, he says. "If thieves can ... get an unsuspecting person to use it, they can steal information with a built-in, invisible capturing tool."

Or they can hide an eavesdropper in a charging station or a power strip. "Anything with a useful-looking USB port could contain a wireless spy, and you'd never suspect it," he explains.

Cyberattacks occur in cycles, and a strategy that's in vogue is to go after business email, get access to one account and then leverage that to enter the larger system, Love says. Once in, the thief could impersonate the CEO and send a message to the CFO that looks completely legitimate, telling the CFO to wire money to a foreign account to facilitate an acquisition. The fraudster might even ask the CFO to keep it all confidential.

That example really happened, notes Brad Garland, CEO and head of business development at Vala Secure (*valasecure.com*), Plano, Texas. "At the fake CEO's request, the transfer was expedited without the usual verification. The CU was out a six-figure amount, some of which was recovered," he reports.

Another point of attack is escrow services. "People break into those and change the wire destination for a deposit," Love explains.

AVOID COMPLEXITY

As criminals find new lines of attack, vendors are coming up with high-tech tools to stop them, but CUs might not need to build an arsenal of cyber-fraud-fighting weapons. Niche products for fighting cyberattacks carry their own risks, Love points out.

"Complexity hurts security," he insists. "With multiple tools, you lose visibility. You want to be able to see across a whole platform. Rather than add a product, first try to expand the use of products you already have. Many have functionality that wasn't your original priority and may include features you can turn on to expand protection."

The cybersecurity challenge lies primarily in the chinks in a credit union's armor, explains Richard Crone, founder and principal of Crone Consulting LLC (*croneconsulting.com*), San Carlos, California. Within its physical dimensions, a sturdy shield can be nearly impenetrable, but a suit of armor with many moving parts has chinks. And CUs, he points out, have built flexible, competitive, convenient member services by assembling multiple parts from multiple vendors and getting them to work together. Cybersecurity today consists, to a considerable degree, of inspecting and protecting those chinks, he says.

All these chinks call for a high order of due diligence, Crone insists. "It's necessary, for starters, that CUs follow NCUA guidelines about supplier review," he says. And you need independent, third-party reviews—by the CU, by the core processor—and reviews of the core processor's reviews.

"You can't take their word for it," he warns. "And just because an application has passed a proof-of-concept test in a Visa or Mastercard sandbox environment doesn't mean it's ready to stop real cyber criminals."

BEYOND COMPLIANCE

Complying with security regulations is a good start, says Ray Murphy, chief information security officer at LEO Cyber Security (*leocybersecurity.com*), Dallas, but only that.

"You need to build and evolve an information security program so you're in a position to respond to new threats as they occur," he recommends. "You need to be agile."

The weakest link in cybersecurity is still gullible people, Garland points out. "The attackers hit a CU employee or member with a good story, and too often they are able to get confidential member information from the customer service rep or the member," he explains.

A particularly weak spot could be the small-business member, he warns. "CUs could offer businesses some pretty robust connectivity, and those businesses are not regulated or examined and often are much less secure than the CU but offer a way into the CU. CUs need to target small businesses with security education."

That's not a problem for $900 million Ventura County Credit Union (*vccuonline.net*), Ventura, California, reports Clint Lovinger, VP/member services. "We have one platform for individual and business members, so the exposure is the same," he says.

Compartmentalizing data is one way to limit the damage of a cyberattack, Murphy notes. "If you have a flat, wide-open network where a single login can get you anywhere, the damage can be severe if a threat actor gets in," he points out. "You can separate your most critical assets from the rest. Or you can segment data that is only available to inbound requests. You can do a lot to segment your network to create secure pathways to discrete sets of data.

"There's always a balancing act between security and the best member experience," Murphy adds. "You have to please the member, so you try to deploy security that works in the background as much as possible, identifying deviations from normal member behavior without making members take additional security steps." But members are aware of data breaches and the need for their information to be kept secure, so they will accept higher levels of authentication around particularly sensitive transactions, he notes.

SIZE MATTERS

The cybersecurity threat is serious but hardly existential, Garland says. CU executives should be concerned and attentive but not alarmed, he advises. All the buzz about the unprecedented threats of cybercrime and cyberwarfare have some vendors capitalizing on fear to sell solutions that might not be justified, he warns.

"The reality is that many FIs can't afford the best protection but don't need the best protection—they just need to avoid having the worst," he says.

> **"Anything with a useful-looking USB port could contain a wireless spy, and you'd never suspect it."**
>
> — Paul Love

Still, small- to mid-size CUs can no longer fly under the radar, assuming that dedicated cybercriminals are looking for bigger rewards than their organizations can provide, Murphy points out. "The criminals have refined and automated their efforts, so any business or financial institution is now a target," he notes.

"The big banks will always be targets because of the potential reward," Garland observes, "but a lot of the bad guys are looking for low-hanging fruit where they can get money with less work, and that's often the small banks and credit unions. We see a lot of wire fraud and email phishing."

Some thieves troll financial institutions, Love points out, looking for an unlocked door, and then take advantage when they find one. Others target a particular financial institution and put a lot of research and observation into their attack, hoping for a big score, he says. So smaller CUs aren't immune from cyber incursions, he notes. Because most thieves are looking for an easy way in, victims usually have neglected to keep basic locks in place.

CUs often are more reactive than proactive. "After a CU is hit," Garland observes, "the security budget goes up. That's when they're ready to spend more on security."

CANADIAN DIFFERENCES

Cybercrime is no respecter of borders, so Canadian and U.S. CUs share the same concerns and use pretty much the same tactics.

As a central credit union, Stabilization Central Credit Union (*stabil.com*), Vancouver, British Columbia, does not have retail operations, so the general public does not introduce exposure to the assets through compromised access points, reports CUES member Doug Eveneshen, president/CEO of the $49 million CUs' CU. Nevertheless, cybercrime is a key risk for Stabilization Central CU and its CU and government members throughout British Columbia.

"SCCU's mandate is to support and strengthen B.C. credit unions and provide solutions to manage risks for these participants," he explains. So, it has an SVP for finance and risk who oversees the fidelity insurance and bonding for B.C. credit unions. "Risk mitigation is the key role for SCCU within the framework of the financial services sector in B.C.," he adds.

Although Stabilization Corporate CU's financial transactions are limited, it holds confidential data and reporting of support activities for CUs, so protecting that data is critical, he says. The CU outsources its IT management but owns the exposure, so monitoring IT and data exposure is ongoing.

In Crone's view, CUs in Canada are safer because so much fraud occurs around payments and Canadian FIs are more advanced in their use of biometrics and multifactor authentication.

U.S. CUs appear to have a greater propensity for using insurance to transfer the risk of cybercrimes, Eveneshen observes. "This has been slow to come to Canada, but more credit unions are now exploring options in this area."

Expertise is a challenge. Most CUs can't find staff who are as crafty at preventing cyberfraud as the criminals are at inventing it. CUs can get help from well-chosen vendors.

Still, it's easier to buy the expertise a credit union needs than a cooperative mindset, Garland observes.

"It's hard to find people with the technical skills who will embrace the business strategy and work well with the business leaders," he says.

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

MORE ON CYBERSECURITY

Shedding Light on the Dark Web (*cumanagement.com/1119shedding*)

Did You Just Get an Urgent Email From Your CEO? (*cumanagement.com/072419skybox*)

Tech Time: These Employees Are the Most Likely to Be Targeted by a Cyberattack (*cumanagement.com/0819techtime*)

The Ransomware Threat (*cumanagement.com/1219ransomware*)

Protecting *Elders*

The elderly are low-hanging fruit to cybercriminals, says Richard Crone Crone Consulting LLC (*croneconsulting.com*), San Carlos, California. Credit unions have to be attentive to this since the average age of CU members is going up, he notes.

CU leaders agree that it is a special problem. For example, seniors sometimes look for love in all the wrong places.

"We've seen more 'sweetheart scams' lately," observes Clint Lovinger, VP/member services at $900 million Ventura County Credit Union (*vccuonline.net*), Ventura, California. "The member may think they have a relationship and therefore want to help a third party, but it's frequently a fraudster preying on his or her naiveté. When those situations come up, we advise our member that they may be the victim of a common scheme."

Sometimes it works; sometimes it doesn't. One elderly member came into a Ventura County CU branch to initiate a suspicious wire transfer to someone back east, he recalls.

"It was a lot of money and it looked inappropriate, so we tried to advise her," he says. "But she was adamant, and it was her money. We refused to send the wire, but she withdrew the funds anyway and took them to another bank.

"Another type of elder abuse we encounter often," Lovinger adds, "is when a third party comes into the branch with the member to make a large withdrawal. When it looks suspicious, we try to get a manager to talk to the member separately and find out why they want the funds and determine if they are being unduly influenced. But we have to be careful, because what looks suspicious could be legitimate, especially when it involves a family member and a CU member with dementia."

Fraudsters attack the elderly across the globe because they are considered to be more easily deceived, notes Catherine Ludgate, senior manager for economic inclusion at $18 billion Vancity (*vancity.com*), Vancouver, British Columbia. Phishing attacks are especially troublesome, she says.

"They are clever and deceptive," she notes, and have fooled even savvy executives. "If a member gets a phishing email and responds as directed, there's not much a CU can do except continue to educate members about not responding to requests for account numbers or Social Security numbers."

She reports that Vancity members have also been exposed to phone calls from fraudsters pretending to be distressed family members in need of immediate cash. In fact, her own parents narrowly escaped such an attempt, she reports.

CUs like Vancity continue to see elderly members coming in with family members to make withdrawals that seem suspicious. "You try to separate the member from the relative and question whether the member really wants to make the withdrawal," Ludgate explains. "Or you try to delay the transaction, get them to come back another day so the member has time to consider" it.

Vancity trains front-line staff to recognize signs of fraud and respond discreetly but firmly warn the member or reduce the pressure, Ludgate says.

The telephone scams that try to get elders to "rescue a relative" or pay "delinquent taxes" by buying gift cards and reading the number over the phone is beyond anything a CU can do except to provide general education, Lovinger explains.

In the U.S., new legal protections for seniors under S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (*tinyurl.com/sb2155elders*), and the dementia-friendly guidelines haven't changed Ventura County CU's practices very much, Lovinger says.

"We've always tried to protect elderly members, and we've always used annual training for front-line staff to help them recognize signs of elder abuse or fraud and how to respond," he reports. "We do what we can on the spot and refer suspicious cases to Adult Protective Services for investigation."

OM Financial Group

Website: om-financial.com

Phone: 516.639.0556

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

How is OM Financial Group making the credit union industry stronger?
There can be intense competition to land and retain top talent. Executive benefits are a key component of attracting that leadership. Our work focuses on ensuring successful transitions of the key leadership of each CU. This succession planning, which includes customizing and implementing supplemental executive retirement plans, enables credit union boards to manage transitions from one successful leadership team to the next. In addition to succession planning, by implementing a customized SERP, the credit union board is able to reward and retain executives they do not want to lose, thus providing more stability and focus.

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We were the originators of the concept of split-dollar SERPs in the CU industry. Our founders took an existing insurance concept to the National Credit Union Administration and received approval to offer it to CUs. We continue to innovate solutions that best equip CUs' leadership succession management into the future. OM is committed to educating CUs about the differences between the types of SERPs that are available. Regardless if you are a client or not, we invite you to attend one of our weekly educational webinars. Just as it's important to obtain a second opinion for your physical health, it's equally important to obtain a second opinion on your financial health. As trusted advisors in the industry, we are happy to take a look at your existing plan and provide that second opinion at no cost or obligation.

Questions for the board to ask about executive benefits:

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- What are the financial benefits to the credit union?
- How will you work with executives to meet their retirement goals?

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Cure for the *Holiday Hangover*

STRATEGIES FOR CARD GROWTH DURING THE TRADITIONALLY SLOW FIRST QUARTER—AND BEYOND

BY KAREN BANKSTON

Card portfolio managers and marketers begin every new year with an uphill climb: January and February are especially tough times to drum up business.

"There's an inherent seasonality in the first quarter that goes along with the payments business in general—the holiday hangover, when folks are buckling down on spending," says Tony DeSanctis, senior director for CUES Supplier member and strategic provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

This is a challenging time to build the credit card portfolio, agrees Charlotte Norton, SVP/central operations for $9.8 billion Randolph-Brooks Federal Credit Union (*rbfcu.org*), Live Oak, Texas. Many credit cardholders "just need to take a breath after the holidays. Plus, for members who file for their tax refund file quickly in the new year, paying down credit card debt tends to be a priority."

On the upside, this lull provides managers with an opportunity to evaluate and plan their strategy for the coming year, beginning with first-quarter campaigns tailor-made for the season of well-meaning resolutions. For example, the post-holiday marketing theme for Addition Financial Credit Union members is cleaning up finances by relying primarily on debit payments and paying down their credit card balances.

More storage boxes and cleaning supplies are purchased in January and February than at any other time of year, notes Suzanne Dusch, VP/marketing for $2 billion Addition Financial (*additionfi.com*), a credit union based in Lake Mary, Florida. "People want to get their lives organized, so we're talking to them about getting their finances in order."

PROMOTE FINANCIAL WELLNESS

This theme echoes the physical health goals at the top of many people's New Year's resolutions.

"The gyms are all packed with everyone committed to their personal wellness, but coming out of the holidays, it's also a great time to focus on financial wellness," says Norm Patrick, VP/Advisors Plus Consulting for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida.

Promoting the advantages of your credit union's checking accounts in branches, on the website and in wider marketing can reinforce that theme and help expand debit card transaction volume.

"The gyms are all packed with everyone committed to their personal wellness, but coming out of the holidays, it's also a great time to focus on financial wellness."

– Norm Patrick

"About half of debit card growth that takes place year over year stems from new checking accounts as those members begin using their debit cards," Patrick notes. "The first quarter is really the prime time to start talking to prospective members about moving their business to your credit union. ... Make it easy for new members to open accounts online so they can begin using their new debit cards as their primary form of payment."

PROMOTE BALANCE TRANSFERS

Inviting members to consolidate the debt they've accrued on holiday shopping in their lower-rate credit card accounts saves them money and helps the credit union grow balances, DeSanctis suggests.

Card managers can deploy technology to execute these campaigns effectively and efficiently. "The better your data analytics, the better your ability to leverage your work with card processing partners to identify members for these offers," DeSanctis notes. And a robust balance transfer process can employ ACH transfers from other financial institutions as opposed to mailing checks members can use to pay off their balance on higher-rate cards.

February may be the best time to launch a post-holiday balance transfer campaign, says Libby Calderone, president of CUES Supplier member LSC (*lsc.net*), Naperville, Illinois. "Timing this campaign before tax returns start to come in can build some nice balances quickly. Sometimes we've seen when credit unions begin those campaigns in January—that's actually a little too early. Members may not have even gotten their statements yet for their holiday spending, so they're not really thinking about it."

Following fourth-quarter 2019 campaigns to encourage members to use their debit and credit cards for both holiday and everyday spending, $250 million Streator Onized Credit Union (*socu.org*), Streator, Illinois, is switching gears now to offer lower-rate balance transfers.

Its most recent balance transfer offer rolled out last summer with a lifesaver theme, no fee and a 5.99% "life of loan" rate. Branch employees wore lifeguard shirts on casual days and handed out beach balls with "Let us be your lifesaver" flyers. The credit union even created a lifesaver float for community parades.

"It was a fun way to engage the staff, and it supported loan officers as part of our culture shift to talk about how this could save members money by transferring balances from higher rate credit cards," says Marketing Supervisor Dana Stillwell. SOCU added $2 million to its portfolio during the campaign.

STEP UP CREDIT LIMIT MANAGEMENT

SOCU's successful balance transfer campaign came on the heels of a credit line increase totaling $2.8 million, which boosted credit card transaction volume 19% and total spend 21%, reports Plastics Supervisor Josh Biros. The CU plans to keep that momentum going with regular increases on a quarterly basis for all qualifying $500 credit line accounts based on payment history on other credit card accounts (with $1,001 to $15,000 credit limits) annually.

Credit limit management is crucial, Calderone stresses. LSC works with credit unions to develop regular credit line increase programs, which can produce immediate average lifts of $300 per account.

"It's not unusual for credit unions to see a 10 to 40% increase in interchange revenue from credit card accounts following a credit line increase," she notes. "Once members get to about 50% of their credit limit, they tend to stop using that card. When their capacity to spend is increased, they feel better about that card and keep using it."

Another strategy to increase credit card use is to offer higher credit limits out of the gate. Card managers should work with loan underwriters to assess whether credit limits on new accounts can be increased within acceptable risk tolerances offset by increased revenue, Calderone suggests.

"Credit unions tend to be risk-averse, offering a $2,000 limit to new cardholders who might have a $10,000 limit on another card," she says. "You're not going to be the card of choice if you don't have a big enough limit up front, especially for well-qualified members."

And starter credit card lines with low limits for members who are building or rebuilding their credit standing should have "graduation programs" in place to reward cardholders who have been paying on time consistently, she adds.

"Members shouldn't still be on that starter program 10 years later if they've been paying successfully every month. You need to ... move them up proactively to a better card offering, maybe with rewards or a better rate. You're a hero to members when you do that. They love getting a new card they didn't have to ask for," Calderone says.

A RELATIONSHIP PRODUCT

RBFCU is considering those kinds of strategies in its bid to elevate the status of credit cards as "a primary relationship driver" alongside checking accounts and auto loans, Norton says.

"We want members coming to us to ask to apply for that great credit card offer. I think every member should have our credit card, just as we've done for debit cards over the years," she says.

While 80% of RBFCU members have a debit card with the credit union, credit card penetration has remained stuck around 28% over the past decade. "We're doing really well in our industry, but why can't we get to 30%? It's hard to move that rate," observes Norton.

RBFCU has launched a card acquisition team that includes card operations, marketing, collections and loan underwriting to develop new standards with the aim of issuing more credit cards with higher credit limits that will encourage members to use those cards while keeping losses in an acceptable range.

"The key is making sure that the executive team is ready to accept the combination of card growth and some additional risk," Norton says. "I believe we can accomplish that if we work as a team to figure out how to make credit cards a hook into a relationship with RBFCU."

TARGET AND REWARD EVERYDAY SPEND

Members may be "shopped-out" from holiday gift-giving this month, but they still need to buy groceries and fill their gas tanks. Offering extra rewards for those routine transactions and "gamifying" card use with prize drawings can help get members in the habit of using their credit union's cards in the offseason, Calderone notes.

"I encourage credit unions to get creative and have some fun with those campaigns," she says. "You really want to create some buzz to drive a little more of that everyday spend." Holding a random daily drawing to pay for a purchase from the previous day and announcing the winner via social media—"We paid for this member's Starbucks or that member's tank of gas"—creates a fun atmosphere and may encourage members to pull out their credit union cards more often.

And don't forget e-commerce. Short-term incentives for members who use their debit cards for recurring payments like cellphone bills and Netflix subscriptions can pay off over the long term. Addition Financial offered cardholders $10/month for using their debit cards for at least three recurring payments in July and August, which yielded an average increase in those transactions of 3.31 per account, says Mallory McGourley, marketing specialist for the CU.

Building debit transaction volume "is top of mind every day, because we truly believe payments are the primary financial relationship indicator," says Norton says. In fact, she contends, card payments solidify member relationships more than bill pay and are a better deal for CUs. "When members enter their debit card information for automatic payments rather than using bill pay, we get interchange income instead of having to pay for the bill-pay transaction, so it's a win-win to send members direct to biller."

Another targeted incentive Addition Financial offers is a 5X bonus category for credit card rewards each quarter. For October through December, members earned five points for every dollar spent on Amazon, "which has been a big hit, especially around the holidays when everyone is shopping for gifts," McGourley notes.

Credit card rewards are a competitive challenge. RBFCU rolled out a 2% cash back rewards credit card in 2017. With interchange income averaging 1.75%, a team member quipped that "The more you spend, the more we lose" might be an appropriate marketing slogan. Still, the program has generated enough interest income to turn a profit, and in tandem with the credit union's first credit line increases since the Credit Card Accountability Responsibility and Disclosure Act took effect in 2010, those rewards generated "phenomenal" growth initially, Norton says.

"The problem is that it's hard to keep that kind of momentum going," she adds. "That 2% in rewards is no longer a market leader, and it's hard to keep pace. Credit unions are capped at an 18% interest rate, so we can't set rates at 22% or higher to cover a richer offering."

Calderone suggests that credit unions can differentiate their offerings with credit card rewards tied to their own products and services. For example, members could redeem points for a lower auto loan rate, higher CD rates or reduced mortgage closing costs.

Large card issuers have been enticing consumers with fairly rich credit card rewards, but they may scale those back a bit with predictions of a cooling economy in the near future, Patrick notes. That may give credit unions a bit of an edge in the fierce competition for the business of cardholders who pay off their balances monthly and typically have a higher net worth.

RBFCU has a rich debit rewards program, which pays members 10 cents for every transaction in rebates issued annually in February. Last year, $14 million were returned to members. When those rewards were launched a decade ago, the CU saw a big jump in debit card usage, but these days, Norton suggests, "it's just how people pay." And as the credit union approaches the $10 billion asset threshold in 2020, "we're having a lot of discussion on whether we can afford" to retain the debit rewards, she says.

However your CU attempts to attract more card use, don't set it and forget it. "The biggest problem with marketing campaigns is that they're deployed, and no one ever checks to see if they worked or not—and, more importantly, no one decides how to make them better," DeSanctis contends.

He recommends building evaluation into every card offer, either with an A/B test or a test-and-control methodology. For example, if you're planning a double-points campaign, send it to 9,000 members and compare the lift in volume with 1,000 randomly selected control cardholders who didn't receive the offer. That comparison offers a better assessment of impact than a quarter-over-quarter view, which doesn't account for the seasonality of demand.

In an A/B test, you could also send 4,500 members one offer and 4,500 other members a different offer and compare both results with a control pool of 1,000 members.

"Then, to keep it rolling, send the best offer from the previous test to 7,500 members and a new offer to 1,500, to make sure there's not a better offer out there," DeSanctis advises. "You need to be sure your marketing campaigns are effective and robust based on measured results that you look at after each campaign."

NEW CARD FEATURES

Soon after Addition Financial, formerly CFE Federal Credit Union, began operating under its new name on May 1, 2019, it began a mass reissue of both credit and debit cards. Beyond the new logo and design, one of the most prominent features on the front of those new cards is the contactless symbol (see *additionfi.com/personal-debit-cards*).

With a low average member age—38 compared to the industry's 49—Addition Financial is calculating that tap-to-pay will have broad appeal among younger members initially but will eventually attract all members as regional retailers add contactless capabilities.

"We've really been trying to focus on our member experience over the last couple years, and we thought issuing contactless cards would be one way to get ahead of the ballgame, especially in terms of fraud prevention," says Kristin Marroquin, director of member experience.

The "gorgeous" new card design featuring the Addition Financial logo is also a great way to showcase the brand, Dusch says. "Our feeling is that debit and credit cards are like tiny billboards that members carry around in their wallets."

RBFCU has developed its own Manage Cards app with a steady stream of new features: security alerts and controls and digital instant issue, including automated provisioning of the new debit account number to members' mobile wallets. Next up will be the ability to select a new PIN.

A robust card management app offers the twin benefits of keeping the credit union's cards top of wallet and improving operational efficiency, Norton suggests. "Everything we can do on

> **"Debit and credit cards are like tiny billboards that members carry around in their wallets."**
>
> – Suzanne Dusch

mobile to offer self-assist options in managing their payments is going to be very helpful. We had 15,000 uses of the app features in one month. That's 15,000 calls we didn't have to take."

IMPROVE ONBOARDING

Growing card business on a consistent basis requires looking beyond marketing campaigns to improve the member experience. The old-school method of opening a checking account and telling members "Your debit card will come in the mail in five to seven days, and then you can log into online banking" is overdue for an overhaul, DeSanctis says.

"The new account onboarding process needs to be much more dynamic, more real-time and quicker, with services like instant issue ... so that your payment product becomes the center of all of their digital payment transactions," he recommends. "That includes Venmo, Square Cash, Apple Pay and PayPal. You want to invest in your onboarding process and create digital engagement on an ongoing basis so that it's your payment product behind all those transactions."

Branch employees should be trained to guide members to load their new debit card numbers into mobile wallets and as the default payment vehicle in Amazon, PayPal and other online retail and digital payment services.

Providing an exceptional onboarding experience is a continual work in progress, given the pace of innovation in the card space. For example, DeSanctis says card issuers will likely be rolling out digital instant issue over the next 18 months, so "credit unions ought to be investigating it—if not investing in it—right now."

The high-profile rollout of Apple Card, with a process that goes from application to Apple Pay in the mobile wallet in three minutes, "is the new paradigm and the new expectation for what it means to establish a payment card," he notes. "That's why we think onboarding is the next big frontier that needs to be aggressively managed at most credit unions."

APPOINT A 'CHEERLEADER'

After its previous Visa supervisor moved to a new post, SOCU went a year and a half without filling the position, and the leadership team considered splitting up those responsibilities between existing staff in accounting and lending. But when the portfolio began to decline, the CU hired Biros on April 1, 2019, a self-described "cheerleader who bangs the drum to keep everyone energized and involved."

"Make sure someone always has their eye on the portfolio and is ... working with marketing on e-blasts and social media," advises Mandi Albert, VP/lending. "Those have all been big factors in helping to grow the portfolio."

Biros has helped lead a front-line culture shift to promote credit cards as a key product, with regular internal promotions. And he's worked with Training Supervisor Ryan Kern to create internal FAQs and coach employees through lunch-and-learns, after-hours sessions and one-on-one trainings to share the message that SOCU credit cards can save members money.

BRING IT ALL TOGETHER

Beyond interchange revenue, keeping the credit union's cards top of wallet reinforces member relationships, Calderone says. "The more touchpoints you have with members, the more often they'll think of you. They may only stop by a branch once a month, but they'll pull out their debit or credit card 20 times a month, so that's probably your most frequent interaction. You want them to be thinking about your credit union when they need a mortgage or auto loan."

Debit cards are an everyday touchpoint with many members, DeSanctis agrees. "On the credit card side, it's more of a value-add and relationship component, but it's a lucrative piece of the member relationship, so you want to get your fair share of the market and leverage that into the broader relationship."

Winning—and keeping—members' debit and credit card business requires a multilayered and never-ending commitment, he cautions.

"You need the right marketing, the right experience and the right product too," he says. "Your value proposition needs to be compelling. The message and the marketing around it and how you position yourself to differentiate in the market is absolutely critical. And then your process needs to be seamless and simple."

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MORE ON CARDS

Get Your Cards in Order (*cumanagement.com/1119cards*)

Fend Off Card Fraud (*cumanagement.com/1019fend*)

The New Top of Wallet (*cumanagement.com/0919new*)

Apple Card and Fed Now Raise the Payments Competition Bar (*cumanagement.com/081919skybox*)

Ensuring *Security*

BY SELLING INSURANCE PRODUCTS, THESE CREDIT UNIONS ARE HELPING SECURE THEIR OWN FUTURES AS WELL AS THE FUTURES OF THEIR MEMBERS.

BY BRYAN OCHALLA

Many credit unions have begun selling insurance to members in recent years, but they don't all offer the same insurance products—and they don't all sell them in the same way either. However, they do tend to sell insurance products for similar reasons.

"What we want to do is make sure our members are protected financially from certain life events"—like major illnesses, a death in the family or the loss of a job, says Curtis Onofri, VP/lending at $246 million Pathways Financial Credit Union (*pathwayscu.com*) in Columbus, Ohio.

Credit unions also offer insurance to fill a member need, says Nick Bloxham, VP/insurance services at $1.6 billion SELCO Community Credit Union (*selco.org*), Eugene, Oregon. "There are certain insurance products that almost everyone needs," he notes, pointing out auto, home and renters' policies in particular.

Plus, there's a lot of synergy between those member needs and the CU movement's key offerings. "Credit unions are known for auto lending, right?" asserts Bloxham. "So why not give your members an auto insurance quote with every auto loan you do? You have a natural, built-in competitive advantage by doing that."

Selling insurance is also "a great way to develop non-interest income," he adds. "It's kind of like building an annuity. It takes a long time to get, but once you have it, it's a very stable income stream that's reliable even in a down economy."

The income is just the cherry on top for many credit unions, though. In the end, says CUES member Jim Sarver, SVP/member experience and financial life planning at $1.8 billion Lake Trust Credit Union (*laketrust.org*), Brighton, Michigan, "it's … not about selling insurance. It's more about being a consultant to our members where they are in their lives.

"Sometimes that means opening a savings account for them or giving them a loan," he adds. At other times, it's about selling them auto, life or even health insurance policies.

KEEPING THINGS SIMPLE—OR NOT

Most credit unions that do sell insurance, including Pathways Financial CU, stick to such debt- or risk-protection products as AD&D (accidental death and dismemberment) or credit life and disability. They may also offer related products including gap, extended warranty or vehicle select insurance.

Compliance is a limiting factor for many credit unions looking into providing insurance products: CUs have to jump through a lot more regulatory hoops to offer car, home and health policies and assume a lot more risk—especially if they sell those products without the assistance of a third party or vendor partner.

Onofri points to his credit union's experience with gap insurance as an example of such risk. "We're going to have one of our highest years ever for gap sales," he says. "But we're also having our highest year ever for gap claims. We've actually had more claims than we've collected in premiums this year."

Selling the product through a third party—Pathways Financial CU chose Frost Financial Services Inc. (*frostinsure.com*), Cincinnati—"removes any of the risk of loss from the credit union," Onofri explains. "We're collecting less money for gap policies than we're paying out this year. If we handled everything ourselves, the burden would have been on us to pay that difference. As things are now, though, the third-party insurance company is going to pay it.

"Pathways collects a small percentage of the premiums charged as income for the insurance sold," he adds. "We do not look at this income from the insurance sales as a profit center for the credit union. Our profit comes through reduced delinquencies and charge-off loans as a result of insurance payouts. ... Borrowers who are protected have lower collection and charge-off rates."

Despite the risks and regulatory burden, it's no longer unheard of for credit unions to offer products consumers more commonly identify as insurance: auto, home, health and life plans. Lake Trust CU and SELCO Community CU are examples of organizations that found success on this road less traveled.

Lake Trust CU also collaborates with third parties to provide its wealth of insurance products. The credit union works with CUESolutions provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin, to offer auto, home and life insurance, AD&D, and debt protection credit insurance—credit life and disability, involuntary unemployment, mechanical repair coverage and gap coverage—through CUNA Mutual's TruStage Insurance Program (*tinyurl.com/cmgtrustage*). It also partners with Members Home and Auto (*membersbridge.com*) to offer auto and home coverage, Jackson Kennedy (*jackson-kennedy.com*) for health and Medicare coverage and Safe Harbor Associates (*safeharborassociates.org*) for long-term care coverage. The CU's own financial advisors offer AD&D life insurance coverage to members, as well as managing the aforementioned credit insurance that's sold alongside direct loans.

"Depending on the product and partner," says Sarver, "the credit union makes money (non-interest income) through commissions, administrative reimbursement, royalty payments through a joint marketing agreement, or mark-ups over standard fees. Commissions can vary depending on if the credit union sells through our agents or financial advisors, or sales are made by business partner agents or financial advisors."

The overlap among Lake Trust CU's partners and insurance products offers two advantages, he explains: "We don't have all our eggs in one basket this way. Also, it gives our members choices while shopping around for auto and home coverage."

In contrast, SELCO Community CU sells many of these same products but doesn't leverage third-party vendor partners to do so. Instead, the CU handles almost everything related to insurance in-house through a credit union service organization it formed in the 1990s.

A third party does help process life-insurance applications, Bloxham says, but "for our other lines of insurance, like long-term care, health, home and auto—all of that's done by licensed agents here at SELCO.

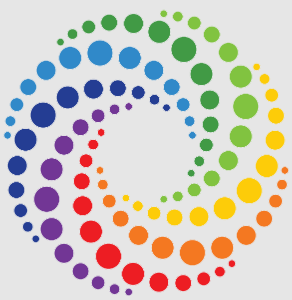
"We formed a subsidiary, obtained an agency insurance license, sought out carrier partners and began selling insurance," he says of the CU's start-from-scratch agency, which today is 21 employees strong.

Although SELCO Community CU has found success in the insurance space, Bloxham admits that going it alone isn't the best option for every credit union. "What it really comes down to is: Do you have—or do you want to have—licensed, capable staff so you can sell the product yourselves? Or do you want to partner with another firm that has the staff and can do it for you?"

CENTRALIZED VERSUS NON-CENTRALIZED SELLING MODELS

But there's more to selling insurance products than deciding whether to offer them in-house or via a third-party partner. You also have to decide how and where to sell them.

For example, Pathways Financial CU uses a centralized model when it comes to selling insurance products to members. That means the employees who handle its loan referrals and related insurance



Did Someone Say *Synergy?*

When it comes to selling homeowners and auto insurance coverage, "there's a high level of synergy with what credit unions are already doing," according to Nick Bloxham, VP/insurance services at $1.6 billion SELCO Community Credit Union (*selco.org*), Eugene, Oregon.

SELCO Community CU has taken advantage of this synergy with its existing mortgage and auto loan programs.

"We've invested a lot of time and effort into these products," Bloxham says. That includes technology resources. In fact, the credit union has developed proprietary technology that helps deliver its auto and home insurance plans to members.

"We're one of the only credit unions in the country that can take data in our core processor and [use it to] pre-populate quotes behind online and mobile banking," he explains. "So if you're a SELCO member, you can log into online banking and you can get an insurance quote right there, which saves you a lot of time."

It also saves the CU's staffers and members from the frustration of repeat questions. "People expect this kind of thing now," Bloxham notes. "They think, 'You already have my date of birth, you already have my [vehicle identification] number, I have a loan with you—why are you asking me for this information again? Don't you already have it?'"

Another bonus of the technology, Bloxham shares: "This is one of the things that make us different from the stand-alone insurance agency down the street."

MORE ON INSURANCE

Why Buy Insurance From a Credit Union? (*cumanagement.com/1219why*)

Our Best Strategy: Preparing for the Worst (*cumanagement.com/093019skybox*)

Digital Life Insurance Has Disruptive Power (*cumanagement.com/0719digital*)

CUESolutions provider CUNA Mutual Group (*cues.org/cmg*)

"Why not give your members an auto insurance quote with every auto loan you do? You have a natural, built-in competitive advantage."

– Nick Bloxham

products are all staffed at a single location.

Onofri says Pathways Financial CU moved to this model in 2017 to allow a small group of highly trained people to focus on the CU's lending and insurance efforts.

"With our old lending model, we had 24 employees offering loans in six branches," he explains. "The average loan officer handled 10 to 20 loans per month. With our centralized model, we have three loan officers and two processors working in one location. These employees each handle several hundred applications per month while actively communicating with each other."

From an insurance standpoint, Onofri adds, "because our lenders see so many loans each month, they're better able to understand both our insurance products and our members' needs and unique situations. They're also able to explain why insurance may benefit them. An employee who works 10 to 20 loans per month may never gain the experience needed to have those varied conversations."

Credit unions that use a non-centralized model for loans and insurance products have employees who can sell those products in several or all of their branches.

SELCO Community CU uses a hybrid approach to selling insurance to members—and even non-members, in some cases: It uses a non-centralized staffing model for walk-in leads and a centralized model for digital leads. (The centralized team also picks up leads that come out of a branch when a loan officer is on vacation, for example.)

"The centralized model provides more efficiency and is easier to scale, but it lacks [the] personalization and depth of relationship" that the non-centralized model offers, Bloxham says.

Both methods have paid off for their respective credit unions.

Bloxham estimates SELCO Community CU gets "somewhere north of 400 referrals a month just from people walking into the credit union. And then another 60 to 70 a month come in from our website.

"The book of business is now large enough that we manage around 14,000 policies just on the property and casualty side," he adds.

Pathways Financial CU's centralized model has helped the organization achieve the following penetration rates for overall loans: 40 to 50% for gap coverage; 28% for its credit life and disability plans; and 12% for extended warranties.

"We don't want to put insurance on every single loan we offer," Onofri notes, "because it just doesn't make sense for a lot of people's financial situations. ... We only want to sell products to members that make sense to them."

OTHER SECRETS OF INSURANCE SUCCESS

Sales models are only one of several factors that have contributed to the success of selling insurance at these credit unions, of course. Bloxham credits much of SELCO CU's success in this area to "elbow grease and determination, first and foremost."

Going it alone "isn't an easy thing to do," he adds. "You don't see a lot of early success when you build your own agency."

Partnering could have made the process a little or a lot easier, he admits, "but you don't own the business in the long run that way. And we were looking for more of a long-term play."

Both Onofri and Sarver suggest that finding the right partners is key.

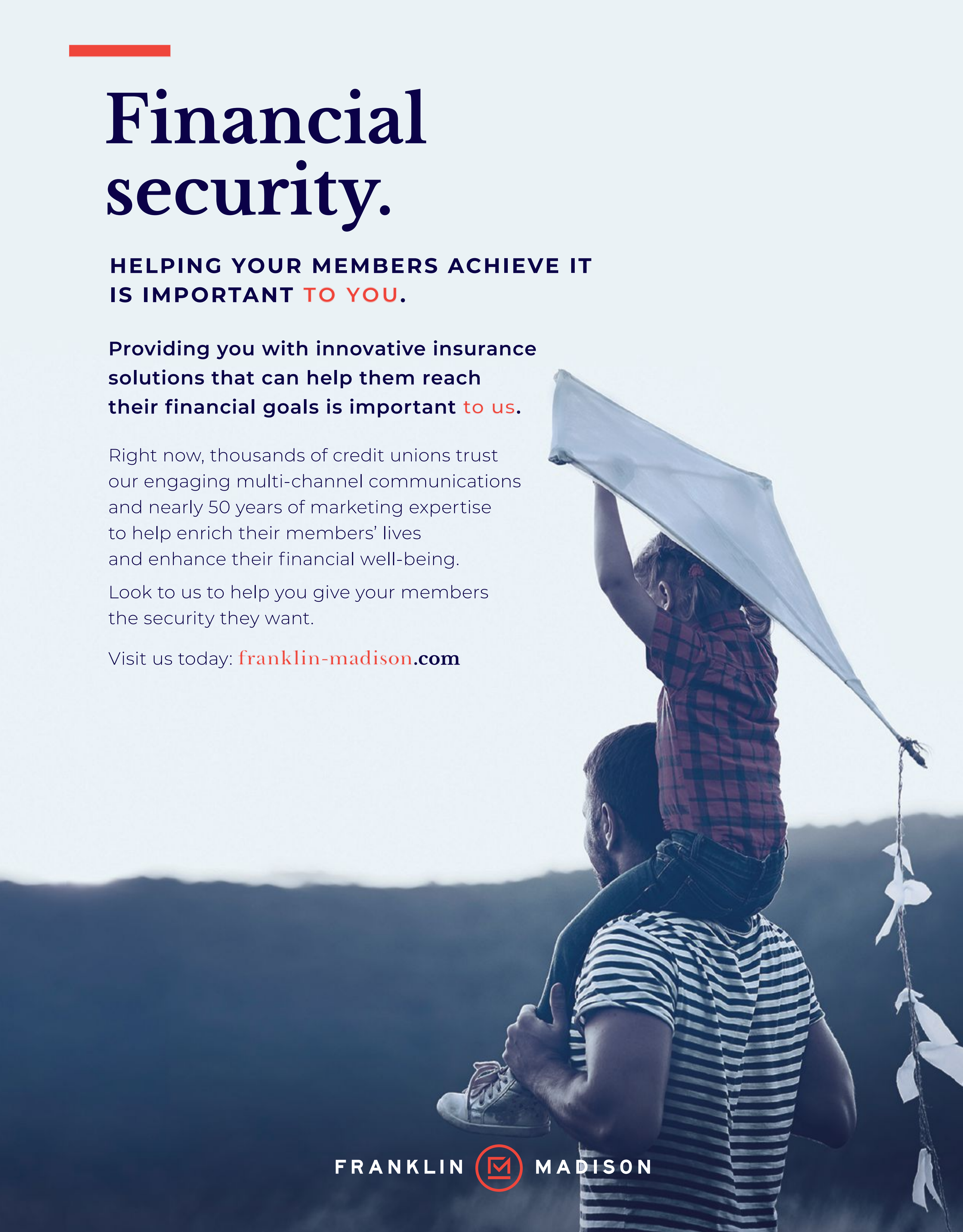
"Find vendors that work well with you," Onofri says. "Making sure that the companies you work with on these products have the follow-through on the back side is so important." Without it, you may find yourself dealing with angry members who thought they were covered in certain situations but actually aren't.

"As the credit union, you really want and need to understand what the coverages are and how the company works in terms of paying out on the back side," Onofri stresses.

One way to avoid that pitfall is to truly align your credit union's offerings with your partner. That means more than just working with them, Sarver says. "It also means brainstorming, researching and planning with them."

Do that, and not only can your credit union achieve the economies of scale needed to thrive in the insurance space, but you'll earn the gratitude and loyalty of the folks your insurance products assist, too.

Bryan Ochalla *is a former editor of* CU Management *who writes from Austin, Texas.*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Special Report: Auto Lending
Credit Union Management

DRIVING AUTO LENDING IN A TOUGH MARKET

Creative efforts like balloon payments, car-buying services and great mobile delivery pave the way.

Driving Auto Lending in a *Tough Market*

CREATIVE EFFORTS LIKE BALLOON PAYMENTS, CAR-BUYING SERVICES AND GREAT MOBILE DELIVERY PAVE THE WAY.

BY STEPHANIE SCHWENN SEBRING

MORE ON LENDING

Vision 2020: Lending (*cumanagement.com/1219lending*)

Auto Loans: Rough Road Ahead? (*cumanagement.com/1019rough*)

Car prices are going up—with average cost of a new vehicle reaching $37,000 in 2019, according to Kelly Blue Book (*kbb.com*). In response, consumers are buying more used cars. They're also holding onto their cars longer—on average 11.4 years, according to R.L Polk (*ihsmarkit.com/btp/polk.html*)—before buying another. And they're looking for loan options that create monthly payments they can afford, plus easy applications.

According to data from Equifax (*equifax.com*), Atlanta, "the number of loans originated is relatively stable, yet loan balances continue to increase," notes Jenn Reid, VP/automotive marketing and strategy. "This is slightly different from leases, which are showing a falling number of lease originations but a more moderate rise in balances issued.

"These numbers indicate that the automotive market in financing originations has been stable while the amount financed has increased throughout 2019 heading into the final months of the year. The rising balances are most likely a result of a stronger shift to trucks/SUVs when shopping."

In all, car loan growth for CUs in this environment has been moderate. At this writing, Callahan and Associates' *Trendwatch Report* (*creditunions.com/product/trendwatch*) shows modest growth in Q3 2019 of 2.3% for new vehicles and 12.5% for used. The report also confirms a slowdown in overall auto finance market share for CUs, down 2%. Interestingly, some experts say, direct and indirect auto lending could get a bump if leasing takes more of a back seat long term.

All that's just a discussion of the challenges of today's auto loan market. The larger economy also plays a role in members' auto lending needs.

Interest rates, though slightly higher today than in the past decade, should remain low for the near future, at least throughout 2020, predicts Tim Kelly, president of Houston-based Auto Financial Group (*autofinancialgroup.com*). If there is a rate increase, it could slow the auto market down and make it more difficult for consumers to buy cars.

Higher rates might cause some buyers to delay their car purchases, says Aaron Lynn, VP of Auto Expert (*autoexpertonline.com*), a credit union service organization owned by $1.5 billion Altura Credit Union (*alturacu.com*), Riverside, California, which also serves 12 additional CUs in southern California.

Buyers also may try to spread their payments out over more time, making each payment smaller and easier. "Rates impact buying power from a monthly payment perspective, and buyers are choosing longer terms," Lynn says. "At Auto Expert, we explain as best we can that rates, on average, are still lower at the CU than the dealer by a full two points. Dealers make a lot of money marking up rates. So, member education continues to be extremely important."

Rates have come down since the start of 2019, and the forecast is for them to maintain their current levels, adds Michael Buckingham, senior director automotive finance for J.D. Power (*jdpower.com*), Costa Mesa, California. Consumer sentiment is also very positive in the U.S., but not as strong in Canada.

An overall economic recession is also likely, the experts agree. How deep it will go and when it will happen is much less sure, though most see it holding off until after the U.S. presidential election in 2020.

"It's hard to argue with an inverted yield curve when it comes to predicting recessions," Kelly says. "And with the possibility of a recession, some auto dealers are cutting inventory. However, the severity and length of an economic slowdown should be short-lived, and nothing like we saw in 2008."

Regardless of how these auto lending and overall market scenarios play out, it seems likely that CUs will be able to guide their auto loan portfolios to success by focusing on new and tried-and-true strategies based on the goal of serving their members.

LONGER TERMS, UNLESS …

Buckingham underscores the idea that as vehicle prices increase, consumers will continue opting for longer loan and lease terms to aid affordability. New vehicle loan terms of 72 months or more are part of almost 70% of all transactions in the

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U.S. and of almost 80% of those in Canada. Terms of 84 months or more now comprise 15% of U.S. loan deals and more than 50% of those in Canada.

"Consumers on average have lower equity on the trade-in, and the loan-to-values are continuing to rise," continues Buckingham. "Now, close to 60% of consumers in both markets have a new vehicle loan equal to or greater than the value of the vehicle."

However, taking loans with longer terms to lower their payments can create a negative equity situation for many borrowers, says Kelly.

"A proliferation of off-lease vehicles is currently fueling used and certified-preowned car sales," he explains. "Meanwhile, residual-based financing options [for the residual value of a car at the end of a lease], like our walk-away balloon lending and leasing programs, account for about one-third of all new car financing nationwide." Such programs reduce consumers' monthly payments by letting them pay off a part of the principal during the term of the financing. When all the payments are made, the borrower pays the lender a lump sum or "balloon payment" for the difference. (Read more about this program at *cumanagement.com/0517flex*.)

Stretching loan terms is not good for every consumer—especially if it means "the consumer becomes upside down in his or her loan," adds Richard Epley, CEO of AFG. The balloon loan programs that AFG offers shorten loan terms and could help likelihood of negative equity.

Steven Roberts, AVP/auto lending for $700 million Ardent Credit Union (*ardentcu.org*), Philadelphia, predicts leasing will remain popular and continue to put a strain on both direct and indirect lending in the short term. In the long term, however, he thinks "it's only a matter of time before the market turns away from leasing. The turn can occur when car values drop on leased vehicles, leaving the leasing company with fields of cars in a negative equity situation."

Roberts describes the history of leasing as up-and-down, due to a continually changing market. "An example is when pre-owned auto sales decline and the auctions are left with a surge of off-lease vehicles. The resale value, in turn, will drop, causing the leasing companies severe losses and pulling back from the program."

VALUE-ADDING STRATEGIES

While Ardent CU remains interested in indirect auto lending, Roberts anticipates only marginal growth of its indirect auto lending efforts for 2020. "Instead, we're focusing on value-added strategies to attract and retain more of our members' business, including our free Auto Buying Concierge service (*ardentcu.org/ABC*)."

Roberts explains that the program leverages the terrific service the CU already provides to members and dealers for all types of loans.

"Dealers are looking for more than just the lowest rate," he says. "They want to know someone is there to speak with, to work through the details of a loan approval quickly. Members, on the other hand, many of whom are working their way through the financing and car purchasing nightmares, depend on our loan officers, who take extra time to discuss Carfax reports, NADA market values and answer other questions."

Today, the Auto Buying Concierge has become the flagship service that sets the CU apart. It was developed internally two and a half years ago and has received positive member feedback.

"Most folks prefer not to engage in something they know little about, but they don't want to overspend or make a poor choice," Roberts explains. "With two former auto sales managers on staff, we have saved our members over $1 million in two years. Others offer search engines and websites to assist people. We offer something different by speaking personally to each person requesting assistance and offering our expertise at no charge.

"It's also brought us closer to our members during the car-buying process," Roberts continues. "While we can often save members money, the frequent praise is that they no longer feel vulnerable when entering a dealership. We see greater loan retention, repeat business and new referrals."

This kind of pre-purchase coaching is also something that Auto Expert provides. "Members often ask us about leasing versus purchasing, seeking the lowest possible payment, and we coach them on the pros and cons. We can often show that with a six-year term, the payment for a purchase is similar to a lease, and overall the member prefers to buy."

When it comes to being creative in the auto lending marketplace, there's also "subscription" services, which provide a consumer with a car for a monthly fee that includes insurance. Lynn says the options in this arena are few and cost-prohibitive.

Original equipment manufacturers came out with subscription models as well, only to cancel them shortly after, Kelly notes. "We've seen these models enter the market, but the value proposition is still not as good as a short-term lease or balloon, which we believe provides a better alternative for the consumer." Still, he says, watch for more subscription services to enter the market.

THE ROLE OF ONLINE AND MOBILE

Enhanced auto loan applications and approvals via online and mobile channels continue to be critical in evolving loan models. And whether relationships are built in person or online, strong member connections will drive long-term success.

Online tools will only become more important and prevalent in the auto loan process, says Epley. "Most car buyers are looking at vehicle prices online before going to a store; they're more informed than ever. As a result, car dealerships have become more competitive on price, shifting the focus to F&I and their service departments.

At Ardent CU, most loan applications come through its website. "However, we've upgraded our mobile and online loan functionality to provide a better loan experience for members," says Roberts. "These upgrades allow mobile users to view and scroll more easily on their devices and present pre-approvals for loan products (like auto loans) through online banking.

"We also give members loan calculators and other convenience tools when applying online," he adds. "That said, the one-on-one experience with a loan officer is still preferred. The world is electronic, but people appreciate the personal attention and high touch of our team. So, finding a service niche is imperative."

Success, concludes Kelly, will hinge on member satisfaction, maintaining market share and differentiating a CU's brand. "Credit unions should ultimately view success not only as increased market share but providing impeccable service to their members and remaining at the forefront of their value proposition."

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.

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Achieving *HR Tech 4.0*

HOW OPTIMAL IS YOUR CU'S USE OF THESE TECHNOLOGIES?

BY LIN GRENSING-POPHAL, SPHR

ISG's 2019 *Industry Trends in HR Technology and Service Delivery Report* (*tinyurl.com/isgreport*) analyzed input from 271 companies about their use of human resources technology. The companies represented a variety of industries in various regions around the world, ranging in size from 1,000 to more than 20,000 employees. The results were broken down into four tiers of HR technology adoption:

- **HR Tech 1.0**. No strategy or central ownership of HR technology exists at the organization.
- **HR Tech 2.0.** HR technology exists but is not well aligned to organizational objectives.
- **HR Tech 3.0**. HR technology is aligned to organizational objectives with the ability to effectively respond to business needs.
- **HR Tech 4.0.** Central governance is established by an HR tech center of excellence; Human ersources is viewed as a strategic partner that helps drive the organization's broader objectives.

One of the key findings of the report is that, while "organizations are making significant investments in advanced technology to address many of the complex HR challenges, ... they are missing out on opportunities to optimize processes and failing to prioritize change management to ensure adoption."

Based on these broad results, how would you say your credit union is doing at leveraging technology to address HR challenges in alignment with your organization's business objectives?

PSECU's HR information system "... is not just about what HR needs to gather from employees—or to report from a compliance perspective—but what employees need either to communicate or to do their jobs."

— Kim Gorham, CIE

THREE BIG BUCKETS OF HR TECHNOLOGY

Before you answer, first consider that HR technology solutions are generally focused in three broad areas:

- **Human resource information systems**. These are designed to manage a number of HR-related systems and processes, from capturing and storing employee data to time and attendance, payroll and benefits.
- **Learning management systems.** These allow for the delivery and tracking of training and education activities and serve as a repository for records related to what courses, education and training employees have taken. Learning management systems also are emerging as key tools to help employees and their managers plan for and track employee development activity.
- **Intranets.** These serve as internal communication platforms and allow employees to interact and share information.

Initially, as ISG's report suggests, many organizations—including credit unions—developed these systems in-house and had them reside on their own servers. As cloud technology has become more prevalent, however, adoption of software-as-a-service technologies—which allow organizations the freedom and flexibility to leverage external resources that can be continually updated, improved and managed by technology experts—has risen.

However, ISG's report finds the use of software-as-a-service is lower than expected. "As organizations evolve their HR capabilities, they move toward a full SaaS solution," the ISG report authors write, "experiencing an increasing degree of digital adoption with optimized processes and strategic business insights that feed critical decision-making and drive business outcomes."

But the report finds just 20% of respondents "indicate that a SaaS subscription-based or hybrid solution best describes their HR technology platform today, while the remaining 80% continue to operate on-premises, hosted or internally developed solutions."

For credit unions, adoption of cloud-based vs. internal systems varies significantly based on size, employee and member needs, with some farther along the curve of full adoption than others. As credit unions and other organizations consider new technology, their selection criteria tend to focus most on data security (72%) and to a lesser degree on having a modern look and feel (43%), according to ISG's research.

The report also acknowledges the minimized focus on cost as a high-level driver of decisions today. "This may reflect an acknowledgement that investment is required to attain the other benefits cited as 'must-have'," the report says.

HOW CUs ARE USING HR TECH

CUES member Leona Warner is manager of people solutions with G&F Financial Group (*gffg.com*), a $2 billion credit union based in Burnaby, British Columbia. At G&F Financial Group, says Warner, "we use ADP Workforce Now (*workforcenow.adp.com*) for HRIS, policy acknowledgement, recruitment and performance management. We also use TLC from CU Solutions Group [(*cusolutionsgroup.com*), a CUES Supplier member in Livonia, Michigan,] as an LMS and Cusource [(*ccua.com/cusource*), Toronto] as a content provider for other LMS and learning content."

The credit union, she says, "is trying to be holistic" in its approach to technology and consider ways that technology can support employees' informational and personal development needs.

From an employee development and performance management standpoint, HR meets with managers at the beginning of the year, she says, to set professional development goals.

"As we move along, we'll use this system to track and have performance management conversations mid-year and at the end of the year." All of these activities can be managed online. "I can put my notes in, I can measure how far I am with the goal—and we can manage the competencies of individuals and what behaviors they're showing, all built into the performance management structure."

The HRIS systems, says Warner, handles most basic HR functions—tracking such things as new hires, vacation, payroll and terminations. Company policies and job postings are also part of this system. Time-off requests can be made online.

"If I want to take a holiday or a day off to go to the doctor, I have a way to request that and a message goes to my manager so they can approve," Warner says.

G&F Financial Group manages internal communications through Microsoft SharePoint (*tinyurl.com/mstshpt*), says Warner. Policies, procedures and work process documents—such as how to open a checking account—are part of this system.

The primary focus in HR tech for $5.5 billion PSECU, Harrisburg, Pennsylvania, has been its LMS from UltiPro (*ultimatesoftware.com*), Weston, Florida, according to CUES member Jeff Fetterman, CIE, manager of learning and development. In addition, Fetterman says, "we license several vendors for content, including BAI [bai.org] and ServiceSkills [serviceskills.com]."

The credit union also uses UltiPro for HRIS, including payroll, performance management and recruiting, and CUES Supplier member Passageways (*passageways.com*), Lafayette, Indiana, for its intranet.

The CU had a pretty specific strategy eight years ago move to the UltiPro system, Fetterman says. The move has been a very strategic one, especially as the credit union has grown. "We needed to have one system that could perform most of our HR functions—and just be that one-stop shop."

A branchless credit union, PSECU finds that the use of technology comes naturally. "We've been using technology for decades because we don't have a lot of in-person interaction with our members," says Fetterman. "Almost everything is either on the phone or via some sort of technology."

CUES member Kim Gorham, CIE, a director in PSECU's HR team, notes that the CU has used some type of HRIS for about 20 years.

"Today's version, though, has much more focus on the employee experience," she says. "The solution is not just about what HR needs to gather from employees, or to report from a compliance perspective, but what employees need either to communicate or to do their jobs."

At PSECU the intranet is a repository of information that employees might need to do their jobs or to access information about benefits, policies and the like. The "ownership" of that content and the responsibility to keep it edited and updated, says Gorham, falls to different people based on their roles.

"We've had a content library or knowledge base for quite some time—and we've tracked who those owners have been over the years," she says. "As people transition in and out of positions, we touch base with the new job holder to identify the correct content owners."

Looking to the future, she says: "We're looking at use cases for AI in HR to support both our recruiting processes as well as enhancing our feedback channels with employees. We see it as a real opportunity to improve the employee experience."

METRICS MATTER

With the rising cost of HR technology and the time commitment required from employees and management staff for both training and actual use of such technology, it's increasingly important for HR leaders to be able to justify the investment in the IT systems they're using.

According to Kirkpatrick's standard levels of evaluation (*tinyurl.com/kirkpatrickeval*), the impact of these systems range from the basic level-1, at which employee perceptions determine the usefulness and value of the systems they have access to, to the advanced level-4, when the impact of these systems on the credit union is measured.

As Fetterman says, "We want to make sure that whatever we're rolling out for employees has value—it's not just 'check the box' kind of stuff." For example, an investment of questionable value would be sending 50 people to a leadership class and then none of them is promoted over the next five years.

"By linking our HR system with our LMS, we can do some really nice analysis other than just looking at how many people took a class," says Fetterman. He also acknowledges, though, that "we're just scratching the surface on that—doing more data analysis is going to be a real game-changer for us."

INTRODUCING HR TECH TO THE TEAM

Technology changes rapidly. Whether HR is converting to new systems, or cloud-based systems are adding functionality, HR technology is a fluid function that requires ongoing training and communications. It's not enough to introduce employees to the technology available to them when hired. Training and communication must be ongoing and easily accessible to employees who need a brush-up or simply have a question they need answered.

"Communicate, communicate, communicate, and partner across the enterprise," advises Jennifer Stangl, director of professional development for CUES. "What works best for us is if we approach it as a team and we rely on the true subject matter experts or content owners to ensure that the content is current and relevant."

Stangl recommends a focus on awareness and ensuring that employees are familiar with the tools and resources available to them. And, she advises, keep it simple. "Deliver resources the ways employees expect them in their regular, everyday lives." Things like "quick videos, one-page user guides and quick tips can help them quickly digest information and make use of technology's functionality."

BE OPENED-MINDED ABOUT HR TECH

Tiffani Murray (*tmurrayhrtech.com*) is an experienced HR strategy/operations leader with 15 years of experience and a

A Learning Management System *for CUES Members*

CUES Learning Portal (*cues.org/clp*), a learning management system powered by Degreed (*degreed.com*), provides CUES members with access to curated content across a range of critical CU topics. Users are able to engage with others, develop specific skills, and curate and manage their own professional development.

"Being able to engage in a learning experience platform outside your organization is great," says Jennifer Stangl, director of professional development at CUES. "When you can do it through something like CUES, employees are able to connect with others in the industry outside of your credit union. It's an opportunity to connect with people in similar roles, or people completely outside of their roles for a broader base of experience."

"We want to make sure that whatever we're rolling out for employees has value—it's not just 'check the box' kind of stuff."

— Jeff Fetterman, CIE

specialization in HR systems/technology. She notes that new technology becomes quickly outdated and an area that feels this most acutely is human resources.

"As businesses look to make the jobs of their employees easier and more mobile-friendly, HR technology is being adopted," she says, particularly by financial institutions like credit unions. "From automating the simple tasks like internal mobility, promotions, name changes, updating emergency contacts, etc., there is a need to have HR systems that support recruiting, learning and performance as well as the standard operations like compensation, payroll and benefits."

In the past, says Murray, "credit unions and other financial institutions relied heavily on homegrown, highly customized and on-premise technology to support the HR function." However, she adds, "This is no longer cost-effective, nimble or easy to maintain." Cloud-based human resource information systems are becoming increasingly popular and, she says, they're "available in every flavor, from those vendors that cater to small and mid-sized organizations to others that can accommodate the needs of larger enterprises."

Modern human resources technology is a must-have for credit unions, says Murray. "Credit unions cannot just innovate to their customers without innovating internally with HR tech."

The bottom line for HR professionals in credit unions today, says Gorham, is to "be open to technology and its evolution. Open-mindedness and willingness to utilize technology tools will really catapult an HR department into a strategic role."

Lin Grensing-Pophal, SPHR, *is a writer and human resource management and marketing communication consultant in Chippewa Falls, Wisconsin. She is the author of* The Everything Guide to Customer Engagement *(Adams Media, 2014) and* Human Resource Essentials *(SHRM, 2010).*

MORE ON HR TECH

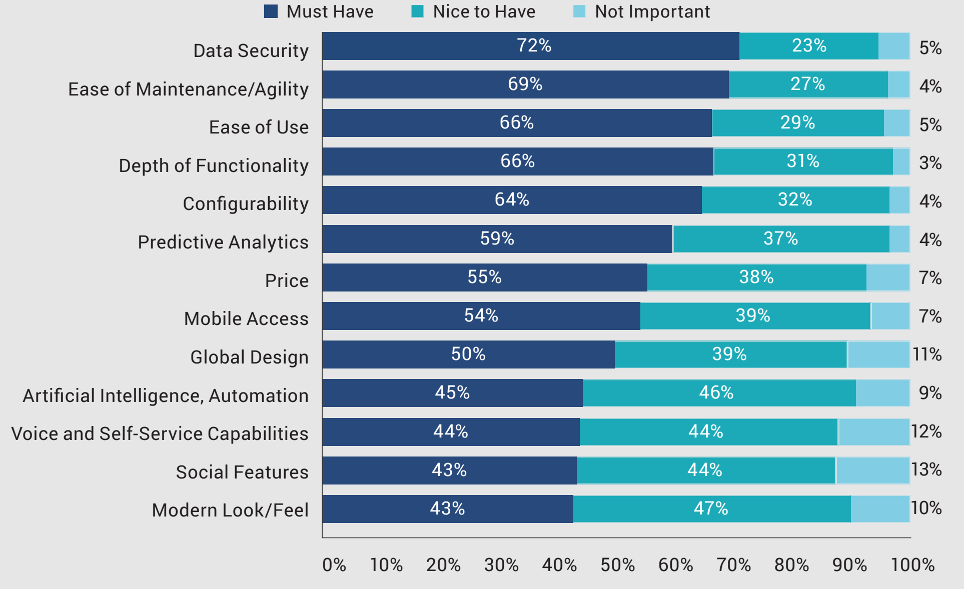
From John: I Bet You'd Benefit From Social Learning (*cumanagement.com/1019fromjohn*)

Tech Time: Four Ways AI-Driven Solutions Are (*cumanagement.com/0719techtime*)

Purpose, Engagement and Communication (*cumanagement.com/0818purpose*)

CUES Learning Portal (*cues.org/clp*)

HR Technology *Selection Criteria*



According to ISG's 2019 "Industry Trends in HR Technology and Service Delivery Report" (*tinyurl.com/isgreport*), data security and ease of maintenance/use top the list of criteria used to choose HR technology.

Recruiters *to the Rescue*

EXECUTIVE SEARCH FIRMS CAN PROVE AN INVALUABLE ALLY WHEN FILLING HIGH-LEVEL POSITIONS, BUT BOARDS NEED TO DO THEIR PART TO ENSURE A SUCCESSFUL OUTCOME.

BY PAMELA MILLS-SENN

When faced with the prospect of replacing a CEO or other high-level C-suite position, some credit union boards may initially be tempted to tackle the hiring process on their own. There are several reasons this is appealing—the primary one being financial, says Lisa Burroughs, executive director for CUES Supplier member O'Rourke & Associates (*orourkeconsult.com*). Headquartered in San Francisco, O'Rourke is the recruitment division of Humanidei (*humanidei.com*), a human capital strategies firm.

"Also, some [credit unions] may have an HR professional on their board who feels confident in handling the search," Burroughs adds. "However, if that person is not deeply connected to the industry, he or she may not be able to cast a wide enough net to attract the best available talent and may not have the expertise to evaluate the technical skills of the candidates under consideration."

Bill Borkovitz, principal of CUES Supplier member JM Search (*jmsearch.com*)—an executive search firm based in King of Prussia, Pennsylvania—and advisor to CEOs, investors and boards of directors, suggests another motivation behind boards trying to go it alone is the belief that their network is sufficiently strong enough that outside help isn't warranted. Whatever the driving reason, a do-it-yourself executive search can prove expensive to both the credit union and its members in the long run.

"Handling a search internally should only be the approach when you can demonstrably prove that the position to be filled does not have a significant impact on the business—typically in an internally facing role below the C-suite level—and that the company has a solid network of potential candidates," Borkovitz cautions. "But when the stakes are high, it's simply not enough to rely on your own network."

Today's competitive financial services arena makes finding the executive best suited to lead the organization more important than ever, says Jill Nowacki, president/CEO of Humanidei and O'Rourke. At the same time, the tight labor pool and elevated employee expectations have conspired to make the process extremely challenging.

This is where executive search firms can be an invaluable resource, since they can rapidly swing into action, cast a much wider net and provide a more diverse array of candidates—not just in terms of gender and racial/ethnic diversity, but in personality, perspective and ideas, says Borkovitz.

SEARCH FIRM PROCESSES

Since every firm handles executive searches differently, it's important that boards contemplating taking this route understand the process, including the anticipated search timeframe, fee structure, board involvement and how candidates will be identified, says Borkovitz.

From the point his company is retained, the search process typically takes up to 12 weeks, he explains. It begins with a "deep and immersive dive" into the organization and its culture, working collaboratively to define the role and its requirements. From this they develop a position description and devise the search and outreach strategy.

Candidates are interviewed, assessed and vetted prior to presentation before the board. Candidates are also evaluated on factors such as temperament, management/leadership skills and other leadership traits. Even as the firm narrows down the finalists, advising the board about the prospects, potential candidates still continue to undergo evaluation until an offer is made.

"When the right candidate is selected, we work with our client to develop a compelling [compensation] package that suits both parties using the information we gathered throughout the search," says Borkovitz.

Once a board has expressed interest in retaining O'Rourke, Burroughs explains, an initial call is made to the board's designee to obtain the pertinent facts. From there a proposal is sent, at which point they meet with the board, respond to any questions and get a sense of the relationship.

"It's important the executive search professional and the board have a good chemistry with one another and that they can easily communicate," she adds. "This can only be determined by a one-on-one meeting—not just through the evaluation of the proposals. Some boards skip this step, which I think is ill-advised."

Boards should assess a firm's level of industry knowledge and network before making an agreement, Burroughs continues. Ask about the background and experience of the person who will be working on the search and how the CUs where the firm has placed CEOs are performing today.

Boards should expect a full-service approach, she adds. O'Rourke works with boards to explore and review their strategic vision for the organization, obtaining input from multiple stakeholders about the skills, characteristics and qualities believed necessary in the new CEO. The firm creates a "High-Performing CEO Profile" it will use to evaluate candidates and advises the board on the compensation and benefits package likely required.

O'Rourke's recruitment and evaluation methods are designed to present a diverse array of candidates for consideration, says Burroughs, adding they also guide the board through the interviews.

"Once a selection has been made, we facilitate the negotiation process," she says. "From there, we facilitate a smooth transition ... [and] discussion between the board and the new CEO regarding expectations and deliverables. Each case is unique. We follow up with the board and CEO after placement to ensure the transition is successful."

Although executive search firms do much of the heavy lifting during the recruiting process, boards must also do their part. Both Borkovitz and Burroughs stress the importance of accessibility and clear communication.

The process works best when the board designates a specific member as point person or a small committee to serve as a liaison with the firm. Those points of contact must be "totally present, responsive and 100% transparent with not only the search firm but also in reporting back to the full board," says Borkovitz. "Timely feedback on candidates and processes, communication on internal changes and events that come up during the search process are all extremely important dynamics.

An early determination of the search schedule is also necessary, says Burroughs, explaining that scheduling conflicts can disrupt and extend searches. Consequently, boards should decide and clearly communicate the dates for meetings, interviews and decisions. Then there's the potential issue of too much involvement from the current CEO, something she has seen undermine the search effort.

"Understandably, the board trusts their CEO and values his or her opinion, but this selection is the board's sole responsibility," notes Burroughs. "And while some feedback from the CEO on what it takes to be successful adds value, ultimately the board is responsible for the final decision."

RECRUITING FOR THE BOARD

A board that understands this responsibility is much likelier to work effectively with executive search firms. Such boards may also seek outside intervention from a search consultant when a board position opens up, says Deedee Myers, Ph.D., founder and CEO of CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), a Phoenix-based firm providing executive search/recruitment, strategic organization and leadership consulting services.

"Boards do what they've always done until they realize there's a better way," says Myers. "Most boards don't realize that a search firm can help them move away from the stale recruitment methods that perpetuate board homogeneity, 'like-me' thinking and unseen biases."

Boards undertaking their own director recruitment risk attracting candidates who reflect what the *board* is comfortable with, not necessarily what would work best for the CU and its members. This can result in a less dynamic board, one where beneficial competencies may be missing and blind spots—entrenchment, "social loafing" (letting others sit back while others do the work) and group-thinking—prevail, says Myers. She describes achieving board diversity as a "huge challenge," noting that the board should reflect the organization's membership, but often doesn't.

Myers suggests boards look for a consultant with both strong search and board development processes. The ideal time to begin the search is about a year before needing to nominate, she says, although she adds that this isn't always possible. (See "Recruiting by a Different Route" at *cumanagement.com/1219route*.) It's best to task a small committee of board members with the recruitment effort. The committee will narrow down the candidates to the top two or three. (Be sure to establish the committee's authority in advance, Myers cautions.) If the credit union won't be holding an election, the entire board will then interview the finalists before reaching a decision.

Whether seeking to fill an executive position or a seat on the board, utilizing a search firm helps avoid pitfalls associated with traditional screening processes, such as limited, homogenous candidate pools, impacting the credit union's ability to attract a broad array of talent, says Nowacki.

"Boards should hold their executive recruiting firms accountable for building diverse candidate pools that reflect understanding of the communities the credit union serves," she says. "And they should be open to suggestions for how to manage through systemic and unconscious biases that are often built into traditional executive search practices."

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

MORE ON EXECUTIVE RECRUITING

Recruiting by a Different Route (*cumanagement.com/1219route*)

Talent Competition (*cumanagement.com/0118talent*)

Leadership Learning: Doing What It Takes (*cumanagement.com/1019leadership*)

Unlimited+ article: What Does the Board Want the New CEO to Do? (*cumanagement.com/0616board*)

CUESolutions provider DDJ Myers (*cues.org/ddj*)

Share Your CU's *Compensation Data*

CUES is asking for credit unions to share compensation data for two important surveys before March 31. Your participation is vital to maintaining a large, representative database of current compensation information.

The CUES Employee Salary Survey (*cues.org/ess*) covers non-executive positions, including accountant, branch manager, business development specialist, controller, member services specialist, administrative assistant and more.

The CUES Executive Compensation Survey (*cues.org/ecs*) covers 17 executive-level positions, including CEO, EVP, CFO, COO, chief lending officer and more.

With both surveys, you control what is included in your compensation reports by setting your own peer group. Our report filters allow you to choose the parameters that matter most to your credit union, including asset, region, state, membership size, and many other options.

CUES Unlimited+ members receive both survey results as part of their membership benefits. Join at *cues.org/membership*.

Thank You, *Sponsors!*

CUES Symposium (*cues.org/symp*), Feb. 9-13 in Kohala Coast, Hawaii, is a unique conference that fortifies the partnership between your credit union's CEO and board chair. By attending together, the pair shares learning experiences and team-building opportunities, resulting in a powerful duo that works well together, ultimately strengthening your CU. This specialized event is highly interactive, providing opportunities for your CEO and chair to share ideas, problem-solve, and develop plans ready to take home and implement immediately. The following sponsors help make this event a success:

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Sponsors that signed on as of Dec. 4 are included here. See a full list—and register to attend—at *cues.org/symp*.

2019 Learning *Trends*

The CUES Learning Portal, powered by Degreed, provides CUES members with access to curated content to support skill development of individuals at all levels within the CU. CUES members can engage with others in groups, develop skills on a specific topic using learning pathways, recommend content to others or save learning to curate their own list. Curious what others in the industry were focused on in the past year? These are the top topics that CUES members studied in 2019:

- leadership,
- effective communication,
- board governance,
- learning agility, and
- operations.

Log on to CUES Learning Portal (*cues.org/clp*) today to start your 2020 learning journey.

Webinars & Elite Access

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

JAN. 9 & JAN. 16
12 p.m. Central
Elite Access: Mentoring at Work

JAN. 22
1 p.m. Central
Online Account Opening: How to Deliver Exceptional Member Experiences (Webinar)

FEB. 18
12 p.m. Central
Elite Access: Talent Development Virtual Roundtable

MARCH 26 & APRIL 2
12 p.m. Central
Elite Access: Negotiation Strategies for Everyday Issues

APRIL 22
12 p.m. Central
Elite Access: Emerging Leader Virtual Roundtable

MAY 13
12 p.m. Central
Elite Access: Creating and Sustaining an Inclusive Work Environment

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Andrea Heger

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There is a continued focus on financial wellness and member education. Insurance plays a key role in this. It can be complicated, so there is a need for solutions that are simple and straightforward.

Big data and analytics are still a hot topic with CUs, and Franklin Madison has both credit union and industry insights through our proprietary data analytics platform. We are market leaders in understanding what members want and how to best provide solutions for them.

CUES 2020 CALENDAR

Plan Now and Get the Best Rates!

It's never too early to plan for success. Mark your calendar and budget for CUES in 2020! Some events are open for registration now – don't delay, seats fill up fast!

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January			
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**.

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Five Ways to Grow Your Loan Portfolio *In a Slower Economy*

BY PAT TRUE

Many economists continue to predict slower GDP growth in 2020 than the previous two or three years. This poses a potentially significant challenge to a credit union aiming to grow its loan portfolio during the next 12 months. However, certain strategies can be deployed to nurture growth in any economic cycle.

Here are five methods to consider when attempting to grow your loan portfolio, even as the current cycle begins to slow.

1. DEVELOP LENDING SPECIALTIES

Expand your service offerings to solutions that cater to specific needs, such as working capital finance, government-guaranteed finance or lending to niche industries. Loan portfolio growth may require that your lenders study new markets or that you acquire new technologies that will support such strategies. These efforts can pay significant dividends for years. The first step is to thoroughly examine your market for existing and emerging industry trends and opportunities.

2. STUDY YOUR MEMBER RELATIONSHIPS

Are your lending officers familiar with your business members' financial goals and ambitions? Of the more than 30 million small businesses in the U.S., about 24 million are non-employer firms. That means that on paper they look very similar to members.

Chances are, many are funding such businesses through personal savings and personal credit. Most small business members are unaware of the products and services their credit unions offer. Your branch personnel are typically the best informed to to help cultivate and grow small-business relationships in the future.

3. WIDEN YOUR NET

Physically expand your market, either directly or through loan participations. A benefit of commercial lending technology is that it allows closer monitoring of commercial portfolios. Third-party data sources can also proactively arm you with business health scores daily.

Many of these same technologies allow you to grow your loan portfolio through participation networks. Economic expansion does not occur everywhere at the same rate. Some regions may be growing steadily while others are struggling. If your region is not growing, collaborating with other credit unions in higher-growth regions can be a valuable way to learn best practices and strategies.

4. BOOST YOUR WEB & SOCIAL MEDIA PRESENCE

This is no longer optional for credit unions; it's necessary for survival. You should have dedicated marketing personnel in place, either employees or consultants, to develop or refresh your comprehensive strategy, including social media. This involves posting regularly and providing subject matter experts who can create content and nurture market awareness for your credit union. You may also be able to leverage your vendors and their social media strategies by sharing their content. Increased brand awareness can also help attract new clients.

While 2020 may not offer as many loan portfolio expansion opportunities as we have seen in the past few years, these strategies can help enhance both loan growth and client retention, in addition to better leveraging one of a credit union's biggest strengths—your own team of professionals.

Pat True *is a senior risk analyst with the lending solutions division of ProfitStars®* (profitstars.com)*, headquartered in Allen, Texas.*

Read the full post and leave a comment at *cumanagement.com/103019skybox.*

"Micromanagement and forward-thinking leadership never go hand-in-hand. Identify your unique value proposition and articulate a digital-led strategic vision—then trust your leadership team to determine how to execute it."

Tim McAdow, VP/go-to-customer for CUESolutions platinum provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin, in "Digital Transformation on the Horizon?" on CUES Skybox: *cumanagement.com/111319skybox*

CASE STUDY

Two Credit Unions Do Data Differently

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MARY GRAY
Director of Membership Engagement and Programs, A+ Federal Credit Union

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TARSHA SMITH
Relationship Manager,
Coastal Credit Union

Access your copy of "Two Credit Unions Do Data Differently" to learn how the credit unions deployed predictive analytics models to:

- Taper member attrition
- Deepen member relationships

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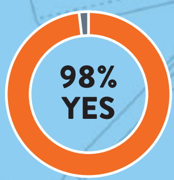

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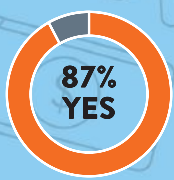

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