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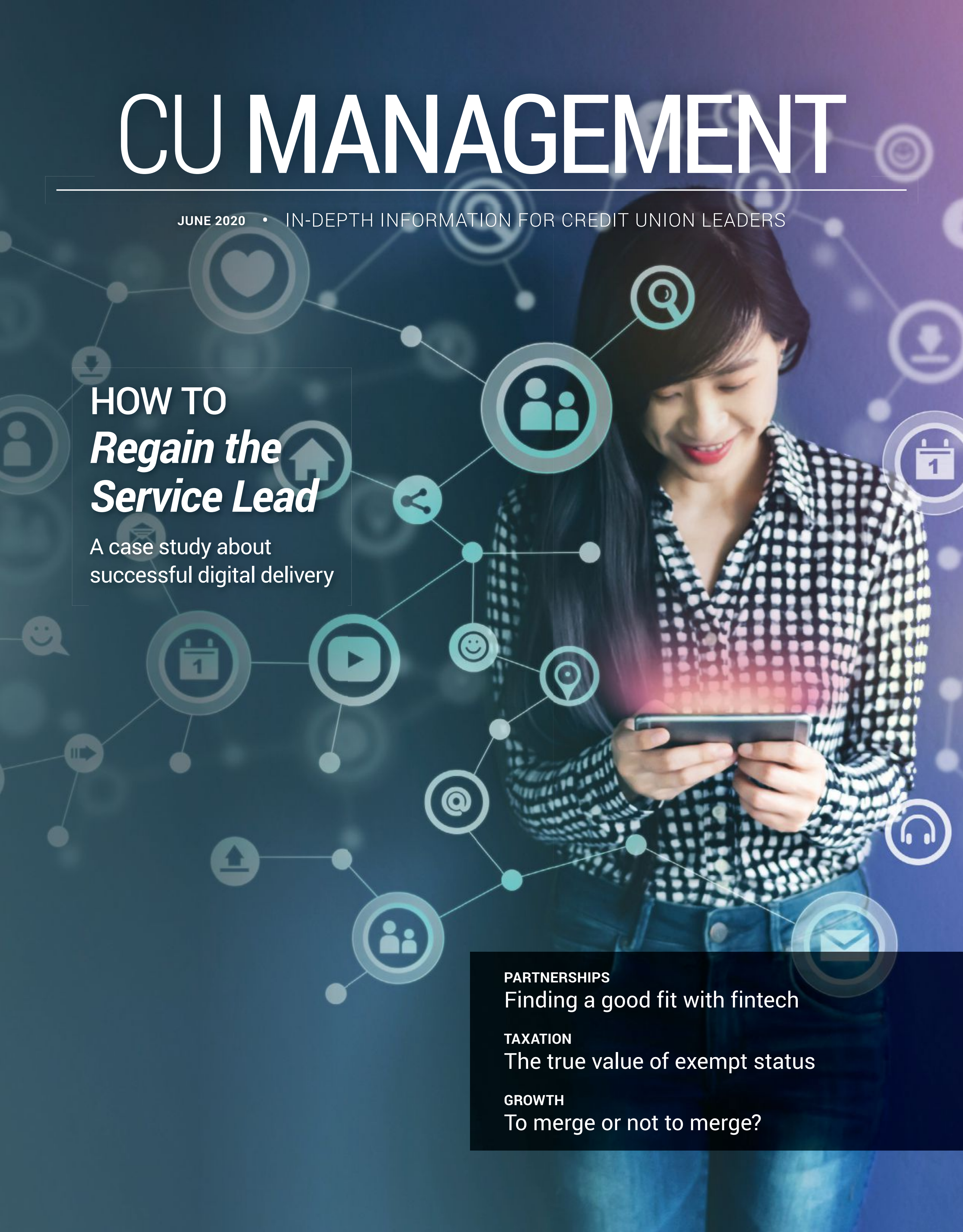
JUNE 2020 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS



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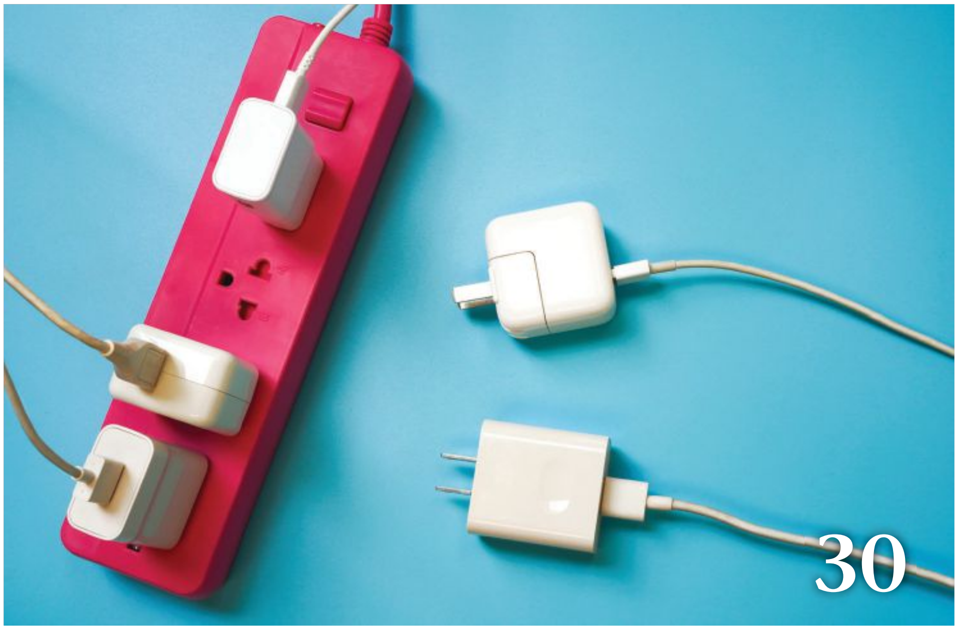

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Many members rely on Facebook, Twitter and other social media as two-way channels for pandemic news and everyday service information.

cumanagement.com/0520social

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LET'S CONNECT

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The Editor's *Dilemma*

A challenge of editing a monthly magazine is that we plan our issues many months before you read them.

As you open this issue, we are planning the November 2020 issue of *CU Management* and working on our 2021 editorial calendar. A monthly magazine generally does not "break news," but does need to respond to the news and be relevant in the changing marketplace. Therefore, I hesitated about what to do with the article on p. 22 about creative approaches to employee recruitment.

We planned this article hoping it would help credit unions struggling to fill open positions in a job market with a 3% unemployment rate. Now, the unemployment rate is almost 15%. By June it could be higher. Even if the jobless rate starts to improve as some states open up and closed businesses resume operations, will credit unions be doing much hiring? Or will you be waiting to see what the next several months bring?

We decided to keep the article in this issue as planned because the content is good. The article covers hiring members and former employees, looks at the impact of "ban the box" laws that forbid employers from asking job candidates about criminal backgrounds, and offers tips for how to handle "ghosting"—when a new hire never shows up to work.

While we planned "Recruiting Outside the Box" months ago, we're now operating "outside the box" in almost every aspect of our lives. Perhaps looking to former employees and your best members for open positions is extra important when you can't interview or onboard in person.

I do hope this article will be helpful to you, whether you read it right away or save it for better days. I would also like to know what content you are most interested in right now. Do you want only COVID-19-related content? Or are you grateful for a break from it? Are there topics you want to see covered in this magazine or at *CUmanagement.com* in the coming months? Let me know by emailing *theresa@cues.org*.

And until then, stay well.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

P.S. Watch your email for surveys coming from CUES this month. We are looking for your feedback on your membership. And later this summer, we'll survey *CU Management* readers about the ads you see in your magazine. Stay tuned.

YOUR THOUGHTS

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How to Regain *the Service Lead*

PARTNERS FCU MODELS A NEW APPROACH TO DIGITAL DEVELOPMENT AS CREDIT UNIONS FALL BEHIND BANKS.

BY KAREN BANKSTON

Long before the COVID-19 pandemic temporarily shuttered branches, the definition of excellence in financial services delivery was shifting to digital channels. That evolution in member expectations likely accounts for a worrying warning signal: For the first time ever, banks surpassed credit unions in the annual American Customer Satisfaction Index.

Banks and credit unions both posted lower scores in the ACSI Finance, Insurance and Health Care Report 2018-2019 (*tinyurl.com/yda7lcbj*), with banks' average score of 80 down 1.2% from the previous year and credit unions' average 79 down 2.5%. In a press release announcing the survey results, ACSI Managing Director David VanAmburg attributed the results to big banks applying their considerable resources to developing the mobile services consumers want.

"As technology improves, so does customer satisfaction," VanAmburg said. "The personalized service that's the hallmark of smaller banks and credit unions may no longer be as critical to customers, especially a younger demographic."

CHARTING A DISTINCTIVE DIGITAL PATH

Credit unions' comparative dip in the ACSI customer satisfaction ratings is largely due to the significant investments by big banks in digital capabilities like account opening and loan applications over the past several years, agrees Ryan Myers, director with CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

Chase alone committed to a 2019 technology budget of $11.5 billion, half of which, its CFO reported, was used to finance "innovative change," Myers notes. "That scale is hard for smaller organizations to fathom, much less keep up with."

Credit unions don't need to match the big banks dollar for dollar in their technology investments to regain their service superiority, but they should aim to partner with tech vendors to deliver a digital experience that takes full advantage of their knowledge of members' needs, says Larry Edgar-Smith, VP/business solutions and product strategy for CUES Supplier member Temenos (*temenos.com*), Malvern, Pennsylvania.

Credit unions' ratings declined in several areas of the ACSI survey, including helpfulness and time to process applications and resolve problems, notes Kris Frantzen, senior product manager for Temenos Infinity, a cloud-based digital banking and front-office product offered by Temenos that focuses on customer experience. Those metrics underscore the need to look beyond the design and feel of websites and mobile apps to the people and processes working to support the functionality and timeliness of those channels.

"We need to get things done quicker and more efficiently. What ultimately matters is meeting the financial needs of the people coming to us in a way that best suits who they are and what they're looking for," Frantzen says. "Credit unions have to make sure they're not losing that focus on the individual because they're trying to be like everyone else and have slick-looking technology.

"Never lose sight of what has made the credit union successful—just marry that to your credit union's digital technology," he advises.

Members' increasing reliance on mobile and online channels doesn't mean they're willing to forgo personal service, cautions CUES member John Janclaes, CCD, president/CEO of $1.9 billion Partners Federal Credit Union (*partnersfcu.org*), Burbank, California.

"Credit unions need to improve their members' digital experience across the board from mobile all the way into their branches and call centers and deep into their operations," Janclaes says. "The promise to members is that anytime, anywhere, you can get something done, and if done correctly, with personalization. You don't have to give up that great service you got in the branches in the digital world."

LAUNCHING A CULTURAL REVOLUTION

Partners FCU started down the path to deliver on members' new service expectations three years ago and, along that journey, committed to more agile and iterative digital development in close partnership with its technology vendors. The credit union measures its progress via direct member feedback, surveys and app store ratings as it continues to introduce new touchpoints, like its Partners Connect mobile and online channel offering text and phone consultations.

For its success in executing on the digital front, Partners FCU was honored in 2019 with the GonzoBanker Ecosystem Award from Cornerstone Advisors for its collaborative member experience work with digital banking vendor Kony—a division of Temenos—to enhance its competitive position against the nation's biggest banks.

"Our real competition is the big banks, like Chase, Wells Fargo and Bank of America," Janclaes says. "When we ask members who don't have a full relationship with us where else they bank, it's those three. As sexy as Apple, Robinhood ("commission-free investing," *robinhood.com*) and some of these outliers are, that's not where the competition is where right now."

Offering a comparable digital experience with big banks requires credit unions to "get cracking," he urges. "This is a hard problem. It's a long road. And it isn't something you can just go buy from somebody. You need to change your culture in order to be able to deliver at a higher speed a continuous stream of digital offerings."

Partners FCU's adoption of an agile approach to transforming member service delivery required an organizational commitment, Janclaes says. "The discussions have to be about people, processes and technology—how we get things done. That's the definition of culture."

"It's less about the technology and more about how we deploy our people to create personal experiences in the digital world."

— John Janclaes, CCD

The credit union's aim to speed up decision-making and implementation, to simplify technologies and processes, and to aim for progress over perfection took more time than expected to get rolling in the first year—but it has moved quicker than estimated over the last 18 months, he notes.

Partners FCU and its tech providers have gone from making one or two updates to its digital delivery channels annually to five updates to its mobile app in one month alone. Some changes are small and implemented regularly and seamlessly alongside the development of major initiatives. One such major change is a new online platform and member onboarding solution scheduled to roll out this year, working with Kony and Avoka (also a division of Temenos), respectively.

MEASURING MEMBERS' DIGITAL EMBRACE

Members have taken measurable notice of their credit union's digital transformation. In just a few weeks after introducing its new mobile app last year, Partners FCU's Apple App Store ratings doubled from an average 2.3 to 4.6.

The credit union also works with Medallia (*medallia.com*)—the same company its major sponsor, Disney, relies on to gauge the visitor experience at its theme parks—to gather direct feedback from members using its mobile app.

"A member might comment, 'What's up with this update?' and we can see that and right away we can start to engage in the digital channel," Janclaes notes. "That responsiveness is part of what makes our app store ratings go up."

Myers recommends that credit unions closely monitor usage of their online and mobile channels as an indication of how they're keeping pace with members' evolving service expectations. The rate of membership and loan applications submitted via those channels in comparison to branches and the call center is another useful metric. According to the Cornerstone Performance Report for Credit Unions (*tinyurl.com/cstoneprcu*), high performers have about 60% of their members actively using mobile banking, and nearly a third of loan applications are originated via the internet.

Credit unions should also monitor metrics within their digital systems to identify "fallout spots" where members are abandoning transactions, Frantzen recommends. If a credit union sets a goal to bring in 5,000 applications through its mobile app but only gets 2,500, that data may pinpoint why there's a gap so that pain points can be fixed.

Edgar-Smith shares an example of a financial institution that measured a 12% drop-off around the phone type field (mobile, home, work) on an application. By digging deeper into the data, its tech team discovered the real problem was a big block of disclaimer text immediately after that field detailing how the institution might use applicants' contact information for marketing. By revising that text, moving it lower in the application and making the disclaimer linkable, the institution eliminated that pain point.

"Being able to track the member experience statistically is really important in terms of figuring out how to improve it," he notes.

Social media comments from members on their experiences interacting with the credit union also provide valuable data—and require private follow-up to pursue resolution of complaints and ensure member satisfaction. The greater opportunity in monitoring social media input is to ferret out broader underlying service problems, Myers says.

"What if these complaints are not isolated to the one or two members who spoke up? You could identify ways to improve policies, procedures and efficiencies if you look for patterns and repeats of similar requests," he notes. "Dig down to the root causes to resolve problems more globally. Good data management and analysis can help spot those patterns."

REDIRECTING CAPITAL, STRENGTHENING VENDOR PARTNERSHIPS

Credit unions can't match the resources big banks are pouring into digital development, but they should make the most of what they've got. Myers supplies an example from outside financial services: Chewy (*chewy.com*) distinguished itself from giants like Amazon and PetSmart by providing value and excellent customer support to a niche market. (In fact, Chewy did such a great job that PetSmart bought it.)

Myers advises credit union executives to be very deliberate in their investment decisions in terms of how they try to enhance the digital experience for members. "First and foremost, remove the friction folks encounter when they're trying to open a new ac-

Social Media Shines as *Emergency Communication Medium*

One day soon after financial institutions began announcing their responses to the COVID-19 pandemic, Larry Edgar-Smith conducted a quick, informal survey of how seven banks and credit unions were getting the word out.

Edgar-Smith, VP/business solutions and product strategy for CUES Supplier member Temenos (*temenos.com*), Malvern, Pennsylvania, is on the email list for five of those financial institutions, so he checked his inbox first. Then he looked on each of their websites for a prominent announcement along with each organization's Facebook, Instagram and Twitter feeds. Based on that quick assessment, Edgar-Smith determined that only two had achieved full horizontal coverage by posting information about their pandemic response across all social media channels.

"The credit unions that hit all those channels posted identical messages, so they didn't have to put a lot of extra effort into it. Credit unions that are attuned to social media understand that you have to stay in touch with all the channels your members are using," he says. "If you hear from one member complaining that they didn't hear about your COVID-19 response via their social media channel of choice, probably 90% of members who use the channel felt the same way but just didn't bother to speak up about it."

Social media played a huge role in messaging during the early weeks of Partners Federal Credit Union's pandemic response, says Royce Ngiam, VP/marketing and business development. The $1.9 billion credit union (*partnersfcu.org*), serving 180,000 members in California and Florida and around the world, saw a 22% increase in Facebook impressions in March over the previous two months as members checked in for information about branch operations and special support Partners FCU rolled out for those affected by income loss.

The credit union has used social media for educational messages, including a motion graphic on social distancing to explain its new branch queuing standards and its first "live" Facebook workshop on household budgeting, which averaged about 82 viewers throughout the April 1 session and had almost 300 people set a reminder to attend.

"We prerecorded the workshop and added visual elements like motion graphics and music to enhance the viewability, then we streamed it live," Ngiam says. "During the streaming, our presenter was responding to questions in real time through Facebook. It was pretty cool."

On a daily basis, social media serves as a bellwether for Partners FCU as it serves a diverse membership on both coasts around the clock.

"There are Disney cast members working at the resorts who use our ATMs at 2 or 3 in the morning when traditional channels aren't always on," Ngiam says. "Members report issues with machines over social media, which provides an early warning for us to check on whether there's a systemwide problem or an isolated issue."

Facebook and Instagram are Partners FCU's primary social media channels, and the credit union also monitors and responds to Yelp reviews. If members contact the credit union with specific account issues, staff move the interaction to a private phone conversation, or a secure web chat for overseas inquiries. "We want to engage with our members in the venue of their choice as much as possible," says Ngiam.

"Social media is a key member feedback loop for us," he adds. "Understanding all the viewpoints is critical, and these channels allow us to see unfiltered perspectives. Sometimes communications directly from members are just so crystal clear."

“Never lose sight of what has made the credit union successful—just marry that to your credit union’s digital technology.”

— Kris Frantzen

MORE ON MEMBER EXPERIENCE

Social Media Shines as Emergency Communication Medium —full online article (*cumanagement.com/0520social*)

The ‘Sweet Spot’ of Member Experience (*cumanagement.com/0319sweetspot*)

The X Factors (*cumanagement.com/1219xfactors*)

Take Charge of Channels (*cumanagement.com/1119take*)

How Member Experience Changes the Digital Transformation Conversation (*cumanagement.com/1119conversation*)

count or apply for a loan,” he suggests. “Then, redirect resources that might have traditionally gone to big physical locations and put those toward more technology-enabled, remotely supported applications.”

In addition, he says, credit unions should consider a narrower aim in potential member growth. “Become the most appealing option for your ideal member, and design products, services and experiences with that group in mind rather than attempting to compete across the board,” he adds.

Two components of Partners FCU’s cultural shift were a capital study to figure out how to fund the rollout of service delivery enhancements and closer collaboration with technology vendors.

“As you bring capital in to compete, your regulators are going to want to know—and your board’s going to want to know—that you’re addressing any safety and soundness issues around investing capital in this,” Janclaes says. “That can be a mindset shift in thinking about how we are paying for value for members.”

In describing Partner FCU’s working relationship with its primary technology vendors, he cites management expert Peter Drucker’s observation that “the best way to predict your future is to create it.” Janclaes and members of his executive team meet regularly with the leadership teams of those companies to coordinate ongoing projects and with a longer view “to inform their strategies toward our priorities.”

Developing true partnerships with technology providers can be challenging in a rapidly changing market with new offerings and providers being bought up by competitors. “While we’re all attracted to fintechs, we should be mindful that the forecast is for continued disruption, so we need to get good at managing that,” he cautions.

Credit union service organizations are stepping up their commitment to roll out offerings in a more agile manner that will allow their clients to compete on the digital front, which may provide an antidote to disruption in the larger financial services market, Janclaes notes.

“They’re credit union-owned. They’re not going to get bought up. They just need to get their focus on the right things and continue to work effectively,” he adds. “As CEOs of credit unions who participate in these cooperatives, we need to collaborate to focus on the industry’s top priorities and not spread their resources too thin.”

CONTINUAL WORK-IN-PROGRESS

Peering into the future, Myers suggests that “this next decade will be won by smarter credit unions.

“It really comes down to being very thoughtful about the digital experience investments you’re making and pursuing much better use of data analytics—not just for everyday operational activities, but also in translating that data into more personalized digital interactions,” he says. “That’s where credit unions are going to have to keep pace to be successful.”

While Partners FCU was launching its pandemic response in March, it was also piloting Partners Connect. Available through its desktop and mobile app, this service lets members contact personal bankers who specialize in specified service areas via text for short inquiries and to arrange phone consultations (and, when branches reopen, in-person visits) for more in-depth matters.

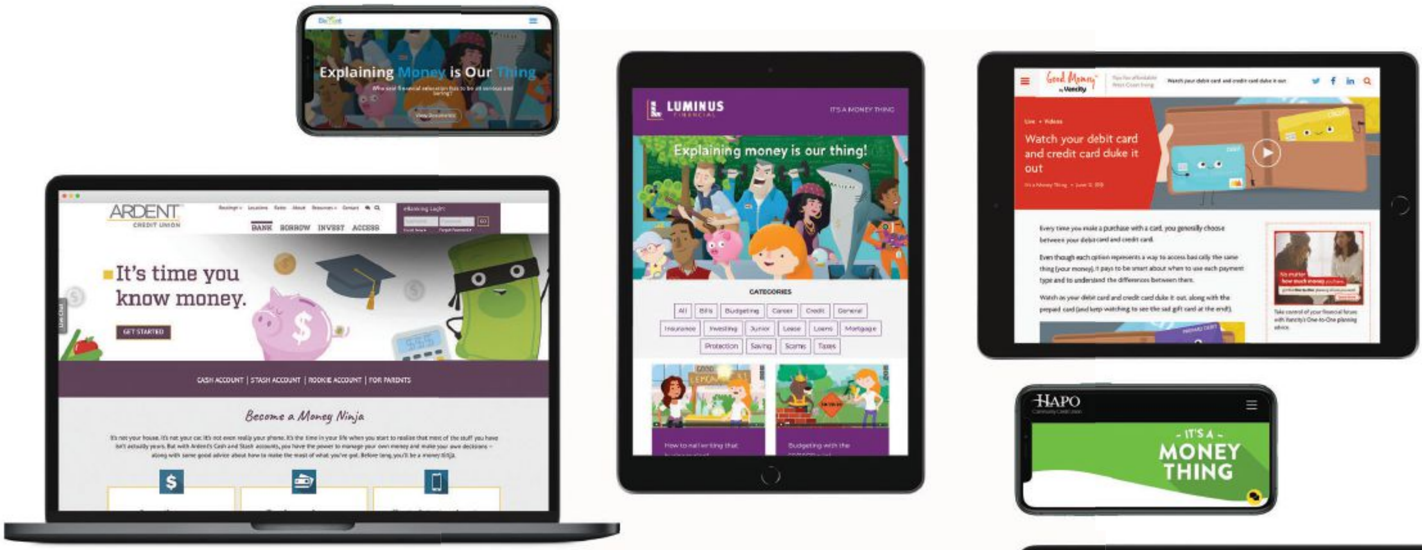
The aim of Partners Connect is to “put personalization into the digital environment,” Janclaes says. Instead of connecting with a different anonymous service representative every time they sign in, members can continue to consult with their preferred financial professional.

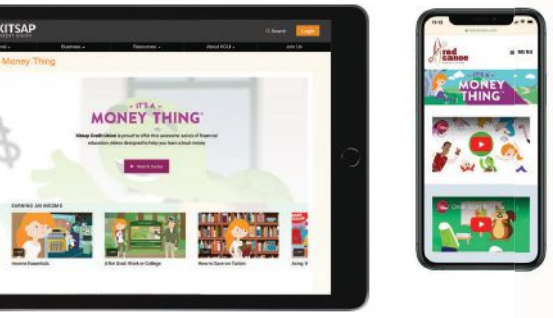
“Text is the main means of communication, because that’s what people want,” he notes. “This is our latest experiment to focus on the customer experience. It’s less about the technology and more about how we deploy our people to create personal experiences in the digital world.”

This ongoing effort to keep pace with members’ evolving expectations and the competition “is going to take time and money and stick-to-it-iveness,” Janclaes acknowledges.

But CUs have an advantage in the agile development of digital delivery innovations, he adds. “If you’re smaller, you can turn quicker than big banks. They have to turn 80,000 employees in a new direction. We’ve got to turn 450.”

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





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Finding a Nice Fit *With Fintech*

WHY WORKING WITH FINANCIAL TECH FIRMS IS FRUSTRATING—AND WHY DOING SO STILL MAKES SENSE

BY RICHARD H. GAMBLE

Fintechs are growing like crazy and deluging credit union leaders with new opportunities and risks. The fintech market has seen a seismic shift in the past 10 years, notes Sam Kilmer, senior director at CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. Fintechs are moving from competing with established financial institutions to partnering with them.

"New fintechs started out thinking they would provide financial services directly to the consumer," he explains, "and cut out the bank or credit union in the middle. They had a cavalier attitude that they would displace banks, but that proved harder than they expected. They ran into security, regulatory and privacy constraints that financial institutions had already learned to accommodate, so they started to offer their technology through financial institutions to reach their customers."

Chase, for example, encountered competitive challenges from digital lenders like LendingClub (*lendingclub.com*) and found that fintechs could originate small business loans more efficiently than the bank could, so it signed a deal with fintech OnDeck Capital (*ondeck.com*) so that those loans are now originated on OnDeck's platform but booked into Chase's portfolio. Chase learned and incorporated what it could from its former competitor, and OnDeck gained a go-to-market partner for a time.

"Through partnerships more than direct relationships, fintechs are having real impact on how consumers and businesses bank," Kilmer says. "Those partnerships are growing quickly."

Established, legacy fintechs now have older technology, observes Sam Das, managing director of CMFG Ventures (*cmfgventures.com*), the venture capital arm of CUESolutions Platinum provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin, so new players are trying to plug into the older ones and creating fintech stacks to bring new products to market.

LOOKING FOR HARMONY

CUs and fintechs may be singing duets, but the harmony isn't always sweet. It's not that CUs have avoided fintechs as valuable potential partners, Kilmer observes. They *are* working together, but with some friction and a degree of frustration.

"The biggest complaint of the fintechs is that the credit unions lack the internal resources and accountability to make the fintech solutions work up to their potential. The biggest complaint of the CUs is that the fintechs are not living up to the road map they promised. The results continue to fall short of the expectations."

Financial institutions and fintechs started out as antagonists and have moved to reluctant and suspicious partners, reports Finanser blogger Chris Skinner (*thefinanser.com*).

"A lot of fintech entrepreneurs thought banks were stupid at first, but they learned they had underestimated the regulatory and risk obstacles. Logically, they should work together on solutions, but the trust still isn't there. Financial institutions behave like fortresses of confidential data, and they are reluctant to let any third party see deeply into their operations. Fintechs think financial institutions want to talk to them about their latest technology, then copy their solutions and leave them high and dry. Both feel they could be exploited."

Jeff Chambers is one person who's happy to implement fintech-like solutions but doesn't like to partner with fintechs.

"We worked with a few small fintech startups in 2016 for things like automated account openings, but they were bought by our competitors and merged into their systems, so we don't spend much time now working with startups," reports Chambers, president of Lumin Digital (*lumindigital.com*), San Ramon, California, a three-year-old digital banking platform owned by CUESolutions Bronze provider PSCU (*pscu.com*), St. Petersburg, Florida. Lumin Digital now has 10 CU clients, five in production and four poised to launch soon. From Chambers' perspective, a state-of-the-art digital banking platform provides better outcomes for most CUs than trying to wire together a bunch of fintech solutions.

A major irritant to happy outcomes, says Das, continues to be integrating fintech solutions into existing CU infrastructure.

"Legacy infrastructure still prevents or complicates bringing some attractive fintech services to members," he notes. "It needs to be easy for credit unions to plug in new solutions, but it often is not. It can take months, if not years, to integrate some popular services into legacy core systems. We're seeing new, digitally sophisticated cores and middleware providers built on an open architecture start to challenge the established providers because they can accept the latest solutions that CUs and members want."

Startups are now getting direction from CU-savvy backers.

"We try to bridge the gap between CUs and fintechs," explains Vasilios Roussos, managing director of the DCU Fintech Innovation Center, Boston (*dcufintech.org*), a proving ground for emerging fintechs. "Fintechs often have the talent but not the deep understanding of the problems CUs are trying to solve."

Das adds, "The future is about getting this right, with credit unions and fintechs working together to better manage the ecosystem"—not just the risks and costs, but driving the kinds of member value outcomes that lead to CU revenue and growth. Clear communications upfront is the key to capitalizing on opportunities, he adds.

As far as working with fintechs, Brad Calhoun, CEO of $7.7 billion Teachers Federal Credit Union (*teachersfcu.org*), Hauppauge, New York, a Happy Money (*happymoney.com*) client, likes the experience.

"They're cool people," he says of the team at Happy Money, which seeks to help people have a happier, credit card-free, lower-debt relationship with their money. "They take a fresh approach and bring new thinking by people who are not bogged down in operational responsibilities. And those people have impressive skills. They incorporate … more sophisticated analytics and complex models that can predict human behavior. They can show us new ways to solve problems."

PRODUCTIVE COUPLES

Monotto (*monotto.com*) is one fintech that is helping to solve a real problem. It was founded four years ago by three college students—one of whom, Christian Ruppe, is now CEO. The students, typically struggling to make ends meet, decided there had to be a more automated way to "handle personal income and expenses and move money," Ruppe says, so they looked into artificial intelligence and machine learning, turned to data-rich partners like CUES Supplier member Finastra (*finastra.com*), London, and started coding.

"We wanted people to be able to set goals and make a plan that could run on auto-pilot," Ruppe explains. "It's easier for someone to commit to saving $5 a day than to $150 a month. We're hoping to change how people think and make it easier for them to save. A CU member could use the program to build up enough savings to make a down payment on a house," he suggests. The app currently has four signed customers and others testing the product. Early tests with one financial institution are promising, Ruppe notes.

Finastra is happy so far, according to Allan Brown, VP/general manager of mobile and online banking solutions for Malauzai (*malauzai.com*), a Finastra company in Austin, Texas.

Technically, this is a fintech-fintech marriage—at least in Brown's eyes. But Malauzai is hardly an entrepreneurial disruptor with a single focus on the latest potential best-of-breed app. It's more of a new generation fintech-friendly core processing platform that partners with ventures that might provide such apps it can incorporate. Monotto and actual CU clients are still in the dating stage.

Serious relationships may be easier when fintechs and CUs share the same DNA. Fintechs' success at technology innovation and their ability to disrupt traditional CU business has prompted CUs to start credit union service organizations and launch their own captive fintechs that would promote rather than disrupt CU business strategies.

For example, the new Origence (*origence.com*) brand from CUES Supplier member CU Direct (*cudirect.com*), Ontario, California, has introduced an enterprise lending platform that can replace or work with legacy loan origination and mortgage loan systems, according to Brian Hamilton, CU Direct's VP/innovation and insights.

"It's a next-generation enterprise lending platform built on a new technology stack, micro components and APIs to enable credit unions to be more nimble, more sophisticated and more flexible with their lending strategies by plugging in functionality as needed," Hamilton explains. "Traditionally, CUs have had separate systems for consumer and mortgage lending, and information like credit reports might have had to be entered separately in each system. With Origence, CUs can import and store information across all loan products in one system built to operate end-to-end but able to incorporate components of legacy systems." The new platform went live in March and at this writing had five early credit union adopters.

Roussos cites appraisal management as a particular case of productive partnerships. "Reggora (*reggora.com*) is one of our stars," he says. "They provide a software platform that mortgage lenders at dozens of financial institutions use to manage their appraisal vendors. The platform can cut a process that normally takes about two to three weeks to just five to seven days, and it provides real-time visibility into the status

MORE ON FINTECHS

Leaning In: Credit Unions and the Fintech Revolution (*cumanagement.com/1019leaning*)

Embracing Open Banking for Collaboration With Fintechs (*cumanagement.com/100919skybox*)

Fintech: From Disruptors to Partners (*cumanagement.com/1019fintech*)

How to Evaluate a Fintech Start-Up Company (*cumanagement.com/0819evaluate*)

"Through partnerships more than direct relationships, fintechs are having real impact on how consumers bank. Those partnerships are growing quickly."

— Sam Kilmer

so that anxious loan applicants and loan officers don't have to keep calling the CUs for updates."

CUs also have an industry fintech investment firm in CMFG Ventures, Das notes. The company has been funding fintech startups since 2016, shifting its investment strategy more to later-stage ventures closer to bringing products to market, he says.

Das cites the example of CUNexus (*cunexusonline.com*), a popular fintech solution that can be made to sit on top of a CU's infrastructure and remove a lot of the friction around getting a loan.

"It offers perpetual access to a member's capacity to borrow," he explains. "They can see how much they could borrow and apply for a loan with a single click. Then, as the member borrows more, the system can recalculate how much capacity remains. It was founded by credit union executives and is used today by over a hundred CUs."

BOOMING POTENTIAL

What will the next generation of fintechs look like? The road ahead is far from clear, Chambers says. "Will it be digital money? Artificial intelligence? Chatbots? There are lots of opinions but nobody really knows."

Innovative technologies are feeding the surge in fintechs—12,000 startups, mostly cloud-based niche applications—over the past decade, Skinner reports. Biometric authentication is thriving. In India, a government-sponsored fingerprint program opened the door to a radical increase in the percentage of the population that has a banking relationship, from 35% in 2012 to more than 80% in 2019. Facial recognition in China—called "Smile to Pay" —is proving reliable even when a person wears a wig or makeup. It's not just financial; police in China are starting to wear infrared smart helmets that can detect people with a fever up to five meters away to stop the spread of the COVID-19 virus, he reports.

The problems haven't changed so much as the solutions keep getting better, Roussos concludes. "New technology is addressing old problems in new ways," he says. "Artificial intelligence and machine learning are evolving quickly to make solutions even more efficient, more user friendly and safer."

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

COVID-19's Impact *on Fintech Partnerships*

Financial institution/fintech relationships will be impacted by the COVID pandemic in many ways, according to Sam Kilmer, senior director at CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

On the one hand, he explains, demand for fintech relationships will grow because the top areas of fintech are digital lending, digital origination and digital payments—the very digital disciplines and capabilities most in demand by CUs and their members right now.

On the other hand, Kilmer says, supply (the fintechs themselves) was largely operating on a growth (vs. sustainable profitability) model, and the pandemic has destabilized the fintechs more than banks or credit unions. Many don't have the capital to easily withstand a systemic economic hit. For example, LendingClub (*lendingclub.com*) announced a 30% layoff amidst the COVID downturn to stabilize after projected earnings impact. "So, while CUs need to be even more mindful in their risk diligence, they also need to ensure that the credit union's key fintech contacts haven't been furloughed, reassigned or are otherwise unavailable to the credit union due to the pandemic," he explains.

Another side impact of COVID is how to build credit union-fintech relationships in the first place. "With no in-person conference events or onsite meetings and sales calls not warmly received, fintechs—like their CU partners with their own members—must adapt their outreach mix to be more digital content- and help-based," Kilmer says. "In turn, there is a rise in shareable research, white papers, webinars and other self-help content."

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How does PSCU make its Owner credit unions more successful?

At PSCU, we are committed to providing all of our Owner credit unions with an unparalleled member experience. This promise—and the credit union philosophy of "people helping people"—is more important than ever as we face this unique social and economic environment being caused by the COVID-19 pandemic.

Based in multiple locations across the country, PSCU's 2,200 employees serve as extensions of our Owner credit unions' resources, assisting credit unions in achieving their financial goals and delivering seamless experiences for members through their channel of choice. We have doubled down on our commitment to these efforts in recent months, proactively reaching out to assist our Owners to ensure we are able to help provide their members with the services, solutions and experiences they have come to know and expect from their trusted credit union partners as the COVID-19 situation evolves.

Our contact centers stepped in to serve elevated member services call volume as credit unions altered their employees' work schedules. Our service delivery and platform operations teams worked tirelessly to meet the needs of our Owners' consumer and portfolio accommodations. Beginning in early March, our team began processing hundreds of unplanned—and expedited—emergency requests to waive fees and defer payments at no charge to our Owners. We are supporting increased demand for contactless cards as well as providing ongoing thought leadership, guidance and resources to Owners and their members through regular communications and a dedicated COVID-19 microsite, *PSCU.com/covid19*.

We know that maintaining and growing member engagement and interactions through an unparalleled member experience is what sets credit unions apart from other financial institutions. Leading with the *heart* is the CU difference, and it ultimately makes credit unions more successful—which is why we make it a priority to put member experience first in all we do for our Owner credit unions.

To Merge or *Not to Merge?*

A VARIETY OF ISSUES HELP CREDIT UNIONS DECIDE WHICH WAY TO GO.

BY JESSICA WHITMORE

As credit unions look to grow and compete their way into the future, many are considering some kind of a merger, whether that's buying a credit union or bank branch, a merger of equals, a merger with a failing credit union or even buying a bank.

When is a merger a good move? When might be a good time to walk away from a deal? People who have been through the process—or have studied it—weigh in below.

TO MERGE: STAY RELEVANT

Some credit unions decide to merge to stay relevant. Such was the case for $191 million Canyon State Credit Union (*canyonstatecu.org*) and $247 million Deer Valley Credit Union (*deervalleycu.org*) in Phoenix that were legally merged in October 2019.

"Prior to merger discussions between CEOs, both CUs' boards and leadership teams recognized the need to get larger in order to remain relevant for our members and future members and to compete long term," says CUES member Robb Scott Jr., president/CEO of the newly merged credit union. "Recent increases in labor, technology, compliance costs, etc. made it challenging to keep up with large financial institutions competing on convenience and start-up fintechs competing on technology and/or price."

Scott, who was CEO of Deer Valley CU and now leads the merged organization, says both boards were looking into finding a merger partner to increase the depth and breadth of products offered to members. Scott and Jane Dobbs, formerly president/CEO of Canyon State CU and now president/CEO of $3 billion Municipal Credit Union (*nymcu.org*), New York, started talking about the potential merger in October 2018, a full year before the legal merger date.

"Creating a credit union with a strong focus on serving members and improving their financial health should be the main priority" with any merger, Scott says. "The merger helps the credit union accomplish that goal more efficiently and effectively."

The two credit unions, including the board chairs and CEOs, also had key discussions "to remove traditional barriers for a merger of equals," such as not being able to figure out how to merge the boards, which CEO will lead the continuing credit union or under which of the two existing charters the new credit union will move forward, Scott explains.

"The CEOs began the process by working out a plan for one surviving CEO," he continues. All board members and all supervisory committee members were included in the continuing dialogue, and a co-chair position was created. The leaders maintained the charter that gave the combined credit union the best financial path forward.

A key to getting to getting to a "yes" for the merger was the member focus held by both CEOs and both boards. This included Dobbs agreeing to assist with the merger and then move on to other opportunities in the credit union industry, according to Scott.

"Everyone put the members and desire to create a stronger credit union together ahead of professional aspirations. Both boards were strategic and recognized a need to grow and combine forces to help members over the long term."

To study how the merger would impact members, Scott and the team mapped combined membership against the new branch network to determine the number of members who would be better off with drive time. "We calculated a what-if income statement to estimate cost savings and estimated our increased competitiveness in fees, loan rates and deposit rates." He says the leadership did not anticipate the COVID-19 problem, but the new credit union's stronger capital position and additional management and staff resources have been invaluable during these times of uncertainty.

After the decision to merge, the boards, CEOs and leadership of the two credit unions held weekly all-staff conference calls and weekly, in-person senior leadership team meetings. Monthly reports were made to all staff and board members highlighting decisions made and decisions still to be made.

"Creating a credit union with a strong focus on serving members and improving their financial health should be the main priority" with any merger.

— Robb Scott Jr.

"Encourage discussions on every detail," Scott advises. "Keep track of decisions made and actions taken to celebrate successes."

He acknowledges that cultural differences did appear through the process, even with all of the focused effort to talk things through. A result of the discussion of differences was agreement to use a new name for the continuing credit union (which at press time had not yet been made public) to further rally new staff and members around creating a new culture.

NOT TO MERGE: PROTECT MEMBER VALUE AND LOCAL CONNECTIONS

Chip Filson (*chipfilson.com/about*), co-founder and retired chairman of the board of Callahan & Associates (*callahan.com*) in Washington, D.C., and a former federal regulator, worries about current merger trends in the credit union industry. He says senior executives who have been through a merger have told him they would not make the same decision again because of problems that arose post-merger, including long-time employees departing, members closing accounts, branches being shut down and long-standing community relationships being lost.

"Credit union mergers destroy member value," Filson asserts. "There is no gain in market share."

Another key concern Filson has about mergers is the loss of the local nature of credit union service.

"Frequently, the surviving credit union's headquarters, board and senior management are removed in both mileage and circumstance from the members of the merged, previously independently run credit union," he says, noting that the current pandemic points to the value of local.

"I can think of nothing more local than stay at home/shelter in place," he notes. "The fact that transaction services can be delivered virtually does not alter the fact that we live almost all of our lives locally: where we work, shop, entertain, go to school or even manage a small business. ... Having branches across a state(s) does not help me locally" unless, as is the case for at least one credit union he's aware of, each branch makes its own business decisions through local advisory boards.

Filson also worries about the potential loss of the tradition upon which a credit union is built—such as when the merged credit union is "submerged" by the culture and priorities of the surviving institution.

"The seeds of the opportunity today were planted by volunteers generations earlier," he explains. "The cooperative structure creates common wealth, not private ownership, to be paid forward for current and future members' benefit. There is a design expectation, a moral imperative and fiduciary obligation that a person should leave an institution better than what they inherited. Mergers negate this concept."

Additionally, very few National Credit Union Administration (*ncua.gov*) merger filings provide data that show immediate and direct member benefit, Filson asserts. "Mostly the reference is to more branches, more ATMs, better products, etc." Sometimes, he says, the direct financial benefit to credit union leadership noted in these filings greatly outweighs the direct financial benefit to members.

Filson is also concerned about the fact that mergers take an existing credit union charter out of the market.

"The chartering process takes years," he explains. "NCUA often requires significant 'donated' capital to be raised." Because charters are so difficult to acquire, Filson would like to see a process for charters to be repurposed to community leaders who want to run a community-based financial cooperative.

Mergers also result in fewer credit unions, Filson underscores, and that translates to more concentrated risk in each institution, fewer financial services choices for communities, fewer volunteer board members and CEOs to become community leaders, and fewer available senior management career opportunities.

"The challenge of any credit union is enhancing member relationships," he shares. "Every credit union operating today has survived some of the most dramatic changes ever envisaged, including deregulation, double-digit interest rates, the Great Recession and local economic upheavals. Through all these challenges, cooperatives prevail due to collaboration with local organizations and with each other.

"Instead of merging, credit unions can help one another so that each contributes to a community's economic health," says Filson. "It renews the sense of purpose which created the charter generations earlier."

TO MERGE: CREATE OPPORTUNITIES FOR STAFF

$857 million Marine Credit Union (*marinecu.com*), LaCrosse, Wisconsin, is on a mission to advance the lives of people from a place of financial need to a life of ownership and giving back in their communities. The credit union has completed 18 acquisitions in the last 19 years, which have included buying both credit union and bank branches.

"It is challenging for small credit unions to remain competitive in today's environment," shares CUES member Katie Tolokken, COO. Mergers can help manage that.

Challenging areas for small credit unions, Tolokken says, include keeping up with compliance, scaling for digital demands, maintaining competitive products and services, and attracting talent. Small credit unions often lack internal programs for training and the budget to send employees to external training. A benefit of merging and becoming a larger organization can be increased career training to grow and develop the members of the team, explains Tolokken.

MORE ON MERGERS

Should We Acquire a Bank? (*cumanagement.com/051820skybox*)

Governance+: Why Should You Know Your Merger Partner on a Governance Level Before the Deal Is Final? (*cumanagement.com/1219ccubepartner*)

Finding Strategic Gaps in a Merger of Equals (*cumanagement.com/112619skybox*)

Canadian Credit Union Boosts Growth by Starting a National Bank (*cumanagement.com/0319meridian*)

> **"Preserving members' choices in a market is important. Looking at partnerships outside the area preserves members' choices for the future."**
>
> — Katie Tolokken

Tolokken is thoughtful about what mergers mean to communities served by a credit union that is being merged into another one.

"The merger's impact on communities doesn't get as much attention as it deserves," she says. "The best merger partner is often seen as the neighboring credit union, but it leaves members with one less choice in the market. Preserving members' choices in a market is important.

"We consider a variety of merger and acquisition opportunities, although the most beneficial to our members tends to be those outside the communities in our current field of membership," she continues. "Often we are merging with smaller credit unions that see benefits for their members in our resources and opportunities.

"In every merger, we strive to keep most, if not all, of the merging financials' teammates, who the members know and trust, and to preserve the 'local' feel. We have an entire cultural integration process to help adapt our two merging teams."

For every merger Marine CU considers, it also analyzes data about the merger's projected impact on products and services.

"We analyze the features and benefits of all products—digital, loan, deposit, overdraft, etc.—side-by-side along with shared versus new markets," Tolokken explains. "We make decisions regarding products and services that align with the best interests of the credit union and the members."

Marine CU also considers the impact of a merger on the credit unions' leadership.

"Often we find a merger can create additional leadership positions within our organization," she explains. "In each merger, we discuss the goals of the CEO and board members and seek to agree early in the process on roles and board seats."

The contemplation of a merger requires credit unions to be forward-thinking.

"A credit union that has financial strength will be most effective in negotiating for the benefit of its stakeholders to ensure they are relevant and competitive in the long-term," Tolokken notes.

NOT TO MERGE: BOARD CULTURE DOESN'T MATCH

Jennie Boden, VP/strategic relationships and senior consultant at CUES strategic partner Quantum Governance L3C (*quantumgovernance.net*), based in Herndon, Virginia, also says that culture is often an overlooked aspect in a merger, especially when it comes to the board culture.

"When a credit union starts to think about mergers, a lot has to do with due diligence, fiduciary oversight, boards," explains Boden. "Oftentimes, however, credit unions overlook board culture issues."

In other words, the board may be analyzed from a legal perspective with regard to how many directors from each credit union will transition to the new board, but not from the perspective of what new board culture will emerge when the combination is complete. Although there are many moving parts in a merger, Boden suggests more time and focus should be given to board culture—similar to how senior management looks at the organizational culture of events, staff and even meetings during a merger process.

More specifically, that includes deciding who would lead the new board, what policies will drive decisions, what models are used and how conflict will be handled. This, in essence, gives a clear sense of what will define good governance for the new organization.

"You need a board culture that consciously aligns with the culture of the CEO/management team," explains Boden. "Through this, you are crafting alignment between the board and credit union culture."

Boden suggests the perfect time to have these conversations is at the start of any merger conversation, with the CEOs and board chairs of each organization talking to each other.

"How the board has these conversations determines the relationships with each other," she says. "If you are waiting until the ink is dry on the final legal documents, you have waited too long."

While this can be done internally, consultants can facilitate such goverance conversations, create questions to prompt good dialogue and provide objective analysis based on experience, Boden adds.

Jessica Whitmore *writes about financial and business topics, as well as human interest stories, from the Philadelphia area.*

CUES SUPPLIER MEMBER SPOTLIGHT

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What makes SUCCESSIONapp® unique?
SUCCESSIONapp is the only web-based tool out there for board succession planning. This powerful tool helps boards identify critical competencies for directors, determine where gaps exist, estimate when director turnover may occur and build a solid recruitment plan. The tool also provides models for future board leadership succession to ensure smooth transitions.

SUCCESSIONapp also has a management succession component, helping credit unions identify and develop potential leadership successors. Clients have said "SUCCESSIONapp provides a formatted, easy-to-use approach to managing succession planning that is so intuitive you don't need the instruction manual!"

Considering the current pandemic, we have also added a crisis leadership management continuity planning module.

What keeps your clients up at night?
Worrying about things like:

- How do we find good directors?
- Does the board have the right knowledge and experience to ensure the success of the credit union?
- Our board seems to be aging, what if we have major director turnover in the next several years?
- Our CEO is retiring soon, do we have any internal candidates ready to lead?
- What if we can't hold on to our top executives in the current job market?
- How do I put development plans together for my senior leaders that will get them ready for the CEO role in the future?
- Should we do an external search or is there an internal candidate ready?

How is SUCCESSIONapp LLC making the credit union industry stronger?
According to a Pew Research Center study, 10,000 people will turn 65 each day from now until 2030. That's a lot of impending retirements! It's important for credit unions to have strong leaders and to serve our members, but also to remain competitive. SUCCESSIONapp, LLC, is committed to helping credit unions prepare for this turnover by making both executive and board succession planning accessible and easy.

Recruiting *Outside the Box*

THREE WAYS TO BUILD A BETTER TALENT PIPELINE AT YOUR CREDIT UNION

BY LIN GRENSING-POPHAL, SPHR

Finding top talent is never an easy endeavor, but in today's labor market, it can be even more challenging. Credit unions may have an edge, as they're often recognized for being very member- and employee-focused and great places to work. $112 billion Navy Federal Credit Union (*navyfederal.org*) in Vienna, Virginia, for instance, shows up in spot No. 19 on the 2020 *Fortune 100 Best Places to Work* list (*fortune.com/best-companies*).

In a survey last year, *CU Management* readers rated staffing/hiring/retention as one of the three biggest challenges for their credit unions. Of course, the job market has changed dramatically in the past few months due to COVID-19. Numbers released in early May for the month of April showed a 14.7% U.S. and 13% Canadian unemployment rate. However, job losses in the U.S. financial sector were not as dramatic as other industries. According to the U.S. Bureau of Labor Statistics, the finance and insurance sector had a 3.8% unemployment rate in April, up from 1.9% in March and 1.3% in February (*tinyurl.com/y9vhcwgb*).

But whether the job market is more favorable for employers or employees, recruiters, human resources professionals and hiring managers in credit unions need to hire the best and the brightest. Here, recruiters and HR pros share their thoughts on how to recruit outside the box.

RE-RECRUITING FORMER EMPLOYEES

A "boomerang" employee is one who has left the company, or credit union, but for various reasons decides they would like to be considered as an employee at some future date. Such employees have become the focus of much attention in an increasingly competitive hiring environment. Some organizations are being proactive about re-recruiting boomerang employees, starting at the point when they hand in their resignations.

According to research from global staffing firm Accountemps (*tinyurl.com/ycgfbnb5*), nine out of 10 senior managers (94%) are open to rehiring boomerang employees who left on good terms. Unfortunately, the research also revealed that former employees aren't quite so eager to return to a previous employer—only 52% indicated they would be likely to apply for a job with a company they previously worked for. Reasons given for the hesitancy include dissatisfaction with management (22%), poor fit with the organization's culture (17%), unfulfilling job duties (13%) and bridges burned by the company (11%). These reasons all point to potential steps that employers can take to up the odds that former prized employees will consider a return.

Patrick O'Malley is co-founder and chief product officer at Lounjee (*lounjee.com*), a networking application that offers a corporate alumni platform. The big pro of considering former employees, says O'Malley, "is that the likelihood of a hire being a bad fit is reduced. After all, this hire should know the company's mission and vision, should have previously worked in an environment they enjoyed and should have felt previously that the organization is making a positive difference." However, he says, there are potential downfalls. For one, do the reasons they left in the first place still exist? Be sure to address those before spending the resources necessary to rehire.

Lars Herrem, group executive director at Nigel Wright Group (*nigelwright.com*), a U.K.-based recruitment agency, agrees that there are benefits to considering former employees as new opportunities emerge. "Not only is an employer likely to reap the benefits of bringing an ex-employee back into the fold through the knowledge and insight they have acquired from working elsewhere, but they can also ensure that their competitors don't snatch up valuable talent that they have, once upon a time, worked hard at training and developing."

Rehiring former employees can also be a boost for staff retention rates, says Herrem. "These boomerang employees should be able to attest to the fact that the grass isn't always greener on the other side and provide a good example to existing staff that the company is worth sticking with."

Dana Case, director of operations at *MyCorporation.com*, an online filing company for business formations, trademarks and copyrights, also notes some advantages to rehiring. "We have re-recruited boomerang employees to come back and work for us and like to refer to it as their 'second tour of duty,'" she says. "The returning employee already knows a lot about our company culture, working environment and customers. It also makes for an easier onboarding process."

The ability to attract former employees back to the credit union depends, of course, on how well the organization dealt with their departures in the first place. Managers and supervisors may be understandably upset when a key employee announces his or her resignation. That negativity, though, shouldn't be conveyed to the departing employee. When an employee submits their resignation, it's time to set the stage for cementing the relationship to keep the doors open for a potential return.

To boost the odds that departing employees will consider coming back to the credit union in the future, HR professionals need to make sure that supervisors and managers are informed of the value of keeping communication lines open with former employees and trained on how to most effectively handle an exit.

Don't assume that this will happen automatically. Putting processes in place to effectively "off-board" employees can help pave a path back to the credit union when the time is right. Letting key employees know that they will be missed and that they will be gladly considered for future opportunities is a good place to start. Staying in touch after the employee's exit can also help maintain the connection. CUs may be in an enviable position here as many employees may be credit union members.

RECRUITING MEMBERS

Many of your own members may make exceptional employees—after all, they're already familiar with the CU experience and likely familiar with your credit union's programs and services. And they're well positioned to serve as brand ambassadors as they take on an employee role with the credit union.

A *Harvard Business Review* article, "The Benefits of Hiring Your Best Customers" (*tinyurl.com/y9dwerm8*) points to some compelling reasons why customers, or members, should be considered as part of the potential applicant pool. The author, Eddie Yoon, points to Netflix and Keurig as two companies that have benefitted from the practice. He writes of the value of what he calls "superconsumers"—those who are passionate about a company and its products and services: "A strong superconsumer culture, where employees are willing to give a bit more because they know what their customers are feeling, can be the difference-maker in a hypercompetitive world."

To ensure that members are aware of job opportunities within your credit union, make sure to include them in any communications about open positions. These will likely be advertised on your website, but your member communications could also include reminders to check the website for openings. Signage and information at branches can also help to ensure that members are aware of openings they may be qualified to fill.

Credit unions and other employers obviously want the recruitment process to be a positive one. When applicants are also members, this can become particularly important. That's a very good reason to take steps to ensure that interactions with *all* job candidates are prompt and courteous. A long-term and valued member may not be the best fit for a given job, but you don't want that to impact their ongoing relationship with your credit union.

HIRING PEOPLE WITH CRIMINAL BACKGROUNDS

As finding top talent becomes increasingly challenging, some employers are even becoming more open to considering employees with criminal backgrounds. In fact, recent legislation—*The Fair Chance Act (tinyurl.com/fairchanceact*) that passed Congress in December 2019 as part of the National Defense Authorization Act for Fiscal Year 2020—gives ex-offenders a better chance to find work in the U.S. federal government. The act has received bipartisan support, and a number of major employers have announced publicly their intent to also give former convicts a chance.

Such "ban-the-box" laws have emerged in various locations around the country to prohibit employers from asking whether a potential employee has a criminal background. But many companies are going beyond the laws to proactively recruit those with criminal records. For example, in a joint initiative by the Charles Koch Institute (*charleskochinstitute.org*) and the Society for Human Resource Management (*shrm.org*), a number of companies signed a pledge to hire people with criminal backgrounds. NBC News reported that, according to SHRM CEO Johnny Taylor Jr., 175 companies committed to the initiative within 24 hours of the pledge being announced—including Walmart (*tinyurl.com/ycue83qx*).

"Expanding your employee search to include people with a criminal record significantly increases your pool of candidates," says Scott Conklin, SVP/human resources with Paycor (*paycor.com*), a provider of HR software provider based in Cincinnati, Ohio. "There are tens of millions of people in the U.S. with prior convictions," he notes. "Ultimately, if you aren't considering those with prior convictions, you're shutting off a large candidate pool. You're also signaling you believe people can't change and don't deserve a second chance."

Hiring—or even just interviewing—people with a criminal record, can become evidence of nondiscriminatory hiring

MORE ON RECRUITING

From John: Talent Development for Execs New to CUs (*cumanagement.com/0320fromjohn*)

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

Recruiting: The Employer Brand (*cumanagement.com/0519recruiting*)

Putting Your Best Foot Forward (*cumanagement.com/1219putting*)

practices, Conklin notes. And it might qualify organizations for a tax credit. "The Work Opportunity Tax Credit (*tinyurl.com/irswotc*) is a federal tax credit available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment."

David Schein, MBA, JD, Ph.D., is associate dean, director of graduate programs and an associate professor at the Cameron School of Business, University of St. Thomas (*stthom.edu*) in Houston. "When I consult with employers, I encourage them to request information about criminal background from applicants, but to carefully evaluate that information," says Schein. "If the criminal event happened a long time ago and the candidate has a clean record since then, it makes sense to consider the candidate." Of course, he notes: "For credit unions, the obvious issue is handling money. A person who was recently incarcerated for theft of funds or embezzlement would not be likely to be a good risk for a credit union position."

There is certainly risk here for credit unions, as for other organizations. "Hiring formerly incarcerated persons is definitely a difficult bargain, especially for financial institutions," says Chris Chancey, a professional recruiter with Amplio Recruiting (*ampliorecruiting.com*), Atlanta, who has experience matching job candidates with employers in the financial sector. "There is a big risk of being slapped with a negligent hiring lawsuit in the event that the employee engages in criminal conduct that harms the organization and its stakeholders. Financial institutions such as credit unions should definitely err on the side of caution when making hiring decisions about individuals with a history of serious crimes such as fraud, grand theft, robbery and weapons."

Still, says Chancey, there can be an upside. "Returning citizens can espouse a strong work ethic and loyalty, perhaps because their past experiences make them more eager than most of us to turn their lives around."

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).*

Guarding *Against Ghosting*

While the term originated in a dating context, the practice of ghosting—disappearing after making a connection that appeared to be going well—has become a topic of discussion in HR circles (*tinyurl.com/y9u6dl4w*). It's the practice of job applicants not showing up for scheduled interviews, orientation or even the first day of work!

Employers obviously want to minimize the odds that they will be a victim of ghosting. After all, hiring and recruiting employees is an expensive and time-consuming undertaking. Credit union HR professionals should watch for signs that might indicate an applicant has the potential to become a ghost.

Beth Zoller, an attorney and legal editor with XpertHR (*xperthr.com*), suggests that that recruiters and hiring managers stay on the alert for these candidate behaviors:

- Failing to answer phone calls, emails or social media messages in a timely manner
- Demonstrating a lack of interest in the job or interview
- Being vague and unwilling to commit
- Demonstrating a lack of interest in and failing to inquire more about the organization
- Appearing unprepared or being late
- Making excuses

Employers who have been ghosted by job candidates may actually be bringing the practice down on themselves, Zoller says. "Lack of communication on the employer's part during the recruiting and hiring process" can result in candidates' moving on to other opportunities.

And, in fact, some employers have been ghosting potential employees for years, failing to get back with them if they've fallen out of the pool of potential candidates during the recruitment process. When it's an employer's market, it can be easy to become lax with employment practices that become especially critical when the market is tight.

To minimize the chances of ghosting, Zoller recommends that employers work on improving:

- the screening process for finding quality candidates;
- lines of communication during the recruiting and hiring process;
- the accuracy of job advertisements and job descriptions in reflecting the job;
- the personalization of the recruiting and hiring process; and
- their understanding of competitors in the marketplace and what they're offering.

Following these steps can help credit unions not only minimize the potential for ghosting but also strengthen the recruitment process and build relationships with candidates who may not be a good fit right now but might represent a good fit in the future.

CUES SUPPLIER MEMBER SPOTLIGHT

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What makes SimplyFocused unique?
We're what happens when sales and marketing professionals work for a credit union. We are the perfect partner for the right credit union that wants to take their sales culture, marketing efforts and member engagement to the next level.

What do your clients love about SimplyFocused?
No idea or project is too big or too small for our team. Our clients love that we're a home-grown credit union service organization team that looks at our industry differently to help credit unions grow.

How can credit unions be more successful?
By looking deeper at members' digital experience. Best-in-class marketing is often derailed by complex online applications that result in member frustration and abandonment. We need to put the member first and be consultative—not order-takers processing a mountain of personal information from one desk to another.

How does SimplyFocused make its credit union clients more successful?
SimplyFocused is an enabling technology that leverages the power of human perception to reduce friction in the process of selling credit union retail products. It is a robust solution that enables credit union growth by connecting marketing and lending teams directly to their members/prospective members to generate leads. The insights the platform provides to credit union leadership allows for broader sales accountability and real-time sales funnel analytics to enable better strategic decisions with leading indicators.

What are the top issues for credit unions today?
Relying too heavily on technology to sell products via lengthy applications that have a high abandonment rate rather than utilizing their best asset: their employees' skill in building relationships. Staying relevant. We know that with companies like Apple and Amazon getting into banking, the stakes have been raised. We help credit unions "eat the competition's lunch."

Embracing *Inclusive Marketing*

STEPS AND CASE STUDIES TO SUPPORT YOUR EFFORTS

BY JEN LAWRENCE

As credit unions look to better serve their communities, many are attempting to be more inclusive, reaching out to more diverse groups of potential members.

With their people-first focus, credit unions are particularly well-positioned to connect with those who have felt excluded by financial institutions based on their diverse backgrounds, defined by the National Credit Union Administration (*ncua.gov/about-ncua/diversity-inclusion*) as "race, skin color, ethnicity, national origin, gender, age, religion, language, disability, sexual orientation, gender identity, socioeconomic status, family structure, geographic differences, diversity of thought, life experiences and more."

An inclusive marketing strategy is a proactive way for credit unions to reach out to members and potential members, letting them know that they are seen, understood and welcomed.

According to the Alliance for Inclusive and Multicultural Marketing (*tinyurl.com/aimm-home*), "the collective purchasing power of multicultural and LGBTQ consumers today is equivalent to the third largest economy in the world."

According to Boston Consulting Group (*bcg.com*), any credit union not marketing to a diverse base is excluding a huge number of people who could benefit from its services.

Marketing for inclusion can help a CU grow and prosper. Inclusiv (*inclusiv.org*), New York, assists almost 300 community development credit unions that focus on financial inclusion, helping the underserved gain financial independence. Inclusiv's SVP/Members and Network Engagement Pablo DeFilippi observes, "Our research consistently demonstrates that financial inclusion and community development are not only sustainable activities, but in fact, they are drivers of growth and relevance. The paper we released (*tinyurl.com/inclusivpaper*) shows that credit unions that focus on financial inclusion tend to be more profitable, lend more actively and grow faster than their mainstream peers. Mission and margin can and should go hand on hand."

LAYING THE FOUNDATION

For inclusive marketing efforts to succeed, some key things need to be in place:

Inclusive teams. CUES member Kevin Martin, SVP/organizational performance & strategic planning at $16.7 billion SchoolsFirst Federal Credit Union (*schoolsfirstfcu.org*), Santa Ana, California,

"Credit unions that focus on financial inclusion tend to be more profitable, lend more actively and grow faster than their mainstream peers. Mission and margin can and should go hand on hand."

— Pablo DeFilippi

believes that inclusion first comes from within. "I would suggest credit unions start their journey of inclusion internally with their teams. Member engagement starts with team member engagement. If members see inclusive marketing materials but do not see that same inclusion in the team members that are serving them, it may come across as disingenuous and negatively impact their engagement. With that said, ensuring your marketing materials reflect the members you serve lets your membership—and potential members—know that you are an institution focused on serving them, a name they can trust. That fact is reinforced when they engage the credit union and see themselves reflected in the staff."

Authenticity. Marketing for inclusion should not be a one-time campaign or a trend. Martin emphasizes, "It is important to understand that inclusion is not a 'marketing play.' We must walk the walk and create inclusive cultures. This is the only way to sustainably attract new members." The best way to make sure inclusive marketing efforts are effective is to ask employees who reflect the included groups for direction. As Martin says, "they are a great resource to ask how to best serve your members. They will make sure that the messaging is impactful and authentic." And if you don't have team members who reflect your membership, Martin would "encourage you to ask yourself why."

Trust. More research from Inclusiv (*tinyurl.com/inclusivfinancial lives*) shows that unbanked and underbanked potential members view financial institutions with suspicion. Any marketing that is pushy or feels inauthentic may drive these potential members away.

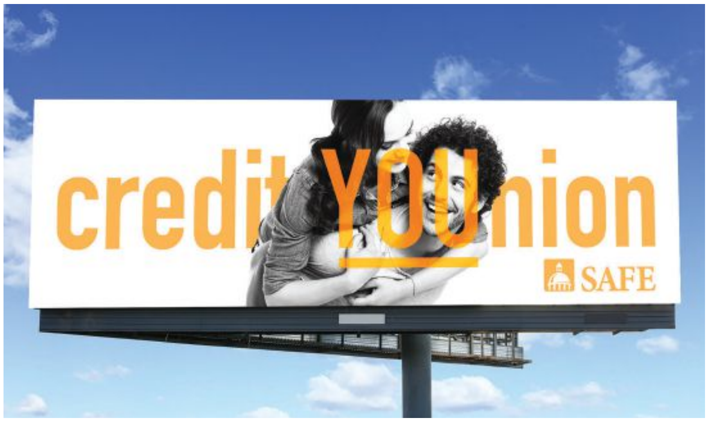
Investment. Like all marketing efforts, marketing for inclusion requires an investment of time and money. To be successful, the efforts must be part of a broader business strategy.

For credit unions that are serious about creating an inclusive marketing strategy, the payoffs can be significant. Members who see themselves reflected in their credit union's marketing materials are more likely to be engaged and loyal. By helping traditionally underserved people gain access to the tools for financial success, credit unions can fulfill a social mandate, in addition to a business one. In other words, DeFilippi says, "Credit unions can do well by doing good."

We spoke with four credit unions that have found success with their inclusive marketing initiatives. Each has taken a unique approach to marketing to suit the communities they hope to support.

SAFE CREDIT UNION'S DIVERSITY-FOCUSED MARKETING CAMPAIGN

$3 billion SAFE Credit Union (*safecu.org*), based in the Sacramento, California area, launched a marketing campaign



focusing on diversity and individuality. "Because SAFE serves 13 counties in and surrounding the Greater Sacramento area, we wanted to reflect the incredible diversity in the region and among our membership," says Erica Dias, VP/marketing & communications. "Sacramento is regularly cited as one of the most diverse cities in the nation, and the essence of the SAFE Credit YOUnion campaign is to honor all the 'yous' who make up our membership and local communities."

SAFE CU worked with an agency to come up with a series of print ads and videos (*tinyurl.com/safecuvideo*), reflecting the diverse ages, ethnicities, genders and personalities of its members and potential members.

"SAFE Credit Union wanted fresh energy around our brand and worked with Sacramento-area advertising agency un/common (*uncommon.us*) to create it," says Dias. "We charged the agency to create a campaign that captured the authentic experience of SAFE members and showcased how SAFE stands out from the competition. The campaign was created out of the agency's experience visiting branches and observing the interactions between members and SAFE employees. The agency's overwhelming sentiment was that at SAFE, we put YOU, our members, first. That was the genesis of the central campaign message."

So far, feedback has been positive. Dias says the campaign "connects with people directly and honors what makes each individual, and their financial journey, unique. They see themselves in the campaign and, by extension, can see themselves as being valued members of SAFE."

SAFE CU is currently in the process of measuring the campaign's success. Dias says, "Early results show that, compared to years with different creative, our digital performance has increased 200%-plus for those electing to open an account online, and our in-branch new member sign-up events have experienced record highs.

"Additionally, early quantitative testing shows that, beyond awareness, top-of-mind consideration for SAFE has risen 30%-plus since the campaign launched," she says. "Anecdotally, we've heard from many in the community that they like the campaign and relate to it unlike any other financial institution ads they've experienced.

"We've seen our social media audience grow as people respond positively to the ads and video as well as share their positive relationships with SAFE in the comments. Some people have commented on SAFE's social media that they thought they recognized their own friends and family in the images. We've had at least one job applicant tell us she chose to apply to SAFE solely because of the branding campaign, telling our employee services team that she wanted to work for an organization that displayed such a philosophy."

Dias says SAFE CU plans to continue its efforts in this direction.

"It's long been SAFE's practice to feature diversity in its marketing, but the power of the messaging and visuals in this campaign certainly brings the importance of that to the forefront. We are sure to keep on bringing the many faces that reflect the people we serve into our marketing. Ongoing campaigns have featured images of actual SAFE employees and just recently, first responders and essential workers as we continue to celebrate and honor those who make up the SAFE community."

Asked about the benefits of continuing to do marketing for inclusion during the pandemic, Jenny Santos, SAFE CU's VP/employee services, says, "Marketing is one part of a robust organization-wide commitment to celebrate diversity, practice inclusion and honor our differences when coming together united in service to our membership. Now and in the future, this is an integral part of our brand promise, a foundational aspect of the credit union difference."

VANCITY CREDIT UNION'S MARKETING TO REMOTE COMMUNITIES

$28.2 billion Vancity Credit Union, Vancouver, British Columbia, is the largest community credit union in Canada. As over a third of the Indigenous population in British Columbia resides in Vancity's service area, the CU has made a commitment to partner with people in Indigenous communities to build their financial assets and resilience.

Vancity's marketing initiatives with Indigenous communities are informed by, and done in partnership with, members of the Indigenous communities they seek to serve, and Indigenous not-for-profit and First Nation government organizations.

Vancity VP/Marketing Kelly McNeill-Sproxton says, "To understand local perspectives and needs, we rely heavily on those relationships to guide our approach. Our goal when it comes to marketing has always been to explore potential opportunities in a respectful and inclusive way."

As an example, when the people of the remote community of Cormorant Island needed access to financial services, Vancity responded by providing a branch. As McNeill-Sproxton says, "Vancity's branch on Cormorant Island—which is staffed by local Namgis First Nation members—provided us a unique opportunity to work in a community that would otherwise face significant barriers in accessing many of the services that financial institutions provide. For example, in addition to the regular branch services we offer our members on Cormorant Island, we have introduced remote video conferencing into the business model; this provides members convenient, direct access to product specialists working from other Vancity locations."

Communicating with remote communities is a unique challenge. "We've found other opportunities to leverage digital technologies that can help us maintain and strengthen our relationships with Indigenous communities," says McNeill-Sproxton. "Some are as simple as the Facebook group we created for Cormorant Island. We had typically stayed away from creating pages or groups for individual branches. But the nuances of running a branch in this coastal community required us to provide specific updates on branch closures, hours of operations and other matters.

"After discussions with members of the community, we created our special Facebook group. We've seen how this sort of contact and dialogue helps us to understand and respond to member needs. Ultimately, it reflects our approach to meeting people where they are and to being intentional about how we communicate with specific communities. Our posts are regularly shared on individual and Indigenous community Facebook pages."

In terms of future inclusive marketing efforts, McNeill-Sproxton says, "We continue our work to attract and recruit more Indigenous employees to Vancity, something we believe is important in our ongoing efforts to ensure a diverse workforce that best reflects and represents the members we serve. These efforts are also part of our commitment to working with Indigenous communities in an informed, respectful and purposeful way."

OLYMPIA CREDIT UNION'S OUTREACH TO LOCAL LGBTQ+ COMMUNITY

$40 million Olympia Credit Union (*olycu.org*), in Olympia, Washington, was looking to differentiate itself. It landed on a mission to serve all people, particularly those who felt discriminated against elsewhere, and came up with the tag line, "embracing the human difference."

"Our mission statement came from the heart, and it is the common thread that pulls our board and staff together," says CEO Tammy Doles-Roberts. "We didn't see it as a marketing advantage."

This mission spoke to people in Olympia's LGBTQ+ community, many of whom had faced discrimination. As Olympia CU identified ways to be more inclusive, it realized it could market more effectively to the members of the LGBTQ+ community who were already members. It did LGBTQ+ sensitivity training in the branch and then put up a door sticker indicating it was a

"The (LGBTQ+-friendly) door stickers definitely helped, but our biggest impact was just getting involved and being a partner with some of the local organizations supporting the LGBTQ+ people."

— Tammy Doles-Roberts

At left, employees of Olympia CU show enthusiasm at a Pizza Klatch Gala fundraiser. At right, two Olympia CU employees staff the organization's booth at Capital City Pride Event.

LGBTQ+-friendly organization. It also established gender-neutral restrooms.

"When our staff received LGBTQ+ sensitivity training several years ago, we learned the importance of pronouns and how many different possibilities there were," Doles-Roberts says. "We chose to have new account-opening staff ask for pronouns a new member would use so we could make a note on our core system that all staff could see whenever dealing with that member.

"As time went on, when our front line would help existing members, they were also able to ask what pronouns were used and add the comment to the existing accounts. I think some members now know they can have us add this information.

"Recently, we updated our employment policy and replaced all 'she/he' references to 'they/them' to be more gender-neutral," she adds. "We are still a work in progress. We had another LGBTQ+ sensitivity training in 2020."

Olympia CU has finessed its marketing campaign to emphasize inclusivity. "We changed up our marketing graphics with subtle LGBTQ+ flavors, such as rainbows, or two same-sex people indicating a couple," says Doles-Roberts. "We created postcards with these graphics, and when attending LGBTQ+ events or providing donations, we included these postcards." The credit union also relied on word of mouth within LGBTQ+ community to help spread the word.

Olympia CU staff got involved with such local LGBTQ+ organizations as the Capital City Pride (*capitalcitypride.net*) (staff ran a popular pride bingo event for this group), Pizza Klatch (*pizza klatch.org*), PFLAG Olympia (*pflag-olympia.org*), and PCAF (*pcaf-wa.org*) as a way to support members. This turned out to be an important marketing initiative even though it was not designed as such.

Doles-Roberts explains, "The door stickers definitely helped, but our biggest impact was just getting involved and being a partner with some of the local organizations supporting the LGBTQ+ people."

These initiatives unfolded organically, says Dole-Roberts. "Our marketing to non-members just came from our presence at those events and letting them know who we were. We don't chase people down with hard sales approaches. We just get involved and show them that we are here to provide safe financial services to them."

So far, feedback has been positive. On its most recent member survey, when asked how happy they were with the credit union on a scale of one to 10, members gave Olympia CU a 9.1. Doles-Roberts believes this is due in large part to the organization's demonstration that it truly cares about all of its members.

Jen Lawrence, MBA, *is a former investment banker, recruiter and corporate trainer who now writes about leadership and strategy. She is the author of* Engage the Fox: A Business Fable About Thinking Critically and Motivating Your Team.

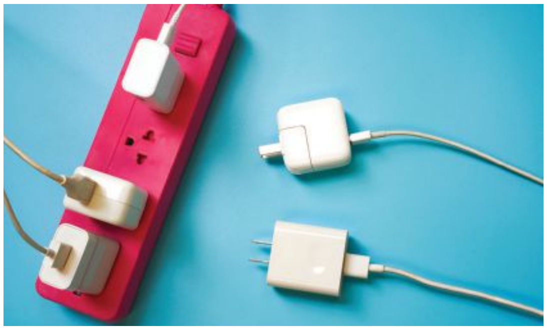
MORE ON DIVERSITY

Diversity Insight: Embracing the Human Difference (*cumanagement.com/0619diversityinsight*)

Diversity Insight: A Profile of Veridian CU's Community Inclusion Team (*cumanagement.com/0320diversityinsight*)

From John: Deepening Our Dedication to Diversity (*cumanagement.com/0919fromjohn*)

The Consultant *Connection*



TURNING TO OUTSIDE CONSULTANTS CAN POWER CREDIT UNIONS TO A BETTER POSITION IN THE MARKETPLACE.

BY DIANE FRANKLIN

Working with consultants is a way to augment your staff, knowledge and expertise without the long-term commitment of increased salaries, benefits and overhead. If you hire a consultant for the right reasons—to negotiate a favorable contract or to add capabilities that will better serve your members, for example—then you can put yourself in a more favorable financial position.

"Knowledge is power when it comes to making decisions," says Patrick Goodwin, president of CUESolutions provider Strategic Resource Management Inc. (*srmcorp.com*), Memphis, Tennessee. "That's why it's important to have a trusted advisor that can provide you with good insights and deliver on opportunities to save money and strengthen your organization."

A key area in which SRM delivers on these opportunities is by working with clients to uncover cost savings by optimizing vendor contract negotiations in such areas as payments, technology platforms, credit/debit processing and digital banking. Ben Mrva, SRM's executive vice president, notes that there are a lot of moving parts to these contracts, and most of them have terms of five, seven or even 10 years. A consultant's expertise in handling such contracts is highly valuable to the credit union.

"The more complex a project, the more need there is to bring someone in from the outside," Mrva says. "With these multi-year contracts, the implications of a misfire can be very long-lasting. If you're off by a couple basis points on any particular line item, it can have significant impact on the long-term performance of the credit union."

With the help of consultants, CU executives can augment the knowledge they need to steer their organization toward a more profitable path.

"We say all the time—you don't know what you don't know," says Jennifer Addabbo, co-founder/partner of CUES Supplier member CU Engage (*cuengage.com*), a nationwide consulting and vendor evaluation firm based in St. Petersburg, Florida. "When working without a consultant, credit unions typically will seek out as much information as possible to make a well-informed decision. But this can really slow down the inner workings of the entire organization, especially when key people are being pulled off their day-to-day duties. It's the consultant's job to help the credit union, providing the information they need, so they can arrive at a decision as quickly and efficiently as possible."

CU Engage offers three main pillars of consultancy services: payments (Visa/MasterCard, credit/debit processing and PIN evaluations); digital services (online banking, mobile, bill pay) and core services. The scope of services covers everything from setting strategy and request-for-proposal management to pricing and vendor contract negotiation. Because of CU Engage's vast experience in these areas, credit unions can expect the process to go more smoothly than if they handled it themselves.

"We have over 120 clients," Addabbo reports. "Doing this work is our full-time job, whereas the project team at a credit union may only do one major conversion in their entire career. With our experience level, we know the right questions to ask and how to collaborate well with credit unions to solve the business problems they may be having."

When selecting a consultant, credit unions should look for experienced firms that know the market. Goodwin reports that SRM has been in business for 28 years and has a track record of negotiating effectively with vendors.

"As a consultant, we see these vendors on a daily basis, so we know what their latest and greatest innovations are," Goodwin says. "We're going to bring these capabilities to light, so it makes it even more important that credit unions hire a consultant to advise them and provide good information that's going to drive new contract terms and market savings."

BEST PRACTICES

There are several best practices that CU executives should follow when selecting an outside consultant for critical projects. Goodwin advises starting by seeking out a consultant that has the savvy and experience to handle your needs—but one that is also well-aligned with your organization's core values.

"At SRM, our No. 1 core value is teamwork," he reports. "Tenacity, loyalty, accountability and integrity—those are also on our core value list."

One of SRM's clients, $760 million Direct Federal

Credit Union (*direct.com*) in Needham, Massachusetts, has similar core values—embedded in the acronym formed by its name are drive, integrity, resilience, engagement, competence and teamwork.

"I've always had this innate understanding that the way SRM conducts themselves both personally and professionally and the way that we [conduct ourselves] here at Direct is very much aligned, and I think that's why it's been such a successful partnership," says CUES member Joe Walsh, president/CEO of the credit union.

Another best practice, according to Mrva, is to designate a point person at the credit union to oversee interactions with the consultant. "That helps drive the project internally while keeping the rest of the executive team apprised of what's happening," Mrva says. "We mirror that at SRM by providing our clients with a singular point of contact they can go to with questions or concerns or for updates."

Direct FCU follows this guideline by having a designated point person who coordinates the annual contract negotiations with SRM. "Until about a year ago, our CFO [CUES member] Jeff Rocha was the point person, but that responsibility has shifted to our VP/research and risk, [CUES member] Devon Lyon," Walsh reports.

As the point person, Lyon funnels the contracts coming up for review to the appropriate staff member—e.g., the VP/IT for the online banking contract or the deposit servicing director for the ATM contract. As Walsh explains, "This ensures that the contract owners here at Direct are the ones working with SRM to actually renegotiate with the vendor."

Addabbo concurs that it's a good idea to have one point of contact at the CU, typically at the executive level. However, she stresses that any project undertaken with a consultant is very much a team effort. To facilitate a better team approach, CU Engage uses the RACI model to clearly define roles: (R) Responsible—those who do the work to complete a task or project; (A) Accountable—the person who is ultimately answerable for the completion of the project; (C) Consulted—subject matter experts who weigh in on the project; and (I) Informed—the person or people who are kept up-to-date on the status of the project.

"By using the RACI model, our team knows who to go to when we need input, requirements and ultimately a decision," Addabbo says. "It's a great tool for helping our clients get to the finish line and make the best decision for their organization and their members."

ASSESSING VALUE

While credit unions may weigh the value of a consultant based on the cost, it's actually more appropriate to consider the savings. For instance, SRM charges clients based on a shared savings model.

"That means our clients only pay us if we save them money," Goodwin says. "Our modeling is based on that we're going to deliver at minimum $3 million per billion in assets. So, if you scale that down to a $500 million credit union, we're going to expect a minimum of $1.5 million in savings," over the course of the contract term, which is typically about five years.

"Again, that's a minimum," he adds. "In many cases, we've delivered considerably more than that."

Walsh has been satisfied with the monetary advantages that Direct FCU has realized. "In the three to three-and-a-half years we've been working with SRM, they've either saved and/or earned us close to $2 million in terms of operating expense savings and other income revenue such as signing bonuses," he reports.

Some credit unions may consider taking a "do-it-yourself" approach rather than spending the money to hire an expert from the outside, but Addabbo points out that the cost of tying up staff time and resources can quickly exceed the cost of using a consultant. To drive this point home, CU Engage has developed a DIY calculator (*go.cuengage.com/diy-calculator*).

"The calculator allows the credit union to estimate how much they would spend without the use of an outside expert, based on the number of employee hours it would take to complete a given project," Addabbo explains. "Without the knowledge and expertise that a consultant can bring, it's going to take you longer—just like it's going to take you longer to build something if you don't have a set of blueprints in front of you. If you do it yourself, you're also more likely to make mistakes and not know the right questions to ask. That's why it's important to understand the costs and know the market value that a knowledgeable consultant can bring to the process."

BUILDING RELATIONSHIPS

While credit unions may consider working with consultants on a project-by-project basis, it can also be effective to establish an ongoing relationship so that you can work seamlessly on multiple projects.

"We average about three projects per client at any given time, which is great because it gives our clients an opportunity to get to know our team, and our team understands the nuances of each individual credit union," Addabbo reports.

Goodwin and Mrva point out that SRM's business is driven on the basis of relationships. "We have about 400 clients that we're working with right now, and we're probably engaged in three or four different projects with any one client at one given time," Mrva says. "We could be in the payments space looking at a credit union's debit and credit portfolios; we could be helping them with their digital member experience, their loan and deposit account acquisition. More recently—for larger credit unions, specifically—we're helping them understand how to start the conversation around intelligent automation and robotic process automation. So, there are any number of ways that we could augment our clients' resources to assist with different areas across the whole credit union."

Direct FCU's experience with SRM is a prime example of how a CU/consultant relationship can broaden over time. The CU originally hired SRM to negotiate its vendor contracts, but the relationship now encompasses projects on the profit center side as well. This includes discussing how machine learning and artificial intelligence could benefit the credit union. Walsh notes that Direct FCU is eyeing the possibility of moving forward with such a project in 2021.

"We think that will pay big dividends for us," he says. "That's what I like about working with SRM. They don't rest on their laurels. They're always developing new lines of business that are profitable for them but certainly value-added for their clients as well."

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

MORE ON WORKING WITH CONSULTANTS

Benchmarking Technology Costs (*cumanagement.com/0320benchmarking*)

How To Select Core Tech (*cumanagement.com/0320select*)

Tech Time: Lessons From a $130 Million Core Contract Renewal (*cumanagement.com/1019techtime*)

Negotiating Card Processing Contracts (*cumanagement.com/0617negotiating*)

CUESolutions Provider SRM (*cues.org/srm*)

Remote Consultancy
During the COVID-19 Crisis

Many consultants offer the efficiency and flexibility of delivering their services remotely—something that has taken on greater urgency during the challenging business environment of the COVID-19 pandemic.

Employees at the Memphis, Tennessee, base of operations for CUESolutions provider Strategic Resource Management Inc. (*srmcorp.com*) quickly transitioned to a home-based work environment when the pandemic shut down business offices across the U.S. The Memphis staff accounts for a third of SRM's total work force; the remaining employees, who work throughout the rest of the country, were already working remotely.

"We didn't miss a beat when we made that decision for the safety of our staff to go remote," says Patrick Goodwin, president of SRM. "Everybody's set up with laptops, remote workstations and multiple monitors, so we were already well-equipped."

Before the pandemic hit, SRM was experienced in using such video-conferencing tools as Microsoft Teams and Skype to facilitate internal communications. "We were very fortunate to have that infrastructure already in place, and we can service our clients that way as well," Goodwin explains.

CUES Supplier member CU Engage (*cuengage.com*), St. Petersburg, Florida, likewise has technology tools to facilitate remote delivery of its services.

"Last year, we made a major investment (time and money) in our technology, and specifically Microsoft Teams, and we also started working with our clients more remotely to help them reduce their travel budgets," reports company co-founder/partner Jennifer Addabbo. "So, as far as how we conduct our day-to-day business and how clients work with us, there's really not a huge difference."

As part of its account management strategy, CU Engage reached out to clients at the start of the COVID-19 outbreak in the U.S. with advice for how to set up their team's environment to facilitate working remotely

"Those of us who have worked remotely our whole careers somewhat take for granted that other people are adjusting, but some people may not be as comfortable with video conferencing or the nuances of working from home as others," Addabbo acknowledges. To help clients adjust to a remote working environment, CU Engage produced several videos with tips and tricks for being more productive under these new circumstances and shared them on LinkedIn. (Watch them at *tinyurl.com/ydz35dlk*, *tinyurl.com/yclrksxh* and *tinyurl.com/yabgj7o6*.)

Though SRM's remote setup is functioning smoothly, Goodwin acknowledges that there is a loss incurred by not being able to meet clients face-to-face.

"We love our typical engagement of meeting clients and shaking hands, but we've adapted by using technology tools," Goodwin says. But, he adds, "we're always happy to reach out to clients via video chat, so in terms of our service, we haven't seen a slowdown from a delivery perspective at all."

Addabbo likewise sees business essentially progressing as it always has, despite the current crisis. "It really hasn't changed much of what we do, aside from the fact that we like seeing our clients and taking them out to dinner," she says. "The biggest hit is the conference environment, as credit unions tend to use the conferences to learn about new vendors and collaborate with their peers."

As the pandemic crisis continues to unfold, Addabbo thinks it's likely that there will be an even greater emphasis on one of CU Engage's pillars of service: digital.

"In the long term, the question for credit unions and community banks is going to be: Are you on the right digital platform?" Addabbo predicts. "There may not be an urgent need to make changes in mobile banking over the next six weeks or so, but we'll probably will start to see the pressure to upgrade as more and more folks use that platform."

Goodwin says that it is still too early to predict long-term ramifications of the pandemic crisis, though he does see potential for greater focus on upgrading digital technologies.

"Digital was already trending before the pandemic hit," he says. "We think it could have greater growth, simply because people are working from home and will be more likely to utilize digital banking and bill-pay. If a credit union realizes that their digital platform is not where it needs to be, that's where an advisory firm is going to become very important in helping them make a critical decision in this area."

Tim McAlpine

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What do your clients love about Currency?
Credit unions want to help members improve their financial capability but struggle to create compelling educational content on their own. With Currency's It's a Money Thing financial education content program, this is no longer an issue. Josh Franzen with InTouch Credit Union in Texas relayed, "We use It's a Money Thing materials in classrooms ranging from 7th to 12th grade. The program has helped us save money by having awesome videos and presentations already built and helped free up time and resources to visit more schools."

Tell us a client success story.
Washington's Red Canoe Credit Union sees increasing young adult financial literacy as a corporate social responsibility as well as an opportunity to differentiate and grow. The credit union chose It's a Money Thing because of the value and the quality of the content. Red Canoe's Chief Marketing Officer Amy Davis said, "Currency provided a turnkey solution we could implement at a very reasonable cost—something that was a large benefit to an over-stretched marketing department with several other projects on the go. Prior to It's a Money Thing, 12.5% of Red Canoe's members were in the 15- to 25-year-old age group. In just one year, this age group grew to 22% of our full membership. That's a 77% increase in the number of young adult members at our credit union!"

How is Currency making the credit union industry stronger?
In addition to our successful relationships with more than 125 credit unions, we've worked with CUES for more than 10 years to engage and recognize emerging credit union leaders. First with the highly successful CUES Next Top Credit Union Exec competition and now with the completely reimagined CUES Emerge program.

Taxation *in the Balance*

What's at stake: The (hypothetical) imposition of a federal corporate income tax on credit unions, estimated by the Joint Committee on Taxation in 2018 to average $1.95 billion annually across the industry over the four years ending in 2021 (if imposed at the current 21% rate)

BY KAREN BANKSTON

"Credit unions don't pay federal income taxes, despite being a $1 trillion financial services industry. This costs the U.S. Treasury about $2 billion each year in foregone tax revenues."

– American Bankers Association (*tinyurl.com/abacutax*)

ALL CONSUMERS BENEFIT

$16.5 billion
amount of savings in 2018 for CU members in the form of lower loan rates, lower fees and higher dividends (Source: CUNA, *tinyurl.com/0419cunatax*)

$102.2 billion
savings for bank consumers in lower rates and fees due to the moderating market influence of credit unions over the decade ending in 2015

"The credit union tax exemption is good public policy. Its continuation will benefit the American economy, small businesses and consumers with lower-cost financial services, more investment in their communities and greater competitive choice in the marketplace."

– Dennis Dollar, former NCUA chair and principal partner, Dollar Associates LLC (*dollarassociates.com*), Birmingham, Alabama

IF IT WALKS LIKE A DUCK ...

Bankers have used the "if it walks like a duck and looks like a duck, then it's a duck" argument for years to say that because many credit unions serve broader fields of membership and appeal to consumers across the income spectrum, they are no different from a bank. But tax exemptions for cooperative organizations apply regardless of asset size and across industries.

THE MISSION REMAINS

7% the percentage of all U.S. assets and loans held by credit unions (Source: Federal Reserve Bank of Philadelphia (*tinyurl.com/philfedmarket*)

"Credit unions have moved sharply away from their original mission while growing substantially in size. As a consequence, they now closely resemble, and vigorously compete with, banks. ... This multi-billion-dollar tax subsidy confers a substantial competitive advantage that no longer has any policy or economic justification."

– Kenneth Kies and Bert Ely (*tinyurl.com/aba-cutax*)

"Everyone understands that Nabisco sells cookies for profit and the Girl Scouts sell cookies not-for-profit."

– Dennis Dollar

"The market share of the largest 100 U.S. banks has increased from 41% in 1992 to 75% at the end of 2018."

– "Credit Union Not-for-Profit Tax Status," CUNA report (*tinyurl.com/0419cunatax*)

"A credit union is a not-for-profit cooperative, whether it's Navy Federal (*navyfederal.org*) or Jefferson Financial or a credit union one-tenth our size."

– CUES member Mark Rosa, president/CEO, $900 million Jefferson Financial Federal Credit Union (*jeffersonfinancial.org*), Metairie, Louisiana

CREDIT UNIONS FACE BUILT-IN CONSTRAINTS

Credit unions operate under restrictions that banks do not, including defined fields of membership and business lending and interest rate limits. Proponents of taxation assume that credit unions would be granted easing of these restrictions as a trade-off for taxation. But there are no guarantees.

"The restrictions credit unions face with their cooperative structure, under law and regulation, would put them out of business if they had to pay the same corporate tax rate their for-profit competitors have to pay and still retain those restrictions."

– Dennis Dollar

"Iowa bankers have 99% of farm loans, 96% of commercial loans and 85% of the deposits. It's certainly a solution looking for a problem when they talk about taxing credit unions. ... Their proposals [to increase taxes on credit unions] are only good if you own a bank—that's the point we make with legislators. For the other 99% of Iowans, it's nothing but harmful."

– Justin Hupfer, VP/government affairs with the Iowa Credit Union League (*iowacreditunions.com*)

WHO IS NOT PAYING TAXES?

$12.2 billion
the amount that CUs pay annually in federal employer and excise taxes (Source: CUNA)

$7.4 billion
the amount CUs pay in state taxes (Source: CUNA)

Subchapter S
Dollar reports that a majority of the 35 banks purchased by credit unions as of mid-2019 were organized as Subchapter S corporations (*tinyurl.com/irsscorp*) and were not directly paying corporate income taxes themselves.

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

The End of Our Industry? *Not So Fast ...*

Mark Rosa has occasionally played devil's advocate on both sides of the taxation debate.

The CEO of $900 million Jefferson Financial Federal Credit Union (*jeffersonfinancial.org*, 55,000 members), Metairie, Louisiana, is certainly no fan of the perennial lobbying of bank organizations to eliminate the credit union exemption from federal corporate income tax. In the unlikely event that those efforts ever succeed, though, Rosa sees some potential upside.

"When people say things like, 'It would be the end of an industry,' I just don't buy that," he says. "It's another bill to pay, and no one wants to pay taxes. But that tax exemption comes with some constraints. I would assume if we were taxed, we'd be free of the field of membership constraint, and credit unions would have access to financial markets to raise capital."

Those constraints are also at the root of the case he makes in discussions with community bank leaders: If the tax exemption offers such a clear advantage to credit unions, why not convert your charter?

When Rosa served on a committee for the Atlanta Federal Reserve for five years—in meetings "filled with community bankers"—the conversation would occasionally turn to taxation. "I would say, 'We've all seen mergers, liquidations and conversions. We all have a choice. We have a choice to convert to a community bank, and you have a choice to seek a credit union conversion,'" he says.

On that point, the conversation often ended, he recalls. "What they're implicitly saying is: 'We'd rather pay the tax bill than have our operations constrained.'"

Jefferson Financial FCU was chartered as a state credit union in Louisiana in 1966 and converted to a federal charter in 2016. While researching the pros and cons of that change, Rosa says he raised the possibility with the board of studying a conversion to a bank charter, just to investigate all possibilities. "They didn't ask me to look into it—it was a nonstarter," he says.

Jefferson Financial FCU was raised as an example of a financial cooperative that "operates more like a bank" in a 2018 *American Banker* article (*tinyurl.com/abcutax*) titled "Do Credit Unions Still Warrant a Tax Exemption?" That article pointed out the credit union's role as the lead lender for a $112 million loan participation arrangement to finance a California-based biofuels producer's construction of a refinery in Nevada.

Rosa acknowledges that loan arrangement received "a lot of press in a lot of places," but he doesn't see it as a case in point for the American Bankers Association contention that the tax exemption "specifically favors large credit unions with more than $500 million in assets."

The exemption is applied to credit unions of all sizes because of their not-for-profit, cooperative structure, and the proposal among some bankers to tax the largest credit unions is merely a first step toward removing the exemption for all financial cooperatives, he asserts.

"They keep throwing darts at the board. The latest is, 'We'll just tax $1 billion or $10 billion credit unions,' but ... once that's in place, they can work their way down," Rosa says. "It's the way they want to divide and conquer."

Community banks and credit unions are undergoing the same tide of consolidation, he notes, continually ceding market share to the top 20 U.S. banks that hold the vast majority of the nation's deposits.

"Our numbers are falling. Their numbers are falling, but they blame us," Rosa adds. "I tell them, 'Both of us should be blaming your big brother counterparts for all this consolidation.'"

CUES Releases *The State of Credit Union Governance, 2020*

CUES has released *The State of Credit Union Governance, 2020: Credit Union Governance and Leadership Trends* in partnership with Quantum Governance L3C (*quantumgovernance.net*), co-authored by The David and Sharon Johnston Centre for Corporate Governance Innovation of the Rotman School of Management (*rotman.utoronto.ca*).

Similar to *The State of Credit Union Governance, 2018* report, the 2020 report offers a look at current trends in credit union governance and leadership that credit unions can use to strengthen their boards.

The 2020 report focuses on five key areas: board structure and composition, board governance, board leadership, strategy, and decision-making. It draws on data collected from the governance assessments of 115 credit union boards as well as findings from a supplemental, online survey with responses from 320 directors and CEOs across 170 credit unions in the U.S.

Key findings include:

- 46% of respondents described their boards as—at best—adequate in attracting the right people to serve as board members;
- 60% of boards surveyed do not perform an evaluation of their own performance;
- 25% have no process in place for removing underperforming directors.

Findings also showed that credit union boards are, in certain targeted areas, stepping up in some very important ways, while they continue to fall far short in other critical areas.

"Perhaps most shocking of all, credit union directors often did not fully understand their core role and responsibilities as board members," says Michael Daigneault, CCD, CEO of Quantum Governance. "Furthermore, we found boards are all too often focused heavily on operational, day-to-day issues that should typically fall under the purview of the CEO and senior staff."

The full report is available for download at *cues.org/govreport2020*.

"Our hope is that credit unions of all sizes can find value in our findings and implement our recommendations for their future success," says Daigneault.

Assessing Your *Credit Union*

CUES offers valuable assessment tools so you can take an honest look at your organization and accurately identify areas of strength as well as opportunities for growth and improvement.

Board Governance Assessment (*cues.org/bga*) helps you and your board build an agenda of strengths, weaknesses, opportunities and threats to prioritize and address.

Supervisory/Audit Committee Assessment (*cues.org/saca*) gathers candid feedback from the perspectives of your committee members, board members and senior management team to determine just how effectively this important committee is currently running.

CEO Assessment for Credit Unions (*cues.org/ceoassessment*) helps your credit union build a comprehensive annual review process for your credit union's CEO, outlining key strengths and achievements as well as opportunities for growth in the coming year.

Director Skills Assessment (*cues.org/dsa*) deepens your understanding of your board's overall expertise and helps you govern more effectively.

Each assessment is confidential, completed simply online, and provides critical insights from various perspectives—all with the goal of facilitating the crucial conversation that will drive your credit union forward.

We invite you to explore all of these exceptional resources. Each is designed to help your credit union reach its fullest potential through candid feedback and important conversations among stakeholders. Purchase today!

Webinars & Elite Access

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

JUNE 2
12 p.m. Central
Elite Access: Board Liaison Virtual Roundtable—Challenges and Successes

MORE ONLINE LEARNING
Access learning pathways through CUES Learning Portal, including three new ones:

- **Resources for COVID-19**
- **How to Transition to a Remote Workforce**
- **Virtual Collaboration in Organizations**

Access CUES Learning Portal, and all your member benefits, at *cues.org/membership/access-my-benefits*.

AD INDEX

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Why You Should Still Invest *in Talent Development During a Crisis*

BY JENNIFER STANGL

We live in a world of rapid change and evolution. We regularly identify how we can adapt and adjust to changes—from new technology to new member needs. However, if asked to list why we might experience large-scale organizational change in 2020, many of us wouldn't have picked "global pandemic." Regardless, this is where we are and how we move forward will directly impact the success of our organization and the industry.

As we look to modify policies and shift products and services for members, we need to remember the importance of developing our talent. Rita Gunther McGrath, author of *The End of Competitive Advantage*, states "when you realize that shifts are inevitable, training people to be able to move from advantage to advantage becomes a cost of doing business. It's just as important a bill to pay as the one you pay to keep the lights on and the computers running." (Read more about McGrath's discovery-driven planning ideas at *cumanagement.com/0420future*.)

Considering everything that is changing, one thing that can remain constant is our ability to develop our staff. This can be done with cross-training or building new skills, all aimed at individual and organizational growth. Organizations that succeed amid rapid change have two things in common regarding their workforce.

1. **A workforce that is willing and able to learn new things.** This could be as simple as the desire and adaptability to learn a new technology or process within the team or something as large as supporting or transitioning to another team.
2. **A conscious, continued effort to develop staff.** This includes understanding that focusing on training and development creates greater flexibility to shift and adjust priorities as needed.

McGrath shares that "smart companies recognize that continuous training and development is a mechanism to avoid having to fire people when competitive conditions shift, and they invest in training even as they pursue deployment." In times of change and adjustment, continuing to support talent development can position our teams to succeed and come out stronger.

Setting development aside during times of change is like treading water. You've managed to keep breathing, but you haven't made any progress toward shore. Organizations and leaders need to balance taking time to address needs, while helping staff take steps to build skillsets and talent for today and the future.

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

Leave a comment at cumanagement.com/042720skybox.

"It can be easy to forget what's behind you when on a video conference with a colleague, partner or member. Make sure there is no sensitive information, unprofessional imagery or visibility into areas of your home where family members may enter. Many video conferencing tools allow you to blur a background or, even better, use a virtual background."

Brian Bodell, VP/product management for CUESolutions Platinum provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin, in "Six Ways to Protect Member Data in a Remote Workplace (That Don't Require IT Support)" on CUES Skybox: *cumanagement.com/042120skybox*


Consumers know a bad user experience when they see one.

3 ways for credit unions to build trust with members

ARE YOU DOING EVERYTHING YOU CAN TO BUILD CURRENT AND FUTURE TRUST WITH YOUR MEMBERS?

Hyland, a leading enterprise content management provider, produces expertly tailored solutions for credit unions. With OnBase, Hyland's enterprise information platform, credit unions can both streamline processes and provide better services to members.

Here are three ways an OnBase deployment can optimize technology stacks and build trust — immediately and in the future.

1 ONBASE OPTIMIZES YOUR CURRENT IT STACK, SO EVERYTHING IS IN ONE PLACE, WITH ONE VIEW

OnBase connects to core credit union applications like Episys and Corelation with a seamless integration.
This means:

- Access for members at any time, anywhere
- A unified platform, so employees no longer need to post information manually to the core or leave the core to update data
- Members enjoy more responsive, meaningful interactions with your team

2 ONBASE IMPROVES AND AUTOMATES THE LENDING PROCESS

OnBase automates how data is organized, from its entry to your credit union through to storage, accessibility and security. With OnBase, your institution can:

- Create low-code and configurable workflows to ensure process efficiency and employee accountability
- Reduce errors during data entry with intelligent capture
- Tear down silos and eliminate misplaced documents
- Make application processes more fluid and less tedious with eforms on websites and apps

3 ONBASE MANAGES RISK AND COMPLIANCE ACROSS THE LOAN LIFECYCLE

Hyland's loan document tracking solution manages the complete lifecycle of a loan and all of the corresponding documents from a single application. Additionally, it:

- Provides a visual interface to quickly see loan workflow, compliance and risk analysis
- Provides a complete view of the prospect pipeline
- Centralizes everything through the core systems employees use every day

Ready to build on your member trust? Hyland's OnBase solutions for credit unions can bring together your entire enterprise to operate at a higher level.

Learn more at **Hyland.com/financial-services**

Hyland