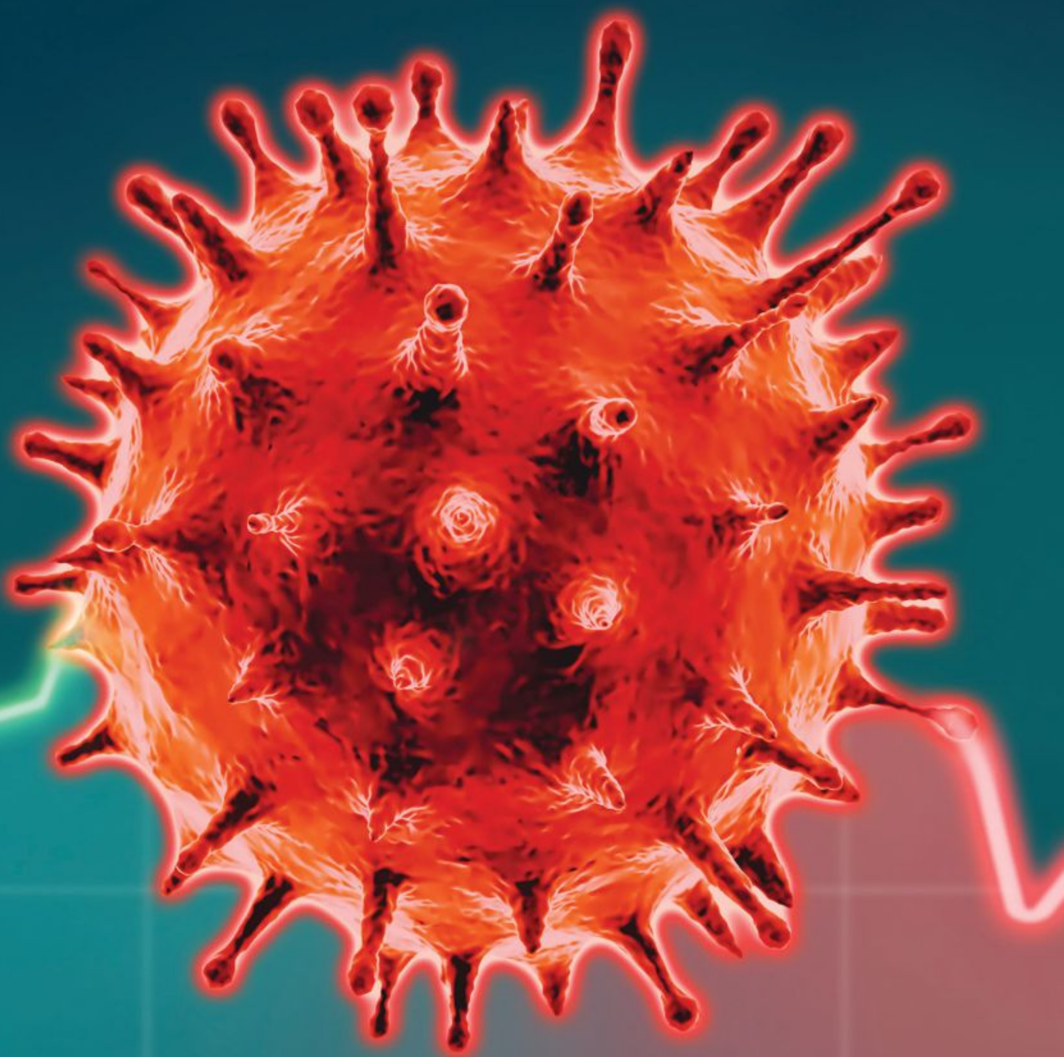
CU MANAGEMENT

MAY 2020 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

SERVING THROUGH *Disaster*

Credit unions valiantly cope with the COVID-19 pandemic.



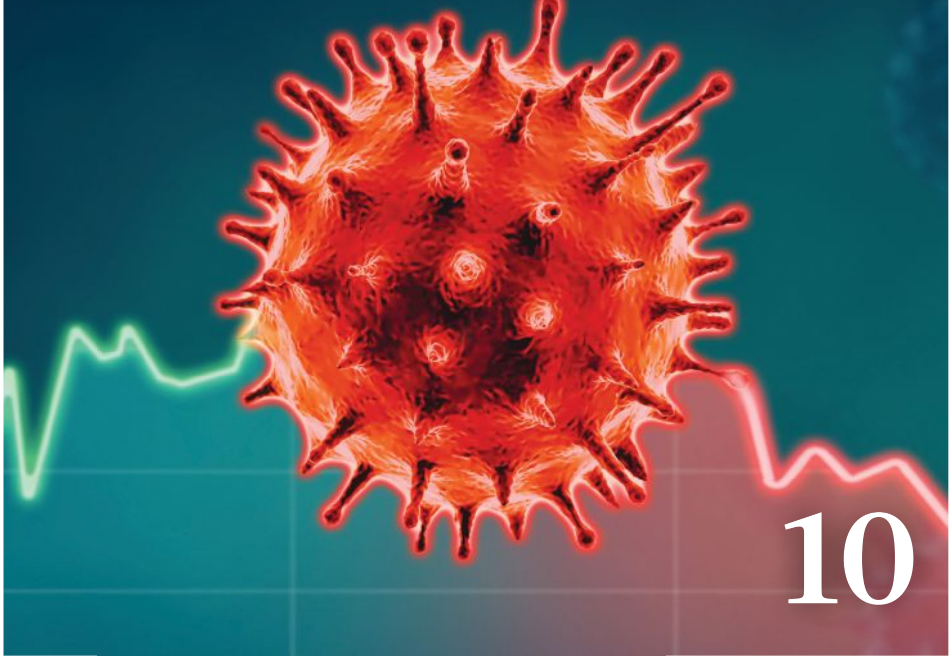
TECH STRATEGY
Digital delivery even more critical

SPECIAL REPORT: PAYMENTS
The need for speed

LENDING
Creatively partnering on green projects

Contents

MAY 2020
VOL. 43, ISSUE 5



FEATURES

>> Visit CUES.org to find the latest on our COVID-19 response, offerings suited to your job title, access to your member benefit portal and much more.

Contents

ARTICLES

IN EVERY ISSUE

JOIN US ONLINE

@TheRealCUES
@TheRealCUES
CUES
CUES

CONTACT CUES

PHONE 800.252.2664
CANADA 604.559.4455
EMAIL *cues@cues.org*

CUmanagement.com

ONLINE ARTICLES, VIDEOS AND MORE

Online-Only Column

CFO Focus: Maintaining Profitability in a Zero-Bound Rate Environment

The first step is reviewing the impact of this real-life rate shock on your balance sheet. Then CU leaders must focus on operational, funding, liquidity, credit, interest rate risk and leverage.

cumanagement.com/0420cfofocus

CUES Video

Virtual Meeting Best Practices: Camera Setup

Watch as Mark Bernheimer, founder and principal of MediaWorks Resource Group, demonstrates what to do to make the best possible impression in a video conference or interview and fixes his video "mistakes."

cumanagement.com/video032620

Online-Only Column

HR Answers: Credit Unions Transition to a New Way to Work

Learn how these five CUs tackled working from home and communication with staff during the pandemic after they found themselves suddenly faced with a crisis that upended "business as usual."

cumanagement.com/0420hranswers

CUES Podcast

Safety and Service Foremost in F&A FCU's Proactive Pandemic Response

When Tim Green, president/CEO of F&A FCU in greater Los Angeles, first heard about COVID-19 overseas, he decided to lead his CU to prepare for a scenario in which this disease would shut down the whole county.

cumanagement.com/podcast90

Magazine Staff

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

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

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

EDITOR
Danielle Dyer • *danielle@cues.org*

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

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

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

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

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

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

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

CU Management (ISSN 0273-9267, *CUmanagement.com*) is published monthly by the Credit Union Executives Society (CUES®), 5510 Research Park Drive, Madison, WI 53711-5377. Telephone: 800.252.2664 or 608.271.2664 in the U.S.; 604.559.4455 in Canada. Email: *cues@cues.org*. Web site: *cues.org*. Periodicals postage paid at Madison, WI (USPS 0569710).

Annual subscription rate for CUES members and CUES Supplier members is $89, which is included in dues. Additional subscriptions: $89. Non-member subscriptions: $139. Digital-only subscriptions: $69. Single copy: $10. Subscriptions outside the U.S. will be invoiced for additional postage costs. For high-quality article reprints of 100 or more, call CUES at 800.252.2664, ext. 307.

POSTMASTER: Send address changes to Credit Union Executives Society, P.O. Box 14167, Madison, WI 53708-0167.

LET'S CONNECT

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

TWITTER: @tawitham
LINKEDIN: Theresa Witham
INSTAGRAM: tawitham

YOUR THOUGHTS

HOW ARE YOU TAKING CARE OF YOURSELF RIGHT NOW?

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

Self-Care *for Leaders*

How are you right now? You, not your credit union. Are you OK? Are you sleeping? Eating well? These past two months have been some of the most challenging many of us have ever faced. While it's OK if you don't feel all that OK, it's important to remember that in times of great challenge, employees look to leaders for comfort, for security and for signs that we will all get through the challenge at hand.

I admit I have had some bad days over the past two months. My anxiety has been high. I'm having weird dreams (along with many of you, according to this article, *tinyurl.com/te2wqg7*). But I also know that anxiety is contagious and that I need to stay calm, or at least project calm, for my co-workers and my son.

I couldn't be at all calm if I didn't have a good practice of self-care. Because of the pandemic, I have had to adjust some of my usual care routines. My gym is closed, so my frequent swims have stopped. While nothing calms me so much as gliding through the water, recent walks on nice days with a good podcast in my ear have helped. Baking and cooking good food for my family also has brought us joy. And I've always sought escape in books, which is certainly something I can continue to do now.

If you are struggling to find what works for taking care of yourself these days, we have a few resources that may help.

- **"Don't Fool With Self-Care,"** by United Teletech Financial Federal Credit Union CEO and CUES member Leo Ardine, describes four ways you can relieve stress (*cumanagement.com/040120skybox*).
- **"A Super Selection of Self-Care Resources"** lists more than 20 ways to find balance or escape (*cumanagement.com/040620skybox*).
- **"How to Talk With Anxious People"** includes 10 tips for leading with empathy, openness and confidence during uncertain times (*cumanagement.com/032620skybox*).
- **CUESNet™** (*cuesnet.cues.org*) has been hosting discussions on multiple COVID-19-related topics, including self-care.
- **CUES Learning Portal, Powered by Degreed,** has three new learning pathways to help: "Resources for COVID-19," "How to Transition to a Remote Workforce" and "Virtual Collaboration in Organizations." Find them and more COVID-19 resources at *cues.org/coronavirus-update*.

I hope you are taking care of yourself and encouraging your employees to take care, as well. Most of us look to our leaders for signs and clues on how to act during a crisis. By showing your team that you are taking self-care seriously, you'll give them permission to do the same—which will ultimately help us all bring our best selves to work. We're in this together! Stay well!

Theresa Witham

Theresa Witham
Managing Editor/Publisher

P.S. Watch your email for surveys coming from CUES and *CU Management* magazine in the next few months. We are looking for your feedback on your membership and the content we deliver.

Leading *Through Crisis*

BY LAURIE MADDALENA, MBA, CPCC, PHR

I'm writing this article from my walk-in closet during the second week of working from home during the COVID-19 pandemic. Right now it's the quietest place in my house as we navigate this new normal. My regular office is being used by one of my three kids—who are being "homeschooled" while my husband and I balance running two businesses virtually. I'm not sure how much learning is happening right now, but we are doing our best to manage this challenging situation. This is real life. It's messy, and it's difficult.

Each of your employees has their own challenges during this unprecedented time. Some may have elderly parents who are at higher risk, some find themselves teaching their children while they juggle work, and others may have a spouse who is self-employed or was recently laid off. Each situation is different, yet many of us are experiencing the same emotions of fear, uncertainty and frustration.

Now, more than ever, it is important for leaders to put their leadership skills into practice. Leadership is a verb—it requires action. This means leaders need to show up, connect, support and provide clarity for their team members, especially during challenging times. Exceptional leaders will rise to the challenge and do what they do best: connect with each human being who is on their team and listen, support and encourage. But I fear mediocre managers will hide behind their laptops and focus on technical work rather than the critical actions required of great leaders.

Below are three areas to focus on to be an exceptional leader and manage your team in this uncertain time:

1. ACKNOWLEDGE AND ADDRESS EMOTIONS

This is so important during tough situations and cannot be overlooked. Employees aren't looking for a cheerleader to tell them to think positive and everything will be fine. It is important to provide hope for our employees, but only after we have acknowledged their feelings. Each manager must connect individually with each employee (preferably through video, if you are working remotely) to understand the impact the pandemic has had on them personally. This means scheduling a one-on-one video call with every one of your employees to ask them how they are doing. Not only will this allow your employee to express their fears and challenges so they can work through them, but knowing this information will allow you to support each individual better.

I led a virtual leadership session where we spent 45 minutes allowing the 12 attendees to share how the coronavirus has impacted them personally and how they are navigating the changes. By the end of the 45 minutes, the leaders were noticeably more positive and were sharing tips with each other on how to work in a virtual environment more effectively. One of the worst things leaders can do in a crisis is to gloss over the hard part (emotions) and focus on plans of action. People need to feel heard and understood before they can move to problem-solving.

2. CREATE CLARITY

Communication is always an important part of leadership, but during challenging times, clear and frequent communication is even more critical. In a virtual work environment, the best way to create clarity and keep the lines of communication open is to create structures to support dialogue.

Virtual meetings: I recommend holding at least one team meeting each week and regular check-in calls with your direct reports. One of my clients is holding a morning and end-of-day check-in call with their teams every day. In the morning, they set the goals for the day (creating clarity for what needs to get done), and in the afternoon, they check in on progress.

Office hours: Another great practice for supporting your employees is to create weekly "office hours." Much like a professor has office hours where students can drop in to get help or ask questions, leaders can offer specific times during their week where employees can schedule individual time with you.

3. TAKE CARE OF THE CULTURE

It can be challenging to keep a team engaged when they aren't interacting in person every day, but it is possible to create connection virtually. Here are three tips for ensuring a positive, engaged culture during this time of social distancing:

- Connect with each employee individually, preferably through video, at least once a week.
- Send a handwritten card or a small gift in the mail to each employee to let them know you are thinking of them.
- Recognize such milestones as work anniversaries, birthdays, marriage anniversaries and baby milestones at the start of weekly team meetings. Encourage employees to share a picture with the milestone.

Being human and transparent during this time will allow you to strengthen your relationships with employees. Remember, it is your responsibility as a leader to provide support, remove obstacles and create connection within your team—and it takes even more effort to do this in a virtual environment. Leadership is a privilege and a responsibility, and even under more typical circumstances, it takes daily effort and consistent practices to show up as an exceptional leader each day for your team.

Laurie Maddalena, MBA, CPCC, PHR*, is a certified executive coach, leadership consultant and founder of Envision Excellence LLC* (envisionexcellence.net) *in the Washington, D.C., area. Her mission is to create exceptional cultures by teaching leaders how to be exceptional. Maddalena facilitates management and executive training programs and team-building sessions and speaks at leadership events. Prior to starting her business, she was an HR executive at a $450 million credit union. Contact her at 240.605.7940 or* lmaddalena@envisionexcellence.net.

Serving Through *Disaster*

CREDIT UNIONS SCRAMBLE TO COPE WITH THE CORONAVIRUS PANDEMIC.

BY ART CHAMBERLAIN

Business continuity planners and enterprise risk managers may not like to hear this, but they have a lot in common with reporters, those people who stick out their recorders and ask tough questions politicians and business executives don't want to answer.

The work of planners, managers and reporters is all fueled by the same thing: bad news.

The difference is that credit union managers work long hours and go to great lengths—with planning sessions, tabletop exercises and data-flow diagrams—to try to minimize the impact of the bad news.

The past year has seen credit unions serving areas lashed by tornadoes, hurricanes, wildfires, earthquakes, floods and massive snowstorms that have driven many to put their continuity plans into action. But this spring has been like nothing most have experienced before, as the coronavirus pandemic has forced all CUs, wherever they are located, to shift their plans into gear.

A pandemic is a unique type of disaster. It hits people, inside the organization and out, while leaving offices and infrastructure untouched.

"In a natural disaster, you assume that your infrastructure and your technology have all been impacted, so recovery becomes a matter of, 'How do we get our systems back up and running?'" says Tom Hinkel, VP/compliance services at Safe Systems Inc. (*safesystems.com*), a technology, compliance and security service provider based in Atlanta. "How do we restore this server? Or this data circuit? It's all about the physical stuff."

But in a pandemic, the equipment is all fine. "The technology is there, but maybe you don't have enough folks to keep it running," says Hinkel, who provides consulting services to credit unions.

"We've done pandemic testing for years, and what we do is assume 40% of the workforce is not available, either because they are ill or because they are caring for a family member."

The tests involve a random draw of 40% of the names, so in some scenarios "you may wipe out a loan department, while your tellers and CSRs may not be affected," he explains.

The core of a continuity plan is highlighting danger points where workflows, as well as data or information flow, can be disrupted. Coping with any disruption involves identifying other staff who can fill in or providing cross-training so people can perform a number of roles.

“People don’t have to worry about it. They don’t have to invest the time to ask for a deferment; they don’t have to be ashamed about asking for it. We just moved all payments. No one owes a consumer payment until June.”

– Brian Wolfburg

SERVICE AT A SAFE DISTANCE

When the coronavirus hit the U.S. and Canada in early March, the challenge for some credit unions was to move staff out of their offices and into their homes so they could continue to work while reducing the risk of spreading the virus.

VyStar Credit Union (*vystarcu.org*), based in Jacksonville, Florida, moved quickly to shift staff offsite, says President/CEO Brian Wolfburg, a CUES member. The $9 billion credit union has 2,000 staff, and by late March, 80% were working remotely. All but 100 of its 1,300 back-office staff were working from home.

A major challenge has been dealing with the changing information about the virus and evolving government plans to combat it. Some states moved slowly, then sped up with orders to limit social interaction when the number of cases rose. But even then, the response has varied widely from state to state. This has left a few credit unions acting on their own; for example, some in Seattle—one of the hardest hit spots initially—closed branches while others did not.

Wolfburg says VyStar CU was the first financial institution in northeastern Florida to close its branches and go strictly drive-thru, and not all members were happy with the move.

“We were out there by ourselves for a few days. ... Slowly other local institutions have done it, but we still have some banks that [as of the time of writing] have not made that change,” he reports. “People have said, ‘I’m going into my supermarket or Walmart and I’m standing in a line of people, and that’s OK, but I’m not allowed in your branch?’”

The move to drive-thru-only service was also challenging for the credit union because it led to long lineups that forced staff to act as traffic directors for angry and frustrated members.

New York City is the hardest hit city center city in the U.S., with—as of this writing—a continually rising number of COVID-19 cases and deaths. $9.4 billion Bethpage Federal Credit Union (*bethpagefcu.com*), headquartered in Bethpage, New York, on Long Island, has closed six branches, while 28 others remain open either as drive-thrus or by appointment only. Similarly, $7.5 billion Teachers Federal Credit Union (*teachersfcu.org*) in Hauppauge, New York, also on Long Island, said teller transactions could only be done via exterior ATMs, drive-thrus, online or mobile. Members can make branch appointments for services that cannot be done remotely.

Patelco Credit Union (*patelco.org*) in Dublin, California, has moved its head office staff to working from home, but its branches are open, except for one that was closed because the building it is located in is closed to the public due to the governor’s “stay-at-home” order.

“Team members at the branches have implemented social distancing, safety and sanitization protocols during open hours,” says Suzanne Rumsey, VP/talent for the $7.2 billion credit union. “We are providing gloves to the branches. We also have increased deep cleaning and disinfection of our facilities.”

In the recent past, Patelco CU’s service area has been hit by wildfires and by PG&E’s decision to cut power to reduce the fire danger (Pacific Gas and Electric, *pge.com*). But that experience didn’t prepare it for the pandemic.

Unlike those situations, “we had to face the sizeable challenge of ensuring the vast majority of our headquarters-based workforce could effectively work remotely from home,” says CUES member Erik Welch, VP/centralized operations. “A large cross-functional team worked diligently to ensure that each team member had the tools, software and critical training needed to complete their job functions remotely while providing an excellent service experience to the membership.”

Wolfburg said VyStar CU had no cases of the virus but did have individuals who were staying home out of an abundance of caution. He said branch activity was down 40%, but call-center numbers were up 20%.

The credit union has gone out of its way to reassure staff by “guaranteeing that we will not be letting go of any staff, or reducing staff, and that we will always pay our staff,” reports Wolfburg. That communication has built up employee trust and encouraged staff to take the virus seriously by making them feel comfortable taking the necessary steps to stop its spread—without anxiety over job security.

THE CHALLENGE UNFOLDS

The threat of pandemics is not new. After the H5N1 flu hit in 2006, the National Credit Union Administration (*ncua.gov*) told credit unions in 2007 that they needed a pandemic plan alongside their business continuity plan. But last November, NCUA dropped the requirement for a separate plan, instead telling credit unions they should treat pandemics like any event identified as low probability but high impact.

The Federal Financial Institutions Examination Council (*ffiec.gov*) also noted in November that, since 2007, credit unions have placed a greater reliance on outside suppliers for many services. As such, the council said that current continuity plans need to ensure those suppliers have the capacity to handle emergency events.

“The real challenge for credit unions is they have got to manage their own operations and their employees, just like any other business, and make sure of the safety and well-being of their employees. And yet, at the same time, their mission is to help their members—and in times like these, members need more help than ever,” says Steve Salzer, SVP/legal and enterprise risk at CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, a payments services CUSO whose 2,100 employees serve 1,500 credit unions.

Credit unions are having to meet this challenge in a hurry as they respond to COVID-19.

"I don't think many credit unions factored in having so many people work from home," says Brad Smith, managing director of CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. "A lot of pandemic plans look at what happens if 30% of your employees can't come in. I have a small $300 million credit union that has 97% of its employees working remotely."

The credit union is thriving because it had invested heavily in digital and now has only a handful of people coming into the office.

Smith warns that CUs may face additional challenges soon, if not immediately: "What happens when your employees are having to monitor the health of their children, or an elderly relative? One of the lessons learned from Hurricane Katrina is that in extreme conditions, people will always focus on family before their job. And if that means losing their job, some folks will consider that."

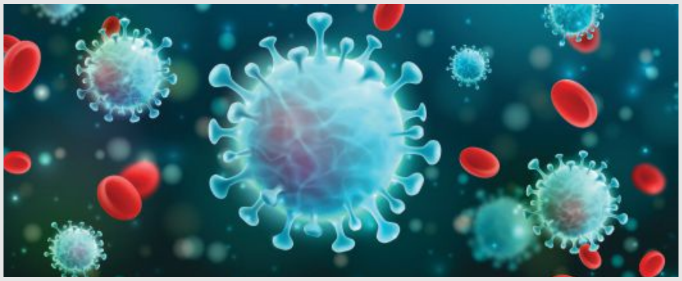
In late March, NCUA Chair Rodney Hood sent a letter to credit unions urging them to do their best to help members who faced layoffs or lost wages due to the pandemic (*tinyurl.com/uhgv8l3*).

"I want to assure you that the NCUA's examiners will not criticize a credit union's efforts to provide prudent relief for members when such efforts are conducted in a reasonable manner with proper controls and management oversight," he wrote. "The NCUA encourages credit unions to work with affected borrowers. A credit union's efforts to work with members in communities under stress may contribute to the strength and recovery of these communities. Such efforts also serve the long-term interests of impacted credit unions."

These efforts may include:

- Waiving ATM fees, overdraft fees, early withdrawal penalties on time deposits, late fees for credit card and other loan balances
- Easing credit terms for new loans for members who qualify
- Offering or expanding payday-alternative loan programs
- Increasing credit card limits for creditworthy borrowers
- Offering payment accommodations, such as skip a payment

Wolfburg says VyStar CU is using the full arsenal of these aids to help its members cope. The credit union has many members in the military and government, so it is familiar with developing assistance packages, as it has in the past when member pay was held up by disputes or shutdowns.



Patelco CU Responds *to Pandemic Crisis*

Handling information overload has been one of the unexpected challenges of the coronavirus pandemic, says CUES member Erik Welch, VP/centralized operations at $7.2 billion Patelco Credit Union (*patelco.org*), based in Dublin, California.

Government and cross-industry responses to the spreading virus have changed quickly, so the credit union has been making critical decisions and carrying them out as best it can on unsteady ground.

"It has been challenging to stay on top of the large velocity of important, ever-changing information coming from numerous city and county governments, the state of California and various U.S. government agencies," Welch says. "To ensure we're able to stay stronger together, Patelco leadership has prioritized the critical work to be done into several cross-functional working teams that remain in touch with each other multiple times throughout the day."

Welch says the teams have worked to ensure operational roadblocks and obstacles are identified, "allowing us to quickly implement necessary changes to our digital, branch and phone channels."

Patelco CU's existing business continuity plan provided a strong foundation that was adapted to the pandemic, says Suzanne Rumsey, VP/talent for the CU. The cross-functional task force has teams focused on workforce mobilization; technology, operations and third-party vendor support; team member health, safety, security and time management; internal communications; and member communications and safety.

The task force tested the IT system's readiness to support remote work and then quickly mobilized non-branch employees to work from home, "the minute Bay Area counties and then the State of California instituted 'stay-at-home' orders," Rumsey reports.

Patelco CU has dealt with the operational impact of natural disasters in the past, but nothing has had a staff impact like the coronavirus. "Previously, a limited number of team members worked remotely on a periodic basis," Welch says. "Most had not ever done so before the pandemic crisis."

Patelco CU's HR team has been holding twice-weekly webinars for the management team to provide updates and recommend actions to take should various scenarios arise that affect their team members. It has also created a website with up-to-date information on the CU's COVID-19 response that staff and managers can easily access.

Patelco CU is also focused on helping members cope with the impact on their financial situation. "We have ... empowered the entire team to make transaction exceptions, waive fees and make more funds immediately available on deposited checks to support our members' financial health and well-being during this unprecedented time," Welch says.

Members also have responded positively to Patelco CU's outreach communication. It has been sending emails offering budgeting advice, investment insight, updates on branch hours and tips to avoid the increasing number of financial scams targeting people worried about the coronavirus.

"A member's recent quote says it best: 'Patelco gives me a lot of information that I need for my family. Please keep this up,'" Welch says.

"Let's go viral with caring about our fellow man during a process like this."

– Steve Salzer

For example, VyStar CU has deferred all consumer loan payments for two months. Wolfburg notes that as the virus hit, the number of calls seeking loan deferments went from 10 to 400 a day, so the credit union decided to be proactive in offering the two-month deferral across the board.

"People don't have to worry about it," Wolfburg says. "They don't have to invest the time to ask for a deferment; they don't have to be ashamed about asking for it. We just moved all payments. No one owes a consumer payment until June."

Welch reports that Patelco CU members' top two needs are currently "loan payment deferrals and obtaining emergency funds. Patelco has made it easy for members to complete a self-serve skip-a-pay request online, enabling them to quickly skip one month's loan payment on most consumer loans and credit cards." He adds, "Members needing emergency funds to pay bills and buy needed household goods are able to apply for an interest-free emergency loan of up to $5,000, with generous repayment terms."

BUSINESS CONTINUITY PREPARATION & RECOVERY

Hinkel of Safe Systems Inc. reflects that a lot has changed since 2007 and the last discussion of pandemic plans. "It was only 13 years ago—but that was ages ago when it comes to technology."

He notes that most CUs are not early adopters of technology and therefore didn't offer electronic services back then. "They are driven by member demands, and if the members weren't demanding it, they weren't implementing it," he acknowledges.

But now all—or nearly all—credit unions offer internet banking and remote capture of checks, and many have smart ATMs.

"Access to funds has changed from a face-to-face transaction to an electronic transaction, but that's what customers are used to these days," Hinkel says. As such, the role and importance of the business continuity plan is growing as credit unions become more complex and natural disasters become more frequent.

"In the past, you might have had one individual who was assigned the responsibility for the business continuity plan and making sure it got updated and tested every year, and it became a routine," says Hinkel. "Now, I think everybody has to own a piece of it, because there are lessons learned up and down the management chain."

Once the initial pandemic turmoil settles down, the challenge for credit unions will be helping their members recover financially.

Smith says credit unions need to start thinking about what they need to do to mitigate their exposure to delinquencies and bad debts. They'll also need to reprice products to attract deposits.

"The next wave that I see is credit unions being proactive on the financial and risk mitigation component and reaching out to business borrowers," predicts Smith. "There are no easy answers—we've never been through anything like this."

Wolfburg is confident that VyStar CU can weather the pandemic storm. He says the credit union will save money in some areas—travel and conference spending are gone, for example—and postpone some projects and marketing plans. Depending on how quickly the economy bounces back once the spread of the virus slows, he believes the CU can hit the financial targets it had in January.

There could also be a silver lining in the midst of all this for credit unions: How they serve members during and in the wake of the coronavirus pandemic will give CUs a chance to highlight how they differ from banks.

Credit unions need to say: "We will do whatever it takes to accommodate you. Just reach out to us, talk to us and let us know what you need," Hinkel advises. "That is the credit union difference—it's always been the personal touch."

But for now, that personal touch may take on a socially distant, high-tech look.

"We pride ourselves on face-to-face service, knowing the member. We can still treat them with the kind of attention they are not going to get at a big institution, but we don't need to have a face-to-face interaction to do that," Hinkel says. "A voice-to-voice interaction can accommodate exactly the same thing."

Salzer of PSCU has similar advice for credit unions looking for the best path forward: "Instead of coronavirus, we need an outbreak of caring-virus. ... Let's go viral with caring about our fellow man during a process like this—and of course, that's what credit unions are all about: people helping people."

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

MORE ON COVID-19

Serving Members at the Center of the COVID Storm (*cumanagement.com/0320serving*)

Top 8 Telecommuting Tips (*cumanagement.com/0320top8*)

Good Governance: Did You Dust Off Your Old Pandemic Plan? (*cumanagement.com/0320goodgovernance*)

COVID-19 Resources (*cues.org/coronavirus-update*)

MORE ON DISASTER RECOVERY

Our Best Strategy: Preparing for the Worst (*cumanagement.com/0919worst*)

Avoid These Mistakes in Your Disaster Recovery Strategy (*cumanagement.com/0919avoid*)

Offering a Hand *to Green Projects*

CREDIT UNIONS ARE PROTECTING THE ENVIRONMENT WITH CREATIVE LOANS AND PARTNERSHIPS.

BY DIANE FRANKLIN

Credit unions have long prided themselves on their commitment to improving the lives of their members and having a positive impact on their communities. Taking steps to facilitate environmental sustainability is an increasingly important way to fulfill that commitment.

While debates are underway to determine the financial system's role in mitigating climate change on a global (*tinyurl.com/carneyclimate*) and national (*tinyurl.com/fedclimate*) scale, credit unions are working to make a difference at the community level. By offering innovative lending products to finance their members' green lifestyle choices—i.e., solar energy systems, electric vehicles and energy-efficient home improvements—credit unions throughout North America are playing a role in improving the sustainability of their communities.

"We've branded ourselves as a sustainability lender and offer several niche products to our members," says Richard Kump, president and CEO of $525 million UMassFive College Federal Credit Union (*umassfive.coop*), Hadley, Massachusetts. "Our membership is drawn predominantly from higher education plus a number of other sponsor groups that are very conscious of sustainability."

UMassFive College FCU's green loan portfolio encompasses a diverse range of products, including loans for bicycles and fuel-efficient scooters, farm share loans and zero-interest financing of energy-efficient home improvements. By far the biggest segment of its green loan portfolio comes from solar.

"Over the last four years, we have originated about $60 million in residential solar loans and became the largest residential solar lender in the commonwealth," Kump says. "That's what has really propelled us down this path of sustainability."

Kump reports that other lenders in western Massachusetts finance solar-energy systems through home equity loans, but very few offer a solar loan product. "Although there are no real estate liens, we have found their performance is every bit as good as equity loans. The yield is greater, origination costs are less, and it doesn't tie up the member's equity in their home."

UMassFive College FCU lowered its rates recently to reflect changing market conditions. At press time, the rate on a 10-year fixed solar loan was about 5%, about 100 basis points higher than a comparable term for a fixed equity loan. However, Kump has found that most borrowers will choose the solar loan rather than tie up their equity—and what wins homeowners over to solar itself is understanding the long-term financial benefits.

"Local installers do a great job of explaining these benefits by emphasizing how the switch to solar will impact their budget over time," Kump says. "They can show the consumer that, 'once you get to break-even—based on tax incentives, net metering and not having to pay an electric bill—you'll actually be making money.' The $30,000 installation the consumer pays will return close to $30,000 net positive after 10 years."

EXPONENTIAL GROWTH

Several credit unions have experienced robust growth in the green lending category. At $110 million Alternatives Federal Credit Union (*alternatives.org*), Ithaca, New York, the number and volume of solar and energy-efficiency loans have increased exponentially in the last five years. For many years, the CU has offered energy-efficient loans as second mortgages or consumer loans. However, the growth in this category took off with the introduction of a solar and energy-efficient loan program in 2014.

"We wanted to be a leader in the field of supporting solar, and we also wanted to work in partnerships with local installers to build the use of solar in our community," says Carol Chernikoff, chief lending officer. "As a result, we've grown our portfolio and certainly our reputation as one of the leading solar lenders on the East Coast."

The program's growth trajectory has been remarkable. In 2015, the CU did 23 solar loans totaling $268,000. The figures rose to 49 loans/$584,000 in 2016, 130 loans/$1.4 million in 2017, and 207 loans/$2.7 million in 2018. In 2019, the volume hit 292 loans totaling $3.8 million—a more than tenfold increase in volume since the program began.

Low interest rates help drive the success of the program. "We developed a product that had reduced rates," Chernikoff says. "It's 5.49% or 6.49% at a 680 credit score split." Those with a credit score of 680 or higher qualify for the lower interest rate, while those below that threshold pay the higher rate.

The program launched with a maximum five-year term and $20,000 per employed borrower ($40,000 for a two-income household). However, Alternatives FCU refined the program based on a request by Renovus (*renovussolar.com*), Ithaca, New York, the largest solar installation company in the area and its most frequent solar partner.

"The owner of Renovus asked us to consider increasing the term, since many people have a hard time paying back $35,000 over five years," Chernikoff explains. "As a result, we increased the term to 15 years and our maximum to $25,000 per borrower, or $50,000 per project if there are two incomes."

THINKING CREATIVELY

Chernikoff stresses the importance of thinking creatively when developing solar loans. As an example, she points to a two-part

> **"We also believe in the power of partnerships—because one plus one equals a lot more than two."**
>
> — Carol Chernikoff

loan product that Alternatives FCU developed in partnership with Renovus, whereby the solar installer pays the interest due for the first 12 months on the portion of the loan that covers the tax credit. The interest is paid in advance by the installer at the 5.49% or 6.49% rate. The second component is a regular amortizing loan with a 15-year term, which covers the balance beyond the tax credit. An example would be $10,000 for the tax-credit portion of the loan and $20,000 for the balance. Previously Renovus had worked with an online lender, paying a rate that was substantially more per loan than the company currently pays by working with Alternatives FCU.

"We set up the first loan so that no payments are due from the borrower for 12 months," Chernikoff explains. "During that time, borrowers generally get their tax credit and pay off their loan. If they want to use the tax credit to buy a car or pay off credit card debt rather than pay off the loan, they can do so, in which case it becomes a regular amortizing loan at 5.49% or 6.49%."

Alternatives FCU has used this two-part loan structure many times with Renovus and other solar installers. "The toughest part is getting your core system to work with a payment that's 12 months out and interest paid all at once," Chernikoff says. "We worked on that, and now the whole program runs like a fine-tuned machine."

To accommodate the geographical reach of Renovus and other solar partners, Alternatives FCU has expanded its solar and energy-efficient loan program beyond its service area of Tomkins County and six contiguous counties. The program now is also available in Onondaga County, which includes Syracuse, and Broome County, which includes Binghamton. Alternatives FCU has no plans for further geographic expansion of the program. Instead, Chernikoff is sharing her solar lending expertise with other credit unions in the state so that they can establish similar programs with solar installer partners in their market areas.

THE POWER OF PARTNERSHIPS

Forming partnerships is a good way to approach the green lending market. PenFed Credit Union (*penfed.org*), headquartered in McClean, Virginia, has taken the collaborative approach with a capital investment in Loanpal (*loanpal.com*), a San Francisco-based provider responsible for more than $2 billion in residential solar loans since 2018 and 30% of all new solar loans in the U.S.

PenFed CU, the nation's second largest FCU with $25 billion in assets, entered the arrangement in mid-2019, the 14th capital partnership undertaken by Loanpal. The partnership is the proverbial win-win. Loanpal uses PenFed CU, as well as other institutions, to fund the solar loans to facilitate its growing market. Meanwhile, Loanpal's origination operations and technology

make the funding process seamless to the new PenFed CU members, thus saving the CU the traditional costs associated with a consumer lending platform.

Loanpal manages the entire lending experience, including installer management, loan origination, funding and servicing. After looking at several potential partners, PenFed CU decided to go with Loanpal because of the company's successful track record of originating solar loans, its history of partnerships with other large financial institutions and its experience working with reputable vendors in the solar industry.

"In a relationship such as this, you want to make sure your originator is working with contractors that have a good history," says Jay Fee, VP/business development at PenFed CU. "Loanpal handles the relationship with the contractors, which is very helpful to us."

The partnership with Loanpal is generating high-quality loans with low default rates, which helps bring a desirable demographic of members into the PenFed CU fold. "Generally, homeowners who are looking at solar are financially savvy consumers of higher credit quality than the average homeowner," Fee says.

Fee acknowledges that a concern many lenders have about solar is they'll be holding an unsecured loan for a term of 10, 15 or 20 years. In actuality, these loans have a weighted average life of four to four and a half years.

"They pay off early for a number of reasons," he says. "One, there's a big tax break that people get in Year 2 that can be applied to pay down the loan. Two, a lot of people sell their homes prior to the end of term. And three, as they gain equity in their home, people may refinance or take out an equity loan and roll their outstanding balance into that new loan."

Fee says the Loanpal partnership has been an effective way for PenFed CU to gain expertise in the solar lending arena.

"We feel it's important that, before you run your own program, you get some experience and make sure you understand the space. At the same time, we're helping to expand the space—because without partners like us, companies like Loanpal can't generate the loans."

Technology Credit Union (*techcu.com*), San Jose, California, is also finding value by forming partnerships in the green lending space.

"Starting as early as November 2013, we partnered with Tesla (*tesla.com*, Palo Alto, California) in support of financing all electric vehicles," reports CUES member Todd Harris, CEO of the $3 billion-plus credit union. "In 2016, we entered a strategic partnership with a fintech company that specialized in solar loan products to offer residential solar loans to our members. We started with a pilot program, and once comfortable with this type of loan, we ramped up production."

The program has been a monumental success, Harris reports. "To date, we have financed more than $1.2 billion in solar loans, allowing more than 35,000 homeowners across the country to enjoy the benefits of solar—saving money while helping the environment."

Harris adds that Tech CU "walks the walk" when it comes to energy efficiency and its use of renewable energy. The CU installed solar panels and LED lights at its headquarters in 2016, a move that reduced its nonrenewable energy consumption by 40%. These improvements provided not only environmental benefits but economic ones as well.

"Investing in solar panels has allowed us to save thousands of dollars, which we chose to reinvest back to our members in the form of lower rates and improved products and services," Harris says.

Tech CU's experience in going solar led to exploration of a new market. "We realized that if we found the solar option valuable, other small to medium-sized businesses and commercial entities might be interested in it as well," Harris explains. "As a result, in 2017, Tech CU entered another strategic partnership to offer solar loans for our commercial, nonprofit and government members."

Tech CU launched its commercial solar financing program with a range of financing options, including leases for commercial entities unable to use solar tax benefits; loans for commercial entities that can use solar tax benefits and also for non-profits ineligible for tax benefits; and tax-exempt leases designed for government entities.

WORKING WITH GOVERNMENT AGENCIES

UMassFive College FCU's prominence in solar lending has put the CU in the forefront of several government-sponsored programs to make energy-efficient options more affordable for homeowners. "For instance, we were asked to join a consortium of businesses in submitting an RFP to the commonwealth for a grant that would put air-source heat pumps into low-income households," Kump reports. "Solar would be installed at the same time. That was a unique product we championed, in which we used the grant funds to subsidize the loan payments."

The CU currently has 38 of these loans in portfolio. Known as the Solar Access Program (*centerforecotechnology.org/solaraccess*), the loan subsidies made it possible for these consumers to start turning a profit very quickly while creating a more carbon-neutral footprint," Kump says.

This is one of several loan programs sponsored by the Massachusetts Department of Energy Resources and the Massachusetts Clean

“We’re a credit union, and at the end of the day, we are here to serve our members. The fact that we’re originating loans that help support sustainable energy is an important aspect.”

— Jay Fee

Energy Center in which UMassFive College FCU participates. Additional programs include Mass Solar (*masssolarloan.com/loan-support-incentives*), which provides low-interest loans to qualified homeowners, and Solarize Mass (*masscec.com/solar/solarize-mass*), which seeks to increase adoption of small-scale solar electricity in participating communities through aggregate homeowner purchasing.

“By bundling their purchasing power, homeowners get a better deal from installers, who are more than willing to provide the discount because they are able to complete a large number of installations in a shorter period of time,” Kump explains.

Outside of the solar category, UMassFive College FCU does considerable volume with a product known as MassSave® HEAT Loans (*masssave.com*). The program provides consumers with free home energy audits, which identify recommendations for energy-efficient home improvements—such as windows and insulation—that are funded with zero-interest loans subsidized by utility companies.

“We currently have almost 1,400 HEAT loans on our books, totalling about $8 million, and they’re performing extremely well,” Kump reports. “With the subsidy we receive up front from the utility companies, we’re realizing 6% or 7% on a loan that we’re making to consumers at 0%.”

ADVICE FOR GOING GREEN

Before getting involved in green lending, credit unions should learn everything they can about the segments they wish to pursue. That was the approach at UMassFive College FCU.

“When we were looking into solar lending, I did what many people do when they want to learn about something new—I Googled it,” Kump says. “When we moved forward with the program, we invested in education for our front-line employees and for our lenders and loan processors.”

Chernikoff’s advice to CUs looking to implement solar and/or other green lending programs is to be fully committed to the endeavor.

“We’ve made that commitment,” she says. “It’s consistent with who we are as a community development credit union. We have various commitments—to low-income housing, to first-time home buyers and to business development—and we are also very committed to the environment. We also believe in the power of partnerships—because one plus one equals a lot more than two.”

Another important tip from Chernikoff is to talk to the providers who know the market. “That’s what we did when we started looking at expanding into solar lending,” she says. “Until I talk to providers and understand their challenges and what they need, I would be unable to develop a program. I know lending—what the limits and regulations are—but I want to hear from the experts to develop a program that works best for them and their customers.”

Delving into green lending allows CUs to demonstrate to their communities who they are. In Tech CU’s case, being a green lender is consistent with the organization’s overall investment in health and wellness initiatives in our community.

“The more loans we finance, the greener we are as a whole community,” Harris says. “But we didn’t want to put the onus solely on our members. It is up to us to set an example as well, which is why Tech CU made its own personal commitment to green energy. ... We know these efforts communicate to our members that we are responsible community partners and are committed to helping people enjoy the massive benefits of green energy.”

At PenFed CU, Fee acknowledges that the organization’s primary motivation for entering into the Loanpal partnership was to invest in a well-performing asset that would offer diversification of risk. The fact that it’s allowed the CU to promote a green lending product is a bonus.

“One of the pillars that PenFed promotes is community, and we are able to help the community by doing these loans,” Fee says. “We’re a credit union, and at the end of the day, we are here to serve our members. The fact that we’re originating loans that help support sustainable energy is an important aspect.”

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

MORE ON GOING GREEN

The Rewards of Green Lending (*cumanagement.com/1217green*)

Great Green Buildings (*cumanagement.com/0420green*)

The Benefits of Corporate Social Responsibility (*cumanagement.com/1019responsibility*)

Find Your *Tech Strategy Flavor*

CREDIT UNIONS WERE STRIVING TO PROVIDE THE DIGITAL EXPERIENCE MEMBERS CRAVE EVEN BEFORE THE PANDEMIC HIT.

BY RICHARD H. GAMBLE

Excellent digital delivery of credit union services has never been more important than in these times of managing a pandemic. As traditional in-person service delivery is minimized for the sake of public health, credit unions must look harder than ever at the experience members are providing at their digital, self-service channels—from ATMs to mobile banking to their websites.

Even before the crisis hit, the technology strategies of alert credit unions had to be dominated by the urgent goal of providing a member digital experience in line with what consumers expect in a rapidly evolving digital marketplace—while still aligning well with their overall strategies.

IDEAS ON BOTH SIDES

Providing a great member experience does dictate tech strategy at $19 billion SchoolsFirst Federal Credit Union (*schoolsfirstfcu.org*), Santa Ana, California, says CUES member Kevin Martin, SVP/organizational performance and strategic planning. To do this well, Martin says, credit unions need to clarify the member experience they want to provide. Once the goal is clear, the projects and technology follow.

Richard Crone, founder of Crone Consulting LLC (*croneconsulting.com*), San Carlos, California, says something similar—that credit unions need to quickly get on board the ApplePay/GooglePay express and embed their payment services in the digital platforms consumers have already picked as winners. (See sidebar.)

Another consultant thinks tech strategy should be secondary to overall business strategy. That's Brad Smith, a managing director at CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

"Technology investments that are not dictated by business strategy are likely to be a waste of resources and a career-killer for CIOs," he says. "If you have a basic, vanilla business strategy, it may be fine to have vanilla technology. If you're focused on building business services or mortgage originations or another specialty, your technology strategy may have a different flavor."

Digital tools and member expectations have made technology such a hot topic that it can become detached from other concerns and get a lot of attention on its own—and that could be a mistake, says Jennifer Addabbo, co-founder of CUES Supplier member CU Engage (*cuengage.com*), a consulting and vendor evaluation firm based in St. Petersburg, Florida.

“Amazon pushes us to be better, but we aren’t trying to be Amazon. … They’re committed to self-service. When a member is seeking trusted advice and a personal touch, our personal service strategy shines.”

— Kevin Martin

“If a member group pushes for P2P payments and the credit union decides it needs to jump on Zelle to satisfy those members, that decision should not be made without considering the operational and risk considerations and integration requirements,” she points out. “A credit union needs to balance the member experience and demand with the operational impact on its employees, systems and balance sheet.”

The voices of member experience champions may be the loudest in tech strategy discussions, but they can’t be the only ones, Smith says. It’s fashionable to talk about using technology to provide the ultimate member experience, but he points out, “the member-experience boosters usually aren’t the people who have to deliver the fraud controls and the return on investments.”

“While most credit unions say they are primarily focused on the member experience,” Smith continues, “the reality is it’s one of many competing priorities. If all we cared about was member experience, we’d approve every loan and waive all debit fraud. That’s obviously not realistic. There’s always a balance point between enabling the consumer and protecting the credit union. The real goal is finding that balance point in an evolving digital world.”

DIGITAL STRATEGY DETAILS

What are some additional considerations for credit unions that are trying to set their approaches to technology?

CUs that emphasize member experience may need to be more nuanced, recognizing that there are at least two optimal member experiences delivered digitally, says Michael Carter, EVP of CUESolutions provider Strategic Resource Management (*srmcorp.com*), Memphis, Tennessee, which helps financial institutions (60% of them CUs) find the vendors that best match their strategy. In the first kind of member experience, members want a little bit of information, and they want it often and fast. Typically, it’s to see their balances and recent transactions. With speedy, secure authentication like a thumbprint and device recognition, CUs can deliver this “quick glance” with available technology and a couple clicks, Carter says. A second experience some members want is a lot of information on rare occasions when they’re likely to be more patient. CUs don’t need the same procedure to deliver both, he notes.

An effective tech strategy is not simply a matter of checking off boxes, identifying the products and services that need to be packaged in a winning member experience, Smith insists. Most credit unions still struggle with putting all the pieces together in a clear, coherent strategy, he observes. “There are multiple goals with multiple champions.”

“Even the digital channel often has many contributors but not one clear owner,” Smith continues. “It may be fairly obvious to CU leaders that they need certain services—mobile banking, remote check deposit, online loan applications, P2P payments—so they find ways to put these services on the menu, but then they often don’t perform up to expectations because they aren’t strategically integrated.

“Credit union executives may think that they offer the right services,” he continues, “that the services are functioning, that members are fairly satisfied, that growth and profits and risk are under control, and that’s as much time as they have to pursue strategy. They settle for ‘good enough.’”

Credit unions that can spend more time on strategy should consider three horizons, Addabbo suggests: one for the immediate future, one for the distant future and one for the middle range. “You need to be sure the first horizon is adequately instilling a foundation that will support what your mid and long-term horizon goals are.”

Additionally, a tech strategy without input and buy-in from the business units is unwise, Addabbo suggests. “It can’t happen behind closed doors,” she says. Marketing input can be especially valuable if it includes website analytics and ‘voice of the member survey results,’” she notes.

OPTIMIZING MEMBER EXPERIENCE

A champion of optimizing the member experience, Martin explains how SchoolsFirst FCU seeks to provide it. Meeting member expectations is vital, he insists, and those expectations are constantly changing and heavily influenced by the experiences offered by companies like Amazon (*amazon.com*), Netflix (*netflix.com*) and Bank of America (*bankofamerica.com*).

“Amazon pushes us to be better,” he continues, “but we aren’t trying to be Amazon. They have great efficiencies and great technology, but try calling Amazon for help. They’re committed to self-service. When a member is seeking trusted advice and a personal touch, our personal service strategy shines.

“And we need to include a high-quality self-service, digital channel experience,” Martin explains. “We strive to translate our personal service into digital journeys—we call it ‘making digital smile.’ We need to understand the Rocket Mortgage experience. We need to know where our experience is superior and inferior, and then leverage that insight to improve how we deliver our personal service strategy. There’s not much point in mimicking others; it has to be our strategy.”

Addabbo points out that some members or potential members will covet a slick digital experience. Others will expect a rea-

> **"Technology investments that are not dictated by business strategy are likely to be a waste of resources and a career-killer for CIOs."**
>
> — Brad Smith

sonable digital experience but will base product decisions more on rates or access to credit. "Some look for the two-minute loan application. Others are happy with a five-minute application if the terms are better," she observes. "You have to know your members, and the data exist to enable you to do that."

TREND SPOTTING

Keeping tech strategy on the leading edge requires observing and listening, Martin reports. As a designated team leader, he does a good bit of strategizing in meetings, but he puts particular emphasis on being able to sniff out what's happening in the market and sharing it with his peers.

"The key," he emphasizes, "is to listen, be really curious and ask questions, whether you're talking to a kid on the street, a colleague, a member or your mechanic. People are always dropping things off or sending me emails about all kinds of developments because they know I want to maintain a pulse on what's coming."

And Martin's interest is not just a practical focus on financial services. It can be new things about robotics or glacier size or infectious diseases, he explains. "Everything connects at some level," he observes, "or can spark the next idea in our market."

Anticipating what's coming is a strategist's mission, Carter agrees. For example, a tech strategy that ignores voice initiation is short-sighted, he insists. "An interface that allows a member to simply ask for what they want, as opposed to pecking on a virtual keyboard, is the quintessential interface, the most convenient, and is today able to be made reliable and secure."

WHO'S IN CHARGE?

Since strategy has to be forward-looking, well-informed and well-coordinated, who the CU puts in charge of tech strategy is fundamental to success. At SchoolsFirst FCU, Martin insists that he is not the tech strategist, but one player on a larger team.

"The ivory tower days, when strategy was done by a select few, are over," he explains. "It takes tech experts working with service experts, marketing experts, lending experts while understanding the voice of the member."

He picks a sports analogy: "Together, we put together a game playbook for the next couple of years. If the game goes as expected we stick to the playbook, but if our plan is not effective, we make intra-game adjustments."

For many credit unions, picking that team is a compromise, Smith notes. It's often hard to find the combination of business strategist, tech strategist and execution realist in one person, he says, so what credit unions with resources often do is assign the job to two people from different levels in the organization, with the top person being more of a strategist, consultant and part of the senior management team and the other a tech person who focuses on the details and getting the tech to work. Small CUs are often hamstrung, he concedes, with one person trying to do both jobs while saddled with operational duties that take up 90% of their time, leaving little time to plan ahead.

Resources are finite, Smith notes, so developing a technology strategy requires prioritization and a combination of imagining possibilities while searching for a path to reach them—all linked to a solid business strategy. "What you can actually do is make smart choices within your limitations," he says.

STRETCHING RESOURCES

A solution SchoolsFirst FCU has chosen, in light of its finite resources, is to delegate some of its more speculative technology research to credit union service organizations like CU Ledger (*culedger.com*), Denver, which looks at farther-out service improvement opportunities for its member credit unions.

"We're aware of blockchain," Martin illustrates. "We know it could become important, but it would be too distracting and expensive for us to pour resources into it in the short term. So, we and other credit unions pool our resources and let CU Ledger invest in the expertise to explore that technology on our behalf."

CUs may brainstorm tech strategies but delivering them necessarily comes down to vendor selection, Carter contends. CUs tend to follow two paths, he says—one leads to vendors with credible track records that are considered "reliable" and the other one leads to entrepreneurial fintechs, which are considered "flexible" and "leading edge."

Traditionalists may resist, but fintechs are gaining acceptance, Carter notes. They have technology but need users; CUs have users but need technology. A win-win outcome is possible if the parties can find the right fit, he says.

"What CUs can do with sources of technology depends on their resources and their tolerance for risk and disruption," Addabbo notes. Some credit unions will make the investment to do their own and therefore control their technology; others will outsource tech initiatives. Some will adopt a fast-fail approach and take chances on things that may not work. Others won't have the appetite for the bumps and bruises that come to early adopters and will take a fast-follower approach. Most, to some degree, will depend on vendors.

Addabbo shoots down one vendor myth—that technology is better integrated when a credit union buys a suite of tech products from a single vendor. "You might get a price break, but behind the single pane of glass, those vendors have disparate products that can be just as challenging to integrate as the ones you get from multiple vendors," she reports. "Determining what you need and how you can make it work is more important than taking a bundled offering from a single vendor."

LEGACY FINTECHS

"Leading edge" and "best of breed" used to mean fintechs, but fintechs have been around long enough to be identified by generation, Smith observes. Many of the first-generation fintechs that introduced digital and mobile banking are now the legacy brands, he points out. Many are falling behind the innovation curve and being challenged by new entrepreneurs with a laser focus on specific pain points, he explains. These new entrants are building point-of-sale solutions to sit on top of the earlier fintech applications.

In the end, a good tech strategy needs to be both aspirational and practical, Addabbo concludes, which means it has to rest on the CEO and the board. A credit union's top leaders have to direct both visionaries who look at what could happen in 20 years, and project managers who are focused on meeting next month's deadline to ensure that a new product launch has been adequately tested.

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

Expanded Reach *Through Partnerships*

CUs need to include in their payments technology strategies riding on the coattails of such players as Google and Apple, the powerful engines that are driving the consumer payments revolution, according to consultant Richard Crone, founder of Crone Consulting LLC (*croneconsulting.com*), San Carlos, California.

"We're in the midst of a sea change," he insists. "Credit unions need to look beyond their own infrastructure and that provided by their processors and suppliers. They need to move to 'embedded banking,' which opens the door to reaching more potential members more effectively." "Embedded banking," as Crone describes it, is the idea of leveraging partnerships with big players to expand credit unions' reach.

"Technology strategy needs to embrace expansive distribution strategies, leveraging the online platforms of others to attract new members the same way credit unions originally did with their sponsoring employers," Crone argues. The way of the future, he says, was evident in Goldman Sachs' arrangement with Apple Pay (*apple.com/apple-pay*) and now in the announcement of Google "Cache" (*tinyurl.com/gglecache*)—which will provide checking accounts.

As tech titans, Apple and Google can access huge data banks of known consumers who are already validated and authenticated. With one quick additional authentication confirmation and the application of some artificial intelligence, the tech giants can open a consumer account instantly. But importantly, they can open these individual accounts on a massive scale, Crone notes.

"It's the same process used when credit unions sponsored select employer groups to attract new members," just on a larger scale, he explains. "With an embedded banking strategy, a credit union can cast a wider net and reach anyone with a depository account at any financial institution. CUs have a big opportunity to ride the coattails of Google Cache." So far, he reports, two visionary financial institutions have signed up: Citibank and $2.8 billion Stanford Federal Credit Union (*tinyurl.com/stanfordcache*), Palo Alto, California.

The Google reach, Crone says, is beyond anything CUs can get from their core processors, card processors or their mobile banking providers. The Apple and Google platforms are now foundational for many consumers, he notes.

"This is the primary mobile payment platform for a growing number of CU members. CUs need to embed their payments in these platforms to stay relevant," he preaches.

"Apple Pay has 227 million active users," he continues, citing a report from the *Wall Street Journal* (*wsj.com*). "Google Pay will more than double this year to over 100 million active users."

If coattail-riding is the key to growth and member satisfaction, it can also lead to revenue growth if a credit union takes the right steps, Crone suggests.

"Google Pay has the potential to generate $300 to $500 in revenue per year per active user from personalized, relevant offers, double what most CUs are making now on DDAs (demand deposit accounts) with interchange and punitive overdraft fees," he reports.

"Technology strategy needs to be updated to reflect the expansive potential of embedding account origination and banking services in co-branded online platforms as a new distribution channel," Crone says.

MORE ON TECH STRATEGY

What Your CIO Needs to Know (*cumanagement.com/0320todayscio*)

Tech Time: Top IT Management Worries CEOs Must Address in 2020 (*cumanagement.com/0120techtime*)

Cornerstone Advisors (*cues.org/cornerstone*)

Special Report: Payments

Credit Union Management

THE NEED FOR SPEED

Faster transactions are on consumers' radar like never before.

PLUS

MORE ADVERTISERS

The Need *for Speed*

FASTER TRANSACTIONS ARE ON CONSUMERS' RADAR LIKE NEVER BEFORE.

BY STEPHANIE SCHWENN SEBRING

In payments, fast can be defined in a single word: immediate.

"Consumers experience real-time transfers across a variety of fintech tools. That expectation carries over to their relationship with traditional providers, including credit unions," says Tom Church-Adams, SVP/lead, payments solution line, for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California. "And nearly everything is immediate, thanks to digital channels, faster network speeds and innovation in supply chain models."

Church-Adams reflects on other areas of immediacy in our lives.

"In many cities, groceries are at your door in a matter of hours. In all parts of the world, doctors and mental health practitioners diagnose ailments in real-time from an iPad. We buy cars and homes in online marketplaces. Paying rent, getting paid for a gig, sending cash to a friend—these are everyday tasks consumers expect to be simple, seamless and speedy."

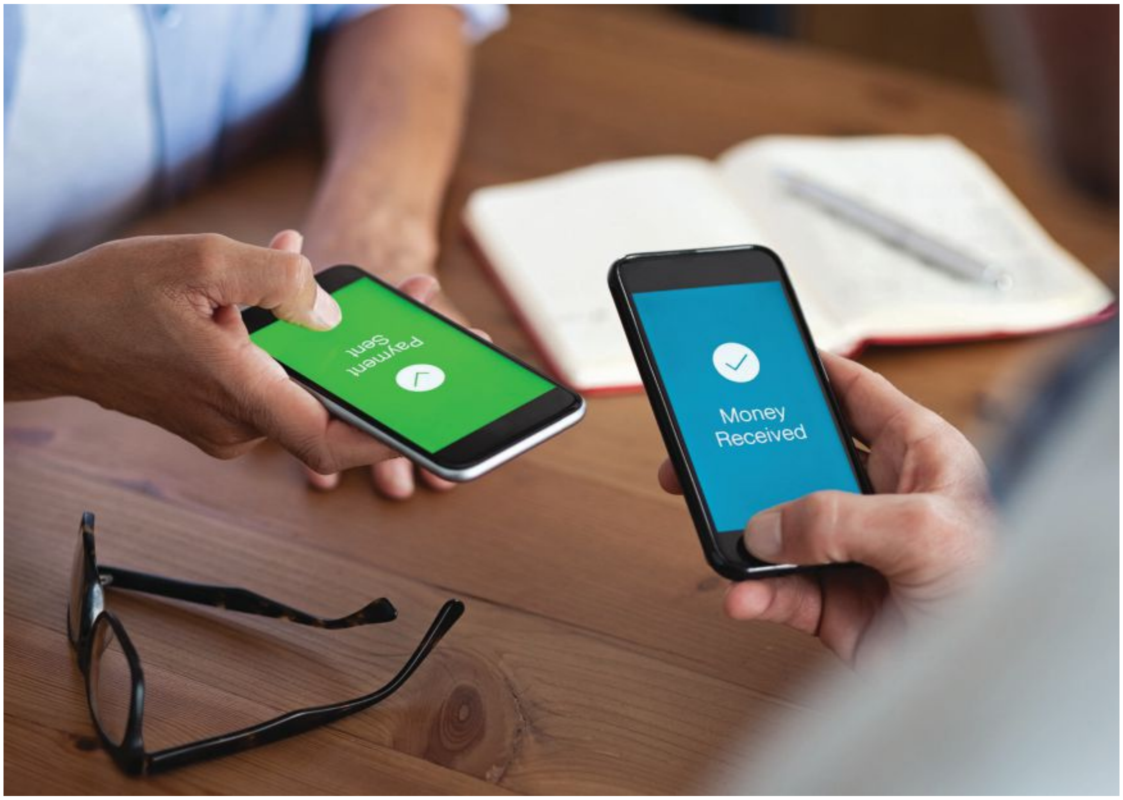
From a credit union perspective, Zelle (*zellepay.com*) is emerging as the clear winner in real-time P2P payments. "And the platform's rapid market penetration and credit union/bank ownership have propelled the payment app's growth faster than many predicted, especially given the number of competitors in the space."

In 2019, for example, Zelle reports (*tinyurl.com/zelledata*) that it processed $187 billion in payments on 743 million transactions. That's a year-over-year growth of 57% in payment value and 72% in payment volume. By comparison, Venmo processed $102 billion in 2019, according to Forbes (*tinyurl.com/forbesvenmo*).

Don't discount the Fed's faster payments initiatives, stresses Church-Adams. "With the announcement of new leadership for the Faster Payments Council (*fasterpaymentscouncil.org*, to include former Walmart executive Reed Luhtanen), it's possible we'll see an acceleration in the planned execution of the council's operating vision."

Still, CUs should avoid a wait-and-see approach when it comes to providing better options for members. Church-Adams strongly encourages working toward greater integration.

"This can be via APIs (application programming interfaces) with fintech providers that



“Don’t wait for your members to ask for P2P or a better digital payment experience. Educate yourself on the faster payments landscape and examine your options.”

— Marvin Goldwasser

share their value system and who can offer members the fast, secure, seamless experience they are demanding.”

CO-OP Financial Services has made technical integration easier through the launch of its CO-OP Developer Portal (*co-opfs.org/Solutions/Integrate/Developer-Portal*). An API management system, the developer portal houses CO-OP Financial Services’ APIs in a single digital library. It breaks APIs into smaller, reusable services to quickly add features and functionality into CUs’ own digital applications. “It also allows CO-OP to speed delivery time of its APIs, so credit unions can more quickly deliver new features and functions to members and keep pace with technology advancements and rising consumer expectations,” says Church-Adams.

“It’s becoming clear that lifestyle, not just life stage, is the lynchpin of member loyalty,” Church-Adams adds. “And enabling faster payments is one of several ways to trigger daily interaction between a credit union and a member while furthering a credit union’s digital maturity and a member’s exceptional experience.”

WHAT MATTERS MOST TO CONSUMERS?

While speed is essential, there’s an equal need for transparency and simplification.

“And in today’s COVID-19 world, we’ve seen very clearly that technology, speed, convenience and communication all are necessities,” stresses Marvin Goldwasser, VP/marketing & chief of staff of CUES Supplier member Payrailz (*payrailz.com*), Glastonbury, Connecticut. “Undeniably, if you can simplify someone’s life, they will come to you. And if there is one thing the COVID-19 crisis has reinforced for financial institutions, it is the need for innovative digital solutions, and to highlight that members need not go into a branch to take care of business. More and more, our thinking needs to be focused beyond the branch services.

“We must continue to ask how we can be more innovative,” adds Goldwasser. “Transparency is equally important as speed. Think of it as tracking a package. Consumers want visibility in every step of the process and notifications for assurance and trust; they don’t want to be left guessing. The consumer can’t manage what they can’t see. They want the reiteration that the payment has been transacted, is on its way and taken care of.”

The consumer is used to convenience as well as immediacy. With P2P tools offered by non-traditional banking players, credit unions got behind in innovation, Goldwasser notes.

“I foresee credit unions wanting to offer more products (like their own P2P solutions) over the next 12 to 18 months to serve their members better,” Goldwasser continues. “These offerings may include re-examining current bill and transfer processing solutions. There is a real need to make sure that the overall digital payments experience (credit unions are) providing is more engaging and proactive.”

With the Payrailz smarter payments offering, Goldwasser says CUs can leverage technology like AI and machine learning to deliver a more personalized member experience. They also have access to a CU-centric P2P product they can brand as their own. And they can leverage and incorporate the tremendous amount of data they already process about their members to deliver a more unified and personalized experience that members will appreciate and use.

“The key is for your member to turn to you first,” he stresses. “You’re already managing their accounts, fighting against fraud and insuring their funds. It only makes sense that your member relies on you for P2P, not a third-party vendor like Venmo.

“RTP (real-time payment) is continuing to roll out, and the Fed is getting involved to speed up the availability of payments. Meanwhile, the number of checks processed continues to go down. Another side effect of the COVID-19 pandemic may be the realization that B2B payments also need to be expedited electronically and faster.”

People are always looking for new ways to pay, and payments are a pain point, concludes Goldwasser. “Don’t wait for your members to ask for P2P or a better digital payment experience. Educate yourself on the faster payments landscape and examine your options. Continue to ask how you can enhance and simplify your members’ lives. Because ultimately, that will deepen member relationships with your service values and brand promise.”

DOES REAL-TIME KEEP CUSTOMERS?

Will members leave you for more speed?

Possibly, says Keith Riddle, president/CEO, Sherpa Technologies (*sherpatech.org*), Columbus, Ohio. “Payment processors must be a resource for their financial institutions and proactive technology providers,” he notes. “According to a recent ACI Worldwide (*aciworldwide.com*) payments study, 33% of consumers said they would change financial institutions for access to real-time payments, reinforcing the desire for greater speed and convenience in payments.”

Payment solutions must offer the consumer real-time payment options, and there must be fluidity, he continues. “When it comes to secure money-movement solutions, the consumer wants speed, convenience and simplicity.”

Flexibility in the digital experience—giving members the ability to choose the channel through which to pay is also a necessity. So is being able to view the details of the obligation, such as the payment amount, due date, interest rate and amount outstanding.

“A consumer’s preferred payment method is through biller-direct websites (utility company, merchant, retailer, etc.), occurring more than 70% of the time,” adds Riddle. “This shift in consumer payment preferences was the driver in developing the Payigy payment platform (*sherpatech.org/digital-payments.html*), which leverages biller-direct best practices with the ability to deepen relationships with indirect channel members."

This biller-direct-like experience within Payigy also allows the CU to stay at the center of the process. It can act as the biller with flexible payment methods, notifications and messaging. Citing an ACI Speedpay Pulse survey, Riddle notes that almost 36% of consumers visit a biller's website to make an urgent or same-day payment. Here, the debit card is the primary payment method (57.5%), and a deduction from a checking account the second most used (29.4%).

"Speed is necessary," he explains, "but the consumer requires acknowledgment of the payment within the experience. This transparency makes an essential difference."

Members want to know their transaction occurred, and the payment was pushed to the biller in real-time.

PYMNTS.com reports that 85% of technology firms and financial institutions will implement real-time payment functionality in the next three years. Riddle surmises that these increased RTP capabilities will impact other areas, such as indirect lending.

"The benefits of using an RTP product would be many. For example, credit unions could disburse funds to dealerships and place loans on their books in real-time. It would also provide members a digital experience while submitting payments in real-time. The entire payments ecosystem evolves and serves the consumer better."

WHAT ABOUT INSTANT GRATIFICATION?

"Not only do consumers expect real-time payments, what they're really seeking is instant gratification," adds Norman Marraccini, SVP/group executive retail digital payments, ACH and real-time payments, for CUES Supplier member FIS (*fisglobal.com*), Milwaukee. "This sentiment encompasses billers, technology providers to individuals. Depending on the network, payments can still take 24 to 48 hours for electronic transactions and up to three to five business days for checks—which is not acceptable for the consumer. Whoever your processor is in partnership with will dictate payments fluidity."

FIS has a direct partnership with The Clearinghouse (*theclearinghouse.org*), so in the near future, payments handled by FIS will occur in real-time or near real-time. It is also collaborating with Zelle, boosting instant P2P payments for more than 300 partner credit unions and financial institutions.

At FIS, 82-85% of bills go electronically through its bill-payer system. ACH payments are all electronic and go the same or the next day. "However, the future will require that these payments be dramatically faster, and once the ACH is fully on board with RTP, settlements could take two minutes or less, even as low as 30 seconds."

With these payments on the cusp of real-time, Marraccini foresees movement finally happening in the B2B and B2P space, where more payments will become electronic and instantaneous.

"This will be seen in large batch payments, for example, by governmental municipalities, insurance payouts and more," he notes. "ACH files could also be converted into an immediate electronic payment representing hundreds of millions of dollars. Batch data would then be sent to individuals via an email or text message with a claim code for the funds. The consumer would choose his or her preferred method (ACH, debit card, PayPal, prepaid card) for instant payment.

"The COVID-19 crisis has brought to light the necessity for most payments to become electronic, made in real-time," adds Marraccini. "Banks are already doing this in a beta environment, but it won't be long before electronic payments to consumers and businesses become ubiquitous."

Increased transparency won't just assist C2B; watch for it to impact B2B and B2C payments as well.

"With a business able to see the movement of payments (a trail), it will become much easier to transition a business to real-time payments," he continues. "Look for businesses to take cues from the marketplace and disruptors. We're about 12 to 18 months away from the real-time network infrastructure to accomplish this at the business level. It will also necessitate automated software solutions as well as onsite monitoring or the outsourcing of this monitoring—which, at FIS, we're prepared to take on."

Marraccini says that CUs must eliminate the mindset that real-time payments won't happen.

WHAT ARE THE RISKS?

What do members want most from their financial institution? An instantaneous, seamless experience, answers Libby Calderone, president/COO for CUES Supplier member LSC (*lsc.net*), a partner with the Illinois CU League, Naperville, Illinois.

"According to eMarketer.com, nearly 80 million U.S. adults used P2P payment services (as of late 2018), a year-over-year increase of 24%. In this evolving payment ecosystem, providing instant settlement of payments in real-time is reflective of consumer expectations."

As a result, real-time processing, same-day ACH, P2P providers and fintech players have all emerged offering solutions—including digital payments platforms and international money transfer. "An interesting trend is the use of application programming interfaces to connect legacy systems to cloud-based platforms for real-time payment services," notes Calderone. "This use of third-party APIs largely depends on a credit union's policies around data sharing with partners, and the sharing of customer data has privacy and proprietary implications that need to be resolved first. Governments must also have a say in this process."

There is no doubt that better technology brings opportunities to better serve members. For example, Calderone says a credit union could leverage the data available on member transaction patterns to offer an enhanced user experience, providing products and services customized for each member. Coupling these offerings with real-time settlement speed could make for a more compelling user experience.

An Ernst & Young Report (*tinyurl.com/eyreport2019*) projects that real-time payments in the U.S. will grow from $6.8 billion in 2018 to $25.9 billion by 2023.

"These emerging trends include real-time payments at the point of sale," adds Calderone. "POS capability could reduce costs for providers and merchants with the consumer benefitting from potentially lower prices.

"It will be interesting to watch the development and rollout of FedNow (*tinyurl.com/fednowpr*), the real-time payments solution offered by the Federal Reserve," she continues. "However, faster payments don't come without some risks, especially since interchange income could be dramatically reduced if payments move from the traditional processor rails to real-time."

> **“The COVID-19 crisis has brought to light the necessity for most payments to become electronic, made in real-time.”**
>
> —Norman Marraccini

Heightened fraud risks are another possibility. “Convenience, speed and the irrevocable nature of transactions are the mainstays of faster payments, but they also mean less reaction time for a credit union to prevent fraudulent transactions,” she continues. “Credit unions offering faster payment technology should consider investing in artificial intelligence and machine learning tools to reduce fraud and use the data to understand and effectively combat emerging fraud trends. Members expect credit unions to protect their funds, but how effectively can credit unions do this when money is moving instantly? Fraud risk is prevalent, and how a credit union handles fraud can lead to reputation risk if the member blames the credit union for losses.”

Desiring ubiquity for faster payments will also require CUs to choose how they engage in faster payments. Will they participate with Zelle, The Clearinghouse or FedNow? Will they allow Venmo to access member accounts? How much member data are they willing to share? Making the right choice in partnerships will be challenging.

Faster payments are coming, and they’re coming fast, Calderone says. Credit unions will have to make decisions on how they participate. “Sitting this one out is not an option—members will expect faster payments or may move their money elsewhere.”

IS THERE PENT-UP DEMAND?

Payments modernization is a global movement that continues to gain momentum, with faster payments inching closer to real-time and instant payments quickly, says Scott P. Young, VP/innovation for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida. He points to the early days of P2P, when its rapid adoption proved the market had pent-up demand for real-time and instant payments.

“As consumers get even more accustomed to these payment methods, payments systems and providers must deliver instant, on-demand and seamless transactions,” he says. “Worldwide, people are trying to crack the code of executing payments as quickly as possible. This evolution of payments is occurring rapidly, bringing with it the need for industry collaboration to provide a system, technologies and tools that deliver safety and security—as well as flexibility—to accommodate faster payments.”

In North America, there are many options for faster payments—including same-day ACH, Visa Direct, Mastercard Send, Zelle, The Clearinghouse, Venmo, Apple Cash, Square Cash, PayPal and Western Union. FedNow may be ready to launch by 2023 or 2024. These offerings will continue to evolve toward the goal of real-time payments.

“Currently, credit unions have the unique opportunity to identify the products and services that will best support their members as expectations and needs change,” continues Young. “For more efficient and faster payments solutions, consider which rails transactions are processed and how quickly the funds are available to the receiving bank or credit union.”

Faster payments have also been evolving around the world for years—all with different approaches. “For credit unions and credit union service organizations, the focus will be on innovations that drive efficiencies, security and faster money movement in a landscape that will become overwhelmingly digital,” he continues.

“PSCU, for example, is developing a real-time payments strategy by collaborating with consulting firms, technology providers and processing vendors. We’re also excited to be a founding member of the U.S. Faster Payments Council (*fasterpaymentscouncil.org*), representing our owner credit unions as this vital work continues.”

Young believes we’re only at the beginning of a phenomenal shift that aligns with the real-time expectations of emerging generations.

“Credit unions should remain committed to payments-related strategies to respond to the changing demands of members and keep pace with technologies that are reshaping the member experience,” he says. “Collaboration for this work is essential for the benefit of all. As faster payment options emerge, the time is now for credit unions to build definitive plans to go to market with new payment methods, focusing on the needs of current and future members.”

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

MORE ON PAYMENTS

Optimizing Legacy Payment Programs For The Future (*cumanagement.com/111920skybox*)

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

Payments Done for You (*cumanagement.com/0819payments*)

How to Ride the Tailwinds and Navigate the Headwinds to Debit Growth

By Tom Bennett, Principal, Advisors Plus Consulting, PSCU

Advisors Plus | PSCU

Today's consumers have ever-increasing options when it comes to choosing a method of payment. From mobile wallets and person-to-person (P2P) apps to credit cards and cash, the options are endless. And while the space is crowded, credit unions' legacy debit card programs continued to experience success and growth in 2019. There are some tailwinds to ride and headwinds to navigate when looking to 2020 and beyond.

In 2019, debit experienced growth both in terms of transactions and sales volume, with PSCU comparable credit unions seeing purchase growth of 7.9% and transaction growth of 8%. Although these numbers are slightly down from 2018 growth rates of 9.2% and 10.4%, respectively, the "grow over" required in 2019 to build off of an outstanding 2018 is impressive and further evidence as to why credit unions should focus on their debit card programs' future growth and success.

Growth Factors

There are multiple growth factors across the industry coming together to create a "perfect storm" for debit. First, consumers are choosing to use debit more than they have in previous years. As reported in PSCU's 2019 Eye on Payments study, debit has taken the lead as consumers' preferred method of tender, increasing from 32% in 2018 to 48% in 2019. These findings were in line with PSCU data that showed usage per account rose from 23.7 transactions per card per month in 2018 to 24.6 in 2019 – adding almost 12 more transactions per year being conducted with a debit card.

Additionally, surcharging – when a merchant adds an additional fee to cover the interchange cost of a credit card transaction – is gaining momentum across the U.S. This is due in part to recent rule changes by Visa and Mastercard, a U.S. Supreme Court ruling in favor of surcharging and new services that make adding surcharges more feasible for merchants. As surcharging becomes more popular and frequent at the point of sale, credit card users may choose to pay with debit cards to avoid incurring additional purchasing costs.

Threats

On the other hand, there are still a number of threats for credit unions to navigate in order to continue experiencing growth for their debit programs. There is more competition than ever for checking, including cash incentive amounts for new accounts being at an all-time high and the continued entrance of challenger banks, as well as additional competition for transactions. While many of PSCU's Owners are seeing high growth for debit transactions in the P2P space (i.e., Venmo, Cash App, etc.), some of these digital apps have now added their own debit card to keep money in their app in order to try to capture the spend and/or interchange on their side.

A new threat is declining usage as a result of the impacts from COVID-19. Personal income is the lifeblood of debit and reductions due to unemployment, reduced hours and other changes will have a negative impact. Optimistically, debit has a high propensity for "everyday spend" – groceries, goods and services required on a daily basis for living needs – and usage will continue here. And as the industry and nation emerges from the crisis, confidence in debit is expected to provide a significant opportunity for growth.

Given these challenges, it is critical for credit unions to keep a pulse on and remain close to their members – engaging with them through their digital tools and in branches, surveying them regularly and leveraging the payments thought leadership and consumer insights that partners such as PSCU can offer. This will allow credit unions to remain nimble in evolving their payment strategies to drive satisfaction and growth.

While it will require dedicated resources to ensure programs are consistently optimized, improved and marketed to members, the efforts will be worthwhile as credit unions' debit card programs sail into growth and success this year and for years to come.

Tom Bennett is a Principal Consultant with the Checking and Debit Card practice at Advisors Plus with over 25 years of experience in the financial services industry. Tom advises credit unions on ways to enhance portfolio growth and profitability.

SPONSORED CONTENT

3 Ways Your Credit Union Can Prepare

for the Rising Use of Contactless Payment Methods in 2020

By LSC

LSC®
Helping Credit Unions Compete

Use of contactless payments is rising, particularly among mobile payments. Experts expect the mobile payment market size to rise to $4,574 billion by 2023. COVID-19 is also appearing to be a catalyst as many business and media outlets encourage Americans to further increase contactless payment methods. Credit unions should make sure they are prepared for a growing market with a good understanding of this new payment landscape, consumer attitudes, and what their credit union can do.

Understand the Landscape

In the U.S., a variety of contactless payment methods are competing for adoption by consumers. People can use contactless cards enabled with near-field communication (NFC) technology, pay via mobile apps on their phones, or both. Credit unions can have their own mobile payment apps with the help of their payment processing partners. They can also simply leave members to attach cards to their phones' native digital wallets and make payments using services such as Samsung Pay and Apple Pay.

Incorporating apps can create additional costs for credit unions. Contactless cards are thus generally more cost-effective for credit unions, but mobile apps can add convenience for a population already using phones as an integral part of their shopping experience. Indeed, many members are already accustomed to using mobile apps for banking services or even prepaid cards. LSC's CUMONEY app allows prepaid cardholders to add money, secure their accounts, and instantly review balances and transaction histories. Members who already use such apps would easily feel comfortable making the jump to making credit purchases through an app on their phones.

Consider Consumer Attitudes Towards Contactless Payments

Like the payment landscape itself, there is a lot of complexity in the way consumers view contactless payments. U.S. News points to the convenience of a speedier transaction as a major motivator for using contactless payment options. The spread of COVID-19 has added another catalyst as people are becoming more conscious of germs found on cash and terminals. Consumers are getting requests from more businesses to use contactless payment methods.

A lack of knowledge surrounding the nature and benefits of these payment forms is the main detriment to further adoption. In a Pew survey, 38% of people indicated they saw mobile as having low security despite this form of payment having mostly the same safeguards as regular card options. U.S. News points out mobile payments even have added verification requirements.

Yet, Pew found that mobile app disclosure statements give little instruction about what to do for money stolen through a device, and dispute procedures are different depending on the app, furthering confusion. Based on Pew observations, hold-outs also prefer their current payment methods and rewards programs, seeing no compelling reason to change.

Know What Credit Unions Can Do

Credit unions can be ready for the future of contactless payments by knowing their strengths. Consumers are already familiar with their current card programs and financial institutions. The good relationships between credit unions and their membership in particular put credit unions in a good position to be a contactless payment source. If they haven't already, credit unions should talk to their processors about enabling tokenization or offering contactless cards; it is important to be in front of the curve on these payment methods.

Communication is also a key player. Credit unions can add to their already good customer service practices by offering clear information about the benefits and protections associated with contactless payment methods. This step not only brings value to members, but can also put credit unions at the top of their members' minds when considering contactless payment options.

Remaining aware of the current payment landscape, understanding consumer attitudes, and enhancing already strong customer service are important steps for credit unions to start taking. These will help credit unions address member concerns and thus compete better in the growing contactless payment market.

Yet, offering contactless card solutions requires an already successful credit program. A credit union with a thriving program is well-positioned to expand and invest in extended services. As a trusted credit union partner for over 50 years, LSC is here for credit unions, offering seamless implementation and transition support. We work with each credit union to pick a program that works best for them while remaining dedicated to their success.

LSC is a one-stop payment solutions platform that helps credt unions grow and thrive. At LSC, we are part of your team! to learn more, call 800.942.7124 or visit www.lsc.net.

LSC®

Helping Credit Unions Compete

LSC IS HERE FOR YOU

PREPAID · DEBIT · CREDIT

800.942.7124 • www.lsc.net

SPONSORED CONTENT

Why Members Need a Primary Financial *Relationship*

MORE THAN EVER, CUs ARE SUPPORTING MEMBERS THROUGH PAYMENTS.

BY SAMANTHA PAXSON

Your members need you now more than ever before. But how can credit unions continue to do more for their members when so many of them are in crisis—not just helping them bank better but also live better? After all, consumers have access to countless financial providers, services and products from their phones. Yet they don't have, in many cases, a primary financial relationship—a financial institution they trust enough to turn to for help when times are tough.

FINANCIAL TOOLS

Becoming your members' primary financial relationship is about giving them the tools they need to improve their daily lives. In the current climate, that means helping members instantly move and manage their money, keep track of their spending and budget (when that budget may have just gotten very skinny), and more quickly access the loans and other credit products they need.

Credit unions should also support members with programs that offer financial relief. For example, several of our clients have been taking advantage of three credit card relief programs CO-OP launched in response to COVID-19 that allow members to:

1. Skip a credit card payment
2. Forego any new interest and fees
3. Forego any new cash advance or late and returned check fees

Programs like these are a simple yet impactful way of helping members get back on their feet during times of uncertainty. Whether you activate them through CO-OP Financial Services or on your own, we believe they are the right thing to do.

BE THERE FOR MEMBERS

The need for credit unions to play a bigger role in their members' daily lives has never been larger, and we believe the best way to do this is by leveraging the day-to-day engagement a strong payments strategy offers.

Even after the economy starts to stabilize and rebound, members will continue their current pattern of making fewer branch visits and using more self-service digital banking apps. They will think less about the traditional lending partner and more about which financial services provider can offer them the best loan terms for their individual needs.

Payments, when tactfully leveraged across the entire member relationship, can help credit unions develop more frequent touchpoints while also delivering greater value to members. By focusing on achieving primary financial relationship status, credit unions can maintain the trust and loyalty of their members while fueling growth in every area of their operations.

PRIMARY FINANCIAL RELATIONSHIP

CO-OP Financial Services is here to support credit unions in securing their members' primary financial relationship status. In this time of uncertainty, we continue to provide thousands of credit unions with solutions that ensure business continuity. These solutions include:

- Comprehensive mobile banking solutions that help to limit in-branch visits;
- Contact center services that ensure credit unions are available to their members 24/7, safely, via phone; and
- The largest network of shared branches and surcharge-free ATMs that ensure that members have ongoing, widespread, reliable access to much-needed funds.

Most importantly, we are here to help credit unions of all sizes drive long-term growth and member loyalty with the most comprehensive payments and technology services in the industry.

Samantha Paxson *is chief experience officer of CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, a payments and financial technology CUSO whose mission is ensuring the success of the credit union movement. CO-OP payments solutions, engagement services and strategic counsel help credit unions optimize member experiences to consistently provide seamless, personalized multi-channel offerings, while delivering secure, sophisticated fraud mitigation service.*

MORE ON THE BUILDING THE MEMBER RELATIONSHIP

Four Steps to Successfully Building Credit Card Loyalty (*cumanagement.com/062019skybox*)

What Kinds of Payments Options Does Each Age Want? (*cumanagement.com/0519options*)

PAYMENTS FUEL GROWTH. CO-OP FUELS PAYMENTS.

CONSULT

INTEGRATE

ENGAGE

PAY

PROTECT

Payments represent nearly 80 percent of a consumer's interactions with their primary financial institution; which means delivering an exceptional payments experience is the key to building deeper relationships with members.

Built by credit unions for credit unions, CO-OP offers solutions designed to help you own more member moments through payments. From full-service credit and debit processing to rewards, digital wallet solutions and advanced fraud-fighting tools, CO-OP empowers your credit union to maximize engagement, usage and member delight.

Get empowered at coop.org

Be There. Be More.

CO-OP FINANCIAL SERVICES

Contactless Cards—*The New Imperative*

HARLAND CLARKE®

POST-PANDEMIC DEMAND FOR TAP-AND-GO IS SURE TO SKYROCKET.

BY SCOTT HANSEN

Over just a few short weeks, we have all faced a new reality that has reshaped our long-term thinking. In an era when we are suddenly more aware of how disease spreads, consumers are sure to demand new technologies that change the way they work, interact and—transact.

While contactless or "tap and go" cards now comprise more than half of all payment cards issued in the world, post-pandemic demand for them is sure to skyrocket as consumers and merchants seek the fastest, easiest and safest payments available.

Tap-and-go technology gained a foothold abroad 10 years ago. Today, contactless cards are widely used in Europe and Canada for small purchases like coffee, gas and public transit, where swiping and dipping slows things down.

So, why has the U.S. market been slow to adopt these cards?

For one, many consumers were unable to make contactless purchases from many local merchants, particularly the on-the-go purchases for which tap-and-go was intended. While most merchants have terminals with the capability to accept contactless payments, many have lacked the motivation to enable that feature. Until now.

The script is very much the same as with the migration of EMV chip cards into the U.S. market. The trend started in Europe, spread quickly, then stalled at crossing the pond. Then came the increase in consumer data breaches impacting businesses around the globe, sounding the EMV liability shift alarm. Financial institutions and merchants were motivated to make the transition to mitigate liability.

Although Americans are commonly viewed globally as late adopters of payment technologies, once we finally get there, we arrive in a big way. Today, chip dipping is one of the most common forms of payment in the U.S. We expect much the same result now with dual-interface cards.

These cards offer consumers a choice between contact (EMV chip) and contactless (tap-and-go antenna). The flexibility of having both payment options is a reason dual-interface cards are considered the new base card payment technology.

Credit unions throughout the U.S. can now expect a swift increase in demand from members of all generations for the contactless payment experience offered by dual-interface cards, despite studies (*tinyurl.com/prntap*) showing only 37% of consumers are aware of the EMV contactless payments option.

The good news is that dual-interface cards offer many more benefits to cardholders than being socially safe:

- **They are secure**. Dual-interface technology protects consumers against counterfeit card fraud, giving them a more secure experience. Consumers want security—dual-interface gives them that and more.
- **They are just plain *fast***. Transactions average 15 seconds or less. The reality is we live in a fast-paced, Amazon-effect world. Time is precious, and lines and waiting are unacceptable. To keep up, you must offer your members a payment option that allows them to tap and go.
- **They are easier than cash**. Ease of use could be a large factor for adoption, particularly for transactions under $25, of which 80% are now made with cash (*tinyurl.com/prntap*).
- **Merchant acceptance is broadening.** There are now more than 100 million Visa contactless cards in the U.S. and—according to Visa—more than 80 of the company's top 100 merchants in the U.S. have enabled consumers to tap and go at checkout. Mastercard, in turn, has indicated it has agreements in place with bank partners that will bring contactless cards to two-thirds of its customers within two years.
- **Timing.** For many of your members, it's about time for first-gen chip card replacement. What better way to replace outdated technology than with state-of-the-art dual-interface technology that delivers a better cardholder experience and pays off for members every day?

Historically, technology has changed human behavior. Interestingly, this time, it's the other way around. It's exciting to be a part of it. It's making lives better, easier and safer. It's putting more power into the hands of consumers and, because of that, a formula of engagement, experience and education has proven to be a highly successful approach for technology adoption.

As chief product & strategy officer for CUES Supplier member Harland Clarke (harlandclarke.com/Payment Services)*, San Antonio, Texas,* **Scott Hansen** *oversees the company's payments and marketing services product lines. He is responsible for developing and executing a defined business, solution, and marketing strategy, maximizing alignment with the sales force and promoting the company's position as a premier customer engagement company.*

MORE ON CARDS & SERVING MEMBERS

Instant Card Issuance: The Complete Business Case for Adoption (*cumanagement.com/0918instantissurance*)

Why A Member-Centric Culture Is Your Key Brand Differentiator (*cumanagement.com/podcast88*)

CardsCX™

Contactless card technology offers consumers the convenience, speed and *safety* they now demand.

Harland Clarke combines superior service and a deep understanding of the market, as well as strong relationships with multiple suppliers, to build a card program tailored to meet the needs of your members.

From contactless chip card manufacturing to instant issuance to personalization and prepaid cards, you need a card program that keeps your card the one members reach for every time.

harlandclarke.com/CardsCX 1.800.351.3843 | contactHC@harlandclarke.com

HARLAND CLARKE®

Rethinking Your *Member Experience*

THREE STEPS CREDIT UNIONS CAN TAKE.

BY BILL HAMPTON

Ownership. It is the key differentiator between being a member at a credit union and a client at your local or national bank. It is also why credit unions need to make the member experience the cornerstone of their strategic business plans. When credit unions focus on their relationship with their member-owners, they have a unique opportunity to build a brand grounded in trust.

1. TAKE A FOCUSED LOOK

Now more than ever, we have seen a rush from tech companies to develop and deploy the next great thing. Whether it's an entirely new form of currency like Bitcoin or harnessing the power of data, the advances in technology in the financial services industry can be overwhelming. However, in the case of most credit unions, investing in the newest technology for the sake of trying to keep up is not an option.

There is no one-size-fits-all when it comes to your members' journey. That is why credit unions need to take a hard look at what their members need to make their experience the best possible one. Investing in the right technology—as opposed to the shiniest option—is how credit unions provide the most value to their members.

2. RETHINK HOW YOU CHOOSE YOUR TECHNOLOGY PARTNERS

Choosing the right technology partner is just as important as choosing the right technology. In fact, there were 5,779 new financial technology "startups" in 2019 in the Americas alone, meaning that consumers have a tremendous number of options from which to choose. A good partner must have well-defined goals and the ability to be nimble to allow a credit union to measure and pivot, shift or tweak as it goes. That partner should be there as the technology goes through its various phases of adoption and usage.

Members also expect technology to work 100% of the time on every channel. Each transaction, whether business-to-business, person-to-person, or any other variation, is a miniature moment of truth for a credit union—a moment when technology must work to deliver the credit union's brand promise. These moments of truth can be the difference between a member who feels valued and trusts in the credit union and one that is searching for a new place to put hard-earned money.

3. CHOOSE THE TECHNOLOGY THAT WILL MAKE YOUR DOLLARS COUNT

You have taken a broad look at your member experience and narrowed down what you need to improve. You have looked at your options and chosen the technology provider that you believe will be in the trenches with you, proactively solving any problems your members have. Now, you've finally reached the final step, picking the technologies that will have the largest benefit to members.

This can be tricky, as the demographics are often spread over several generations all with different needs. For example, Gen Z and millennials are much quicker to adopt such digital payments as Zelle (*zelle.com*) and use their credit union's apps. A Javelin Strategy & Research (*javelinstrategy.com*) poll showing that 47% of millennials use mobile apps for their banking. In contrast, members of Gen X (88%) and Baby Boomers (91%) value that their money is achieving their exact financial goals.

By looking at the specific needs of your credit union's members and by picking a partner that will guide you on your path, you can accurately choose which technology will provide the largest benefit for all involved.

Credit union members want to feel a part of the business that they trust with their money. Their financial journeys are much different than those of the customers of a standard bank, as they want that interaction and sense of ownership in each transaction. That is why advancing the member experience by taking a focused look at areas of improvement, choosing the perfect technology partner that can be nimble, and picking the right solutions can propel a credit union's brand to one based on partnership and trust for their members.

Bill Hampton *is credit union division executive for CUES Supplier member CUES Supplier member FIS* (fisglobal.com)*, Jacksonville, Florida.*

MORE ON MEMBER EXPERIENCE

Online Account Opening Is Just The Beginning Of The Digital Experience (*cumanagement.com/010620opening*)

How Member Experience Changes The Digital Transformation Conversation (*cumanagement.com/1119experience*)

FIS

LET'S ADVANCE THE MEMBER EXPERIENCE TOGETHER.

FIS is advancing credit unions and the member experience. Our history of partnership with credit unions and in-depth knowledge of the credit union marketplace spans over 40 years. We are dedicated to creating best-in-class credit union and member experiences through a direct, trusted partnership that delivers shared success.

www.fisglobal.com/cu

Any Growth Strategy *Must Address Payments*

A SMART APPROACH BOOSTS THE MEMBER EXPERIENCE—AND, IN TURN, GROWTH AND REVENUE.

BY MICKEY GOLDWASSER

How many different ways can your members move money from their accounts at the credit union to someone else? For sure you offer online bill payment. Maybe you have a P2P solution, too. Let's not forget ACH transfers, either. Are you members taking advantage of these services, and more importantly, are you promoting them?

If your credit union is like most financial institutions, you're providing all of these different payment services. Maybe you think that's enough. But it's not.

The challenge here is to not just ensure that you're providing the right services, but that you are providing them as conveniently as members expect them to be. Do you look at your payment services as a way to simplify your members' lives? In the age of Amazon and Google, convenience is everything. In other words, success with payments is all about the member experience.

GROWTH AND REVENUE

What does all this talk about the payments experience have to do with membership growth? It's simple. Members who make use of your payment services use them quite extensively. Payment services are engaging, and if the experience you provide is inconvenient for your members or difficult for them to use, you run the risk of losing members to a provider that is more convenient and offers a better experience.

In the end, a bad payments strategy can shrink your membership instead of growing it.

On the flip side, if you provide an exceptional payment experience to your members—and build the appropriate marketing around it, word will get out about just how good you are. People who are fed up with the weak payment options provided by their current financial institutions will gravitate toward your credit union. Membership will go up.

Of course, there's another reason to take your payments strategy more seriously. Payments generate revenue. That's why so many non-financial institutions have gotten into—and are getting into—the game.

Think of services like PayPal (*paypal.com*), Venmo (*venmo.com*) and Cash (*cash.app*). Every time one of your members uses one of these services to move money, it weakens your position as primary financial institution. In short, if members are no longer using your credit union for payments, they're no longer your members.

SMART PAYMENTS EXPERIENCE

So, what are some of the characteristics of a modern payments experience?

First and foremost, the member should never have to be concerned about selecting the right payment option based on the recipient. When it comes to payments, the member should simply be able to specify what needs to be paid and rely on the system to pay it appropriately. In the background, the payments platform should figure out the most efficient way to get the money where it needs to be and make it happen.

This is what a smarter approach to payments looks like. If you take a smarter approach, you will have a competitive edge.

Almost as important, your credit union's payment platform must be assistive and engaging, simplifying the user's life. It must be able to develop actionable insights to offer suggestions and act based on the data you've accumulated for a particular member.

For example, if a member has a new bill come in on Monday, the system should be able to see that there's not enough money in the account to pay that bill right now. However, it should also know that the user's direct-deposit paycheck will come in on Thursday. The system should then alert the member and proactively ask if it should pay the bill on payday. The member should then be offered the ability to schedule that payment by simply answering *yes*.

Finally, a smart payments platform doesn't favor any one technology or any one payment rail. To make the smartest routing decisions, the system must remain neutral.

If you're looking for a smart way to attract and retain your members, start by making sure you offer a world-class payments experience. It's that simple. In the end, your members will not only thank you for it but also tell their friends.

Mickey Goldwasser *is VP/marketing and chief of staff for CUES Supplier member Payrailz* (payrailz.com)*, Glastonbury, Connecticut.*

MORE ON THE PAYMENTS EXPERIENCE

Payments Done for You (*cumanagement.com/0819payments*)


Your payment of $230.00 to Sprint has been made!
Confirmation # 18798347
PAY ANOTHER
DONE

Goodbye loan payment booklet. **Hello, Payigy.**

Payigy is a dynamic digital payments solution with a biller-direct-like user experience designed to enable greater payment flexibility and deepen relationships with your indirect members.

Transform how you engage with your indirect members.
Streamline how you do business.

- Grow primary memberships
- Exceed expectations
- Reduce costs
- Redefined experience

Learn more about Payigy by visiting:

pi.sherpatech.org/payigy

payigy

Conveniently accessed through a link on your credit union's website, Payigy provides indirect lending members an easy, yet robust digital experience to make their loan payments.

Say hello to payments with benefits.

Growth in primary memberships

Two-way messaging for personal engagement and the ability to share targeted specials and credit union news and events.

Exceed expectations

Streamlined interface offers a digital biller-direct like experience. Biller-direct payments currently account for more than 70% percent of all bill payment activity.

Reduce costs

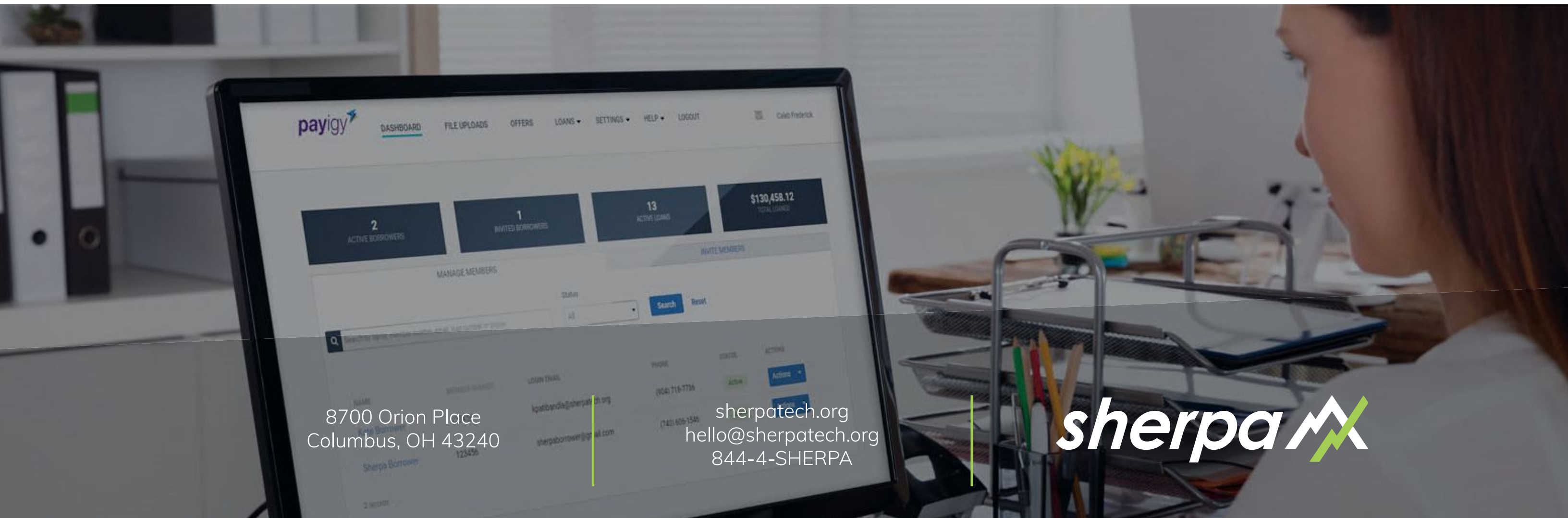
Eliminate costs associated with processing checks and payments through third-party payment providers and printing coupon booklets. Efficient back-office administration portal allows credit union staff to easily manage accounts, communicate with borrowers, configure system and view all loan details.

Redefined experience

Customizable options allow indirect members to select payment options, establish recurring payments, set alerts for various notifications and manage profiles.

Learn more about Payigy by visiting:

pi.sherpatech.org/payigy



8700 Orion Place
Columbus, OH 43240

sherpatech.org
hello@sherpatech.org
844-4-SHERPA

sherpa

Your Brand is in the *Eye of the Beholder*

BRAND IS NOT JUST ABOUT A LOGO, FONT OR COLORS; IT'S ABOUT FINDING YOUR IDENTITY AND HOW MEMBERS FEEL ABOUT YOU.

BY STEPHANIE SCHWENN SEBRING

"Discovering your brand is not for the faint of heart—it's uncovering how people feel when interacting with you, across all channels, and the impression you leave on them," explains Lauren Tatro, VP/marketing for $1.9 billion CAP COM Federal Credit Union (*capcomfcu.org*), Albany, New York. "Leadership must also be willing to obsess over what characterizes the ultimate member experience, adapt the internal culture and develop a relevant, internal and external communications plan that evolves with members' needs. A brand's physical and virtual presence can look pretty and appeal to emotions. But, if the members' interaction with the credit union doesn't align with your brand promise, there won't be long-term success."

PERCEPTION IS REALITY

A brand is not what *you* say you are; it's who your members and the community perceive you as. Elisa Rode, president of marketing consulting firm Kearley & Company (*kearley.com*), Fort Worth, Texas, notes that perceptions can be mixed and that every branding (or rebranding) conversation should therefore start with comprehensive research.

"To date, 100% of the credit unions we've worked with have had preconceived ideas about their brand and who they were, but the research always uncovers something unexpected," says Rode. "Sometimes, organizations are tempted to skip this step because of their timeframes. But there's no denying that the fresh perspective and a 360-degree view research provides—from members and potential members to front-line and back-office staff, volunteers and senior management—the DNA of your organization."

Using in-person member and staff interviews along with email surveys, Rode combines a mix of open-ended questions to get to the heart of stakeholder perceptions. She asks what they like (or dislike) about the credit union. "The goal is to find what is unique and to highlight it as a differentiator," adds Rode. "Also, consider why you're changing your brand. Has your field of membership changed? Or are you changing because of a problem? Based on the differentiating factors revealed from the research, we craft high-level concepts to present to the rebranding team. Once the concept is approved, name development begins, as well as work with an intellectual property attorney to ensure the name is viable."

Your brand lies in discovering what makes you different, stresses Josh Streufert, creative director/principal for CUES Supplier member Strum (*strumagency.com*), based in Seattle. "It may sound simple, but consider that credit unions are about 90% the same: They offer checking accounts, loans, mobile access, great service, etc. The fresh perspective is finding the 10% that is different—and there's a good chance it falls outside of the realm of products and services." The difference might lie in the community, organizational values, philosophy, membership or internal personality.

He references a classic creative strategy: "If you can't win on the strength of your products alone, make people like you more." Above all, be human. "Have a point of view, and don't be afraid to turn someone off," says Streufert. "Fanatic loyalty isn't in the center; it's in the fringes. Differentiate with your attitude by crafting a message to a niche audience. Help them see a bit of themselves (or who they wish to be) in your organization. For example, Frontwave Credit Union ($877 million, *frontwavecu.com*, Oceanside, California) has done this exceptionally well, differentiating itself by focusing on the scrappy, blue-collar work ethic of the military community of north San Diego County."

FINDING ONE WORD

Credit unions look to reveal their authentic brand (or implement a rebrand) for many reasons. Often, it's to spark business growth. "We become active listeners to seek the core reason for a rebrand," notes Matt Maguy, principal at James & Matthew (*jamesandmatthew.com*), Shirley, Massachusetts. "For example, is there a dominating (or single) voice behind the change? What is behind the 'thought leadership?' Is it growth or something else? Our goal is to break through misconceptions and also grasp the full competitive environment. There is a lot of competition and consolidation in the financial services industry, making this step vital. What are your competitors doing? As brands tighten (with less differentiation between products and suppliers), mergers happen."

It's critical to gain brand perspective and compare insights when interviewing stakeholders, adds Maguy. "For example, decipher how a first-year teller perceives the brand compared to the seasoned executive. How different are their views, and why? Observe and chat with members; ask all stakeholders, internal and external, to describe the credit union in one word. Then, how many similar terms do you get back?"

Working with CAP COM FCU on its recent rebrand, Maguy notes that "heart" and "advocacy" were words that surfaced. Giving back to the community emerged as a core value, while stakeholders described themselves as "people advocates," which became a pillar of the rebrand.

"Our culture is strong—and our people passionate," notes Tatro. "But the challenge was how to convey this enthusiasm through our brand. James & Matthew, the vendor we selected to bring us out of our comfort zone, helped us to create member personas and convert the focus of our communications to member needs with solutions that matched."

"A successful brand will help you to reveal this authentic voice and provide a way for staff to speak on your behalf," Maguy explains. "It will help you to discover a way to stand out but also never underestimate yourself. Remember, people choose an organization that fits their life.

"Credit unions should ask how they fit into their members' lives," he adds. "And when building your brand, think about your audiences, their lifestyles. What are their behaviors and intersections? Here is where you find brand authenticity."

For some credit unions, their brand may not represent who they are, or maybe there have been internal changes or challenges that have made their existing brand obsolete. Bo McDonald, president of CUES Supplier member Your Marketing Company (*yourmarketing.co*), Greenville, South Carolina, reiterates the importance of finding out *why* a credit union seeks a rebrand. "Onsite agency visits are critical to gauging whether the organization is healthy or not. Are there issues to fix? (Often, there are.) Does the organization think a rebrand will fix these issues? (Usually, it won't.) The house must be in order before any rebrand begins," he stresses.

To help find the "why," McDonald likes to ask, "If the credit union was a car, what make and model would it be?

"Is it a Prius longing to be a Mustang? Or maybe it's only a Camry," he says. "The purpose of the exercise is to see how far from reality you are from member perceptions."

McDonald notes that sometimes agencies skip the essential step of discovering the "why" and just come up with a fun name instead of a name that truly tells a story. But this shortcut can lead to poor results and added costs in the long run.

THE AGENCY RELATIONSHIP

"Client needs vary, and so do agency capabilities and expertise," notes Karen McGaughey, VP/client services/principal for Strum. Selecting a partner for a rebranding project, she says, "is an intensive but critical process to ensure you choose the *right* partner—one who listens and understands your challenges and is passionate about your goals. Look for an agency that builds rapport with

"It was important to find an agency willing to challenge us, to foster 'outside-in' thinking and a new perspective. The reality is we're often too close to our work and brands to be objective."

– Lauren Tatro

you and your team, helps establish a trusted relationship and provides true expertise."

McGaughey notes several questions that can bring clarity. "Ask if the agency has multiple C-suite client references [from] credit unions of all asset sizes. Ask if its work demonstrates proven and successful growth for clients and if it has the expertise to help you avoid potentially costly pitfalls and trademark mistakes. Do they understand your industry? If not, how much time are you willing to invest in educating them? Does the agency portfolio demonstrate a range of creativity and design, including digital and traditional channels? Do you understand who you will be working with once the contract is signed, and what, if any, aspects of the work will be contracted to third-party suppliers? Are they capable of leading your organization from brand strategy through public roll-out and execution?"

"Branding your organization should be one of the most critical strategic engagements your credit union undertakes," McGaughey continues. "The opportunities for increased employee engagement, brand esteem and growth momentum are huge, but it's also not without reputation risk or consequence if done poorly."

The relationship should be equally significant to the agency, she adds, so it's unfortunate when the partnership with the agency is treated like a typical commoditized vendor relationship. This is evident when the credit union holds an agency at arm's length from strategy, and expectations are unrealistic (tight timelines, low prices, limited access to stakeholders, etc.)

To avoid such obstacles for collaboration, ensuring a cultural fit is essential. "So is having a strong handle on your own internal culture," says Tatro. "For us, it was important to find an agency willing to challenge us, to foster 'outside-in' thinking and a new perspective. The reality is we're often too close to our work and brands to be objective."

"And sometimes, a fresh perspective is what's needed; someone willing to be bold, who won't let you rebrand in a whisper," concurs Rode. A rebranding team that provides broad credit union representation is also critical, she notes.

Most importantly, create the space for innovation, stresses Tatro. "If you're working with an agency and reach a point where a rebrand is needed, perhaps the continuous brand improvement you were seeking and should have been occurring, wasn't."

While most credit unions seek a new agency for a rebrand for a fresh perspective, McDonald notes that existing client intimacy can be a strength and cultural match. He shares the story of $21.5 million HopeSouth Federal Credit Union (*hopesouth.org*, formerly Greater Abbeville Federal Credit Union), Abbeville, South Carolina. "The credit union felt it knew who it was. But after weeks of research, including member interviews and demographic studies, the word 'hope' evolved to describe its brand promise. This word became an integral part of the credit union's brand and eventually part of its name.

"We'd worked with HopeSouth for several years and knew them

When to *Outsource*

Organizations inside and out of the credit union industry choose to outsource their marketing and branding needs for a variety of reasons. For example, Lauren Tatro, VP/marketing for $1.9 billion CAP COM Federal Credit Union (*capcomfcu.org*), Albany, New York, likes to outsource when it's time to shake things up, or when there's a need to go deeper with a creative direction or emotional brand connection.

"However, we invest in our internal marketing team first (currently 11 full-time employees), then augment with outsourcing as needed," says Tatro. "Be aware that outsourcing can make people wonder about the job they're doing internally. Transparency and strong communication go a long way in preserving staff morale."

Other reasons for outsourcing vary. "A credit union may lack brand strategy and the expertise in-house," says Karen McGaughey, VP/client services/principal for CUES Supplier member Strum (*strumagency.com*), Seattle. "It may need help to challenge biases or outdated beliefs, increase objectivity, and build consensus and strategic brand alignment. Or, it may desire a more innovative approach to get out of a rut or a fresh direction adaptive in digital environments."

Whether or not to outsource is a personal choice for each credit union, offers Matt Maguy, principal at James & Matthew (*jamesandmatthew.com*), Shirley, Massachusetts. "It comes down to growth goals and the marketing team stack to accomplish these goals. Some CMOs are great at getting things done and pushing out work, others at inspiring others. Outsourcing—and deciding whether it's a good fit—depends on the marketing leader. If you decide it's right for you, give the agency or individual you hire a clear set of expectations and clearly define your desired results.

"Our goal is to craft and solidify a brand so the credit union can carry on with other partners," Maguy concludes. "And we're most proud when credit unions can grasp what we're saying and then put their brand into action. Adapting and evolving through this internal lens is key to managing your brand effectively."

"When it comes to building a brand, it should be more about the members' story and how we provide services that enhance their lives. It's the members who drive our value proposition because what they need is why we're here."

– Lauren Tatro

intimately, and in this case, it was a good fit for us to take on the rebrand. The relationship helped us to uncover a brand nuance that another agency may not have as readily. However, there have been clients we've declined doing their rebrand because we felt the internal culture wasn't ready. It would be like the saying, 'putting lipstick on a pig.' Changing your name or brand to hide internal flaws is an expensive mistake to make."

CONSISTENCY IS ESSENTIAL

Once a brand is established, the goal is to keep it on course. Branding guidelines can assist credit unions with doing so. "These guidelines, also referred to as brand standards or a style guide, are a set of rules that capture how a brand should be portrayed in a visual context," explains Tom Kazar, group VP/ sales and business development for CUES Supplier member Franklin Madison (*franklin-madison.com*), Franklin, Tennessee. "Essential elements of branding include the corporate logo in various acceptable layouts, both color and black and white versions. It can also include the color palette and typography (type fonts). It can also include a designated web typography, since fonts can appear to look different on print pieces vs. digital." (CUES members can view the Franklin Madison branding guidelines document on CUESNet™ in the CUES Member Community library.)

It's important to build long-term brand equity systematically. Streufert reflects that your audience learns a little bit at a time, and because high-functioning brands take time to form, branding guidelines will instill consistency in communications. "It can't be done all at once, so think of consistency as a tool … that connects back to the emotions, experiences and expectations set in the audience's mind."

Still, brands are not simply a series of rules. "Brands need flexibility built in to be their best," adds Streufert. "Ask what makes your brand *your brand*. If it's healthy and high-functioning, the answer probably lies in intangible qualities: a consistent and distinct personality, an attitude, the way it makes you feel. Design guidelines are important, but only as a tool to serve and systematically build on those feelings."

Well-built brand guidelines will focus on a few hard-and-fast design rules, including typography, tone and some signature elements. (Think of Home Depot's orange aprons or GEICO's gecko.) "Beyond those core rules, the guidelines should 'walk the walk' of the brand," says Streufert. "It models how a brand should feel as much as how it should look."

Branding guidelines may also touch on social networks, merchandise, the website and how staff greet or speak with members. "It can become as specific as the organization chooses it to be," explains Rode. "Spell it out in your branding guide. Some are succinct, even just a page, others well over 100 pages. A lot depends on the complexity of your brand."

CAP COM FCU's branding guide includes personas, journey mapping and collecting and incorporating feedback from both members and staff. "Creating a better member experience means guiding our brand to evolve, even within the style guide," says Tatro.

"Finally, does what you're saying in your branding guidelines match who you are?" asks McDonald. "Does it help to deliver your brand promise, not only to legacy members but those you've defined as the 'ideal' prospective members? A brand guideline will help ensure brand components are recognizable by both audiences. It should also give you the flexibility to change, to evolve, so you can have fun and enjoy different moods and methods."

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

MORE ON BRAND

Digital Marketing Misconceptions (*cumanagement.com/ 0220digital*)

Facility Solutions: Building Consensus for the Branch Experience (*cumanagement.com/ 0719facilitysolutions*)

Build Your Credit Union's Social Media Brand (*cumanagement.com/ 0919build*)

Inside Marketing: Always-On Marketing Campaigns (*cumanagement.com/ 0519insidemarketing*)

Bo McDonald

Title: President/CEO

Company: Your Marketing Co.

Phone: 864.908.9291

Email: bo@yourmarketingco.com

Website: yourmarketing.co

What makes Your Marketing Co. unique?
We specialize in helping credit unions find fresh solutions to age-old challenges. But before we make any suggestions or bring new ideas to the table, we follow a time-tested onboarding process that helps us understand what makes each organization unique. This critical first step lets us break down barriers and present new concepts with clarity. This leads to predictable growth and the accomplishment of organizational goals. We believe that good creative is more than just eye-catching design and clever slogans. It's strategic communication that creates excitement and inspires action—and does so in a way that benefits both the CU and its members.

What keeps your clients up at night?
The ever-changing environment we live in creates fear that can paralyze CU leaders and keep them from moving forward. If we can help them overcome that paralysis and move ahead with vision and purpose, we all win. When a CU partners with us, we lead them through a thoughtful strategic planning process that provides clarity and perspective. Once they have a clear vision of what they want, our outsourced strategic marketing program helps them put that plan into action and see results. When we show our clients that tangible success comes from consistent execution of a strategic plan, the unknown becomes far less frightening—and I'm willing to bet they sleep better at night as well.

Tell us a client success story.
Last summer, a $23 million CU (that's now $28 million) called us to facilitate its strategic planning event. It's safe to say that call paid off. Not only did its net income grow 64% since the event, but membership and loans grew 12.4% and 22.33%, respectively.

"We were in our own way," the CEO shared. "The questions that Bo asked and the ideas he presented allowed us to see our credit union in a way that we had never looked at it before." After the six-month accountability check-in with YMC, the chair said, "We were a bit skeptical at first. It was a big investment for our credit union, but it paid off more than we could have imagined."

Amber Harsin

Title: CEO

Company: Prodigy

Phone: 801.451.9101

Website: cuprodigy.com

Why is a cloud-based core essential?

With enough money and programmers, any third-party application can be interfaced with (not necessarily integrated with) any core platform. However, today's marketplace moves extremely fast. CUs can't afford to wait six months, a year or longer to deploy new technologies. They *must* remain nimble. A modern, open core with a robust API is critical for bringing members the technology they need, when they need it.

A cloud-based core also gives a CU the control of an in-house system and the ease of maintenance of a "service bureau" system, while providing unmatched scalability. Use the computing power you need now—and if you need more later, it can be provisioned in a matter of minutes.

How does this help CU employees?

Because Prodigy Core lives in the cloud and is accessed from a standard web browser, employees can easily access it while working from home. This became a much more important factor in the face of the COVID-19 pandemic. Likewise, employees can run Prodigy Core on tablet computers, allowing them to, for example, facilitate "express" transactions in the teller line or even the drive-through line.

What are core-agnostic cloud-based infrastructure services?

Our cloud services allow any CU to move nearly all of its on-premise servers to our private cloud, which resides in our redundant, hardened data centers. This eliminates the costs associated with maintaining and upgrading on-premise servers and frees up IT staff to focus on something more strategic than, say, patch management. And, just like Prodigy Core, the CU's ancillary systems are much more accessible—no matter where the employee happens to be serving members.

Why is buying technology from a CUSO important?

There are three types of core providers: publicly traded corporations, private companies and credit union service organizations. Only CUSOs make CUs the top priority and give them a real say in the direction of the product. The CUSO model assures each CU that it is getting the technology it needs.

Online Voting and *Annual Meetings*

With government mandated social distancing measures being put into place around the globe due to the coronavirus pandemic, credit unions are looking for alternatives to in-person voting and in-person annual meetings. NCUA released an FAQ related to COVID-19 (*tinyurl.com/tcpfr5d)* and specifics related to annual meetings *(tinyurl.com/uhmjuv9)*.

CUES has also been fielding questions from credit unions wondering if there is quick alternative to in-person voting and trying to execute on the details of going virtual. As products & services manager for CUES, Laura Lynch has worked on credit union board elections, merger votes, bylaw votes and charter conversions for almost 15 years. Here are her answers to some common questions:

1. Can I conduct voting online instead of in person at my annual meeting? If the credit union's bylaws do not allow for online voting, per NCUA's FAQs around COVID-19, boards can amend bylaws with a two-thirds vote of its board. For Canadian credit unions, each province's regulators are making exceptions on a case-by-case basis.

2. How much time is required to set up online voting? Typically, our window is 30 days to set up online voting. Given the current climate, and pending quick decisions made by clients, CUES can fast-track election setup for most credit unions. U.S. federal credit unions also have the option to adjust their annual meeting date and election timeline. This could allow more time to pivot from in-person voting to online voting.

3. Can I conduct my annual meeting virtually? NCUA's recent COVID-19 FAQs speak to the legalities of virtual meetings for U.S. credit unions, and Canadian credit unions can check the Canada Business Corporations Act for guidance. Aprio, a CUES strategic partner, has also shared some important considerations when moving to a virtual annual meeting at *cumanagement.com/040620skybox*.

4. Are paper ballots still an option for voting? Yes. CUs can print and mail paper ballots to members. Through CUES, paper ballots and online voting can be offered in a hybrid election as well. CUES also offers phone voting. The USPS is considered a vital service of the government, and plans to continue service. Given the situation and how quickly things could change, however, offering an alternative method of voting—be it online or by phone—is advisable at this point.

CUESNet™: *Conversation Hub*

CUESNet has long been a place where CUES members get together virtually to talk over timely industry topics—and to help each other with challenges.

It won't surprise you, then, that considerations related to COVID-19 have been key topics recently on this online forum. Members have discussed flexible work schedules, remote work, self-care during a crisis, loan modifications and skip-a-pay offerings for members, paid leave for school closings, and supporting staff and board members from a distance. They have also shared sample pandemic plans.

If you're a CUES member and aren't following the dialogue, we encourage you to do so! Simply log in with your membership credentials at *cues.org*. Then visit *cuesnet.cues.org*. You can talk about COVID-19 in the main "CUES Member Community" or in the new "COVID-19 Discussion Community."

Once you're logged in to CUESNet, you can add to any of the conversations, start your own discussion, and access and post to the library.

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*.

MAY 14
12 p.m. Central
Elite Access: Creating and Sustaining an Inclusive Work Environment

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

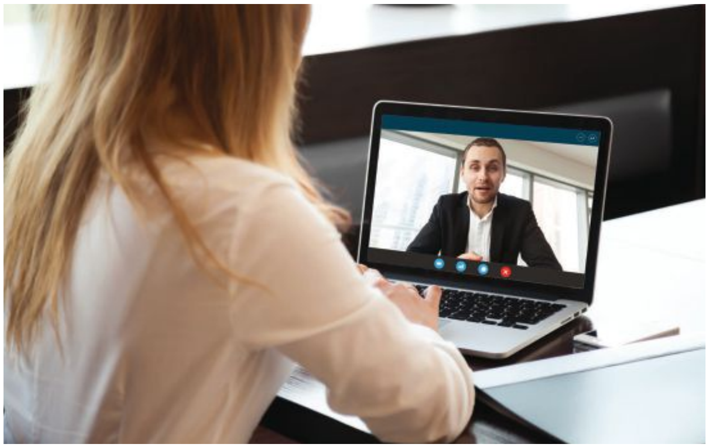
MORE ONLINE LEARNING
Access learning pathways through CUES Learning Portal, including three new ones:

- **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

To advertise, email ***cathy.woods@mediawestintl.com*** or visit ***cues.org/advertise***. CUES members, partners and Supplier members are noted in **bold**. CUESolutions providers are noted in **yellow**.



Purposeful Talent Development: *Leading a Virtual Team*

BY JENNIFER STANGL

In today's workforce, we have both on-site staff and remote staff. In our current climate, especially due to precautions surrounding COVID-19, working remotely has become a necessity for as many people as possible. Leading a remote workforce requires some different skills than managing in person, including setting up different expectations and managing different interactions. Whether there is a short- or long-term need for you to manage remote staff, you may be looking for new ways to manage workflows, workloads, collaboration and keeping your staff connected.

Here are a few tips for leaders managing remote workers:

1. **Leverage technology.** Be sure you understand what technologies are available and ensure that your team members have access to them and know how to use them. Several platforms support instant messaging and virtual calls, including GoToMeeting, Zoom, Microsoft Teams, WebEx, Google Hangouts and Skype for Business. Some of these are free to leverage amid COVID-19 and some may be included in software you already utilize.
2. **Set expectations.** Clearly set out the expectations you have for your team, especially for any team members that may not be used to working from home. Discuss whether the change in environment—and the change in society—means adapting working hours, timelines, meetings or other collaboration.
3. **Be intentional about connecting.** When you are working remotely, you don't have people walking by to give you a visual reminder to connect with others. Send someone an instant message, give them a call, or schedule more frequent brief (15- to 20- minute) check-ins with your staff.
4. **Reach out for support**. Recognize that it is OK to ask for help. Identify the leaders in your organization or within your network who have experience managing remote teams. Ask for guidance or recommendations on how to support not only your team but yourself.
5. **Share virtual development opportunities.** Development doesn't have to cease because of physical distancing and virtual work. There are a number of ways to continue to support your staff and their individual development, including asking someone to lead a team huddle, sharing a resource with the team, sharing CUES Learning Portal (*cues.org/clp*) pathway or attending a CUES Elite Access course (*cues.org/events*). Continue to support development and identify ways to build or leverage new skills in this virtual world.

Even if you and your entire team are working remotely, you can still lead an effective, collaborative and engaged staff. Use the five steps above to get rolling.

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

Leave a comment at cumanagement.com/033020skybox.

"Financial stress can take a toll on people's health, relationships and overall sense of well-being. They are looking for someone they can trust to guide them beyond their questions and concerns towards a bigger, better and brighter future. … Put people, along with their financial stress and pain, at the center of all of your thinking around digital growth strategy and I guarantee you will maximize your future digital growth potential in the decade to come."

James Robert Lay, CEO and founder of the Digital Growth Institute (*digitalgrowth.com*) in "Create A Bigger, Better and Brighter Future for Your Members" on CUES Skybox: *cumanagement.com/031620skybox*

Is your financial education program backed by research...

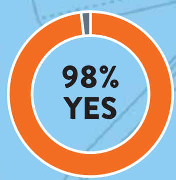
...and do young adults actually like it?

- IT'S A - MONEY THING®

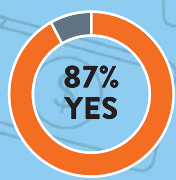
"Targeted at 15- to 25-year-olds, It's a Money Thing exemplifies high-quality financial education programming."

– Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University

SURVEY OF 368 YOUNG ADULTS



Should this content be presented in high schools?



Should financial institutions offer this content?

CURRENCY FINANCIAL EDUCATION EXPERTS

DOWNLOAD RESEARCH REPORT **bit.ly/fileneresearch**

MOVING TO A BETTER PLACE.

You're going to love our new approach to mortgage lending. Get ready to see an array of tools and technologies designed to provide your members with best-in-class service. Whether online or in person, mortgage lending has never been easier – or faster. Think of it as taking a solid relationship to the next level.

YOUR HOME FOR *solutions*

cumembers.com

800.607.3474

marketing@homeloancu.com

CU MEMBERS Mortgage