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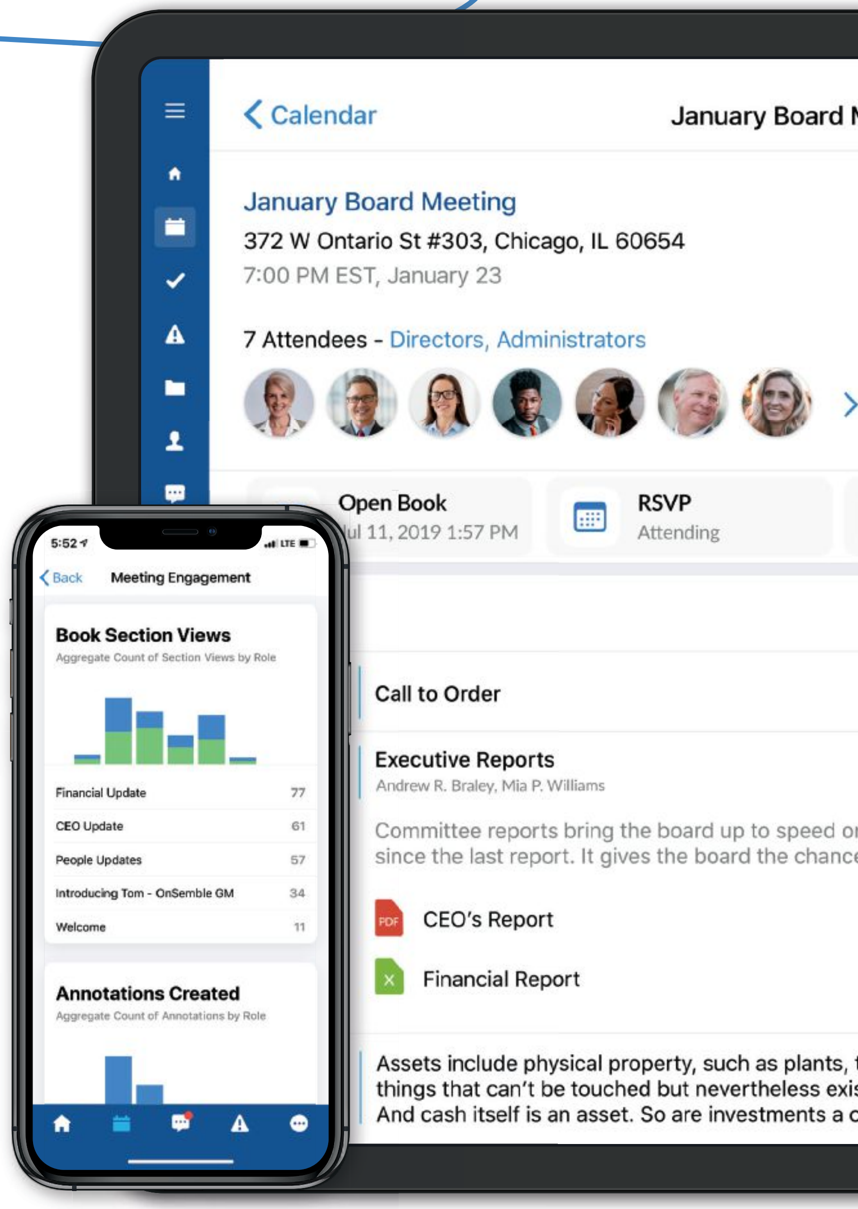

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CUES Video

The Inspiration Behind MSU FCU's Award-Winning Talent Development Program

President/CEO April Clobes, a CUES member, describes how the program delivers on Michigan State University FCU's core value of pursuit of growth and development.

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Online-Only Column

From John: Learning for the Long Haul of This Pandemic

Because of COVID-19, everything digital is getting a boost. Video meeting tools have vastly improved. Work-from-home capabilities have been fostered. And digital learning is on the upswing in both quantity and quality.

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CUES Podcast

Why You Should Develop Your Board Liaison as a Professional Governance Resource

The job of board liaisons is multi-faceted and evolving—and it's a good idea for organizations to foster their development, according to Julia Patrick and Michael G. Daignealt, CCD, in this podcast episode.

cumanagement.com/podcast96

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YOUR THOUGHTS

WHAT QUESTION WOULD YOU LIKE ANSWERED ON THE CUES PODCAST?

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

Celebrating *100 Episodes!*

The 100th episode of CUES Podcast is set to hit the airwaves this month, and to celebrate, we asked you to help shape the topics that will be covered in this milestone installment and in future episodes.

We have had a great response with many interesting and reflective questions. While it's too late to submit a question for our 100th episode, we hope to continue this question-and-answer format going forward. I encourage you to leave a voicemail at 325.603.2589 or, if (like me) you're not a big phone fan, submit a question using the form at *cues.org/podcast100*. We'll reach out to industry experts to answer your question on a future episode of the CUES Podcast. If you don't delay, it's *not* too late to enter our contest for wireless earbuds (see below for details).

We launched the podcast in late 2016 with host James Lenz, professional development manager at CUES. Later, CUES Senior Editor Lisa Hochgraf came on as an alternate podcast host.

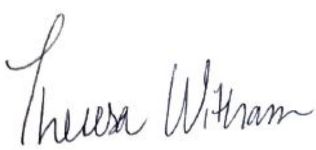
"Over the years, we've explored topics like strategy, member experience, marketing, mentoring, innovation, governance and leadership. More recently, we've focused on topics to help today's leaders deal with current crises," says Lenz.

The most-listened-to episode has been No. 19 with Linda Bodie, CEO/innovator at Element FCU, Charleston, West Virginia, speaking about innovation. Episode 73 has also been popular. In that show, Deedee Myers, Ph.D., and Peter Myers of CUESolutions provider DDJ Myers (*ddjmyers.com*) speak about how to smash a CEO interview. More recently, listeners tuned in to hear Tim Green, president/CEO of F&A FCU, Los Angeles, talk about his CU's proactive pandemic response. Find all past episodes at *cumanagement.com/podcasts* or on the podcatcher of your choice, including Apple, Stitcher or (my favorite) Overcast.

It is hard to pick my favorite episode, but I have especially enjoyed episode 83, "How Leaders Can Foster Creativity," with Beta Mannix, Ph.D.; episode 76, "How to Recruit, Engage and Retain Millennial Directors," with CUES 2018 Distinguished Director and member James Sackett; and episode 55, "The Strategic Gut Check," with consultant Bryn Conway, MBA, CUDE.

"The CUES Podcast averages 900 downloads a month, offering a free and easy way for the industry's professionals to hear directly from experts," says Lenz.

Those who leave a question before Sept. 7 and meet qualification criteria will be entered to win a pair of Jabra Elite 65t earbuds, valued at $150. Learn more about participating and see the contest rules at *cues.org/podcast100.*



Theresa Witham
Managing Editor/Publisher

Time for An *Organizational Tuneup?*

BY CHARY KROUT

The world is evolving quicker than ever, and financial services are not exempt from these market changes. Over the last several months, credit unions have helped members find new ways to connect by leveraging online channels and redesigning branch experiences. They have deployed employees remotely, and teams are working efficiently and productively. Now, leaders should focus on their organizational structure—how it's been affected with the changing landscape, how it's impacting the way work gets done and how it's preparing the CU for the future. A well-designed organizational structure will improve work efficiency and output, bring more value to members and help employees through future changes in business direction as the financial industry continues to evolve.

MAKE A CONNECTION TO STRATEGY

Long before COVID-19, the credit union industry consistently delivered exceptional value for members. And now, it's a more opportune time than ever to evaluate how organizational structure can drive business strategy and an improved member experience. Understanding how your structure delivers on the mission and vision and the strategic plan should be your primary focus. It helps to start by evaluating the current structure and asking questions like: Have projects and initiatives strayed from delivering value? Are there employees whose role has changed and should be deployed to new teams? Clearly defining how departments and divisions impact the mission, vision and values will be imperative as our businesses pivot, ultimately helping employees understand why changes are happening.

CREATE THE IDEAL STATE BEFORE YOU ADD THE PEOPLE

It is a best practice to design organizational structure without individual people in mind for roles, evaluating how work and decision-making should happen to be most productive. It's hard not to take into consideration personal relationships and individual strengths of people. Along with the challenges of letting current employees dictate the structure, business events like leadership exits can cause changes in structure that never get reviewed. A good example is the temporarily re-assignment of departments or projects during a vacancy, and when a new hire is on board, the decision is not revisited. Important questions to ask: How will work get done most effectively, with little friction, with expedited decision-making? Is the structure a result of personal relationships or old decisions that need to be reviewed? When organizational design review is a frequent occurrence, it addresses gaps much quicker and improves people's experience with these changes.

CONNECT EMPLOYEES TO THE BIGGER PICTURE

Employees are keen at identifying where there is inconsistency in reporting and titling due to an unmanaged organizational design, and oftentimes we can't deliver a thoughtful response as to why. Leaders need to be able to adapt on the fly, add new roles with needed skillsets to remain competitive, yet understanding and evaluating differences in organizational design is key. It is important to address reporting irregularities that create silos and frustrations for employees. They want to understand how new roles impact the overall success of the credit union, how they will have access to information (that is often cascaded down from the top) and desire access to leaders who can help elevate their challenges.

ENSURE EQUITY WITHIN ROLES

Expectations of employees with reporting relationships that skip levels can create performance inequities. For example, if a director reports to an executive team member, yet a director in a different division reports to a vice president, might there be differences in expectations and deliverables? What if one director is expected to create a strategic plan, but that's not in the general director job description? If this leader is expecting more from the director, could there be pay inequities? Evaluating roles and responsibility by each title, and then reviewing reporting structure and its impact on role expectations is an essential activity.

PROVIDE GUARDRAILS FOR LEADERS

Leaders are morphing their teams to meet the needs of members by reassigning functions or even moving employees to different departments as business direction changes. Without thinking of the larger organizational picture, these leaders may have already designed their future team structure, and it can be difficult to undo or change course. Without guardrails and best practices documented with considerations like reporting layers, span of control for teams, or titling requirements, it can create inconsistencies across the business and create confusion for employees about variations.

GET STARTED TODAY

First, find an outside partner who will respectfully challenge decisions and continually encourage new ideas. This partner is important because they won't know the reasons why the current structure is the way it is and can offer industry specific trends that align with your strategy. Invite key senior leaders to the table, set the stage that nothing is off limits, and start digging in. Here are a few questions as the project kicks off:

- What are the most important focus areas needed to deliver more value and improve the member and employee experience? What would really drive the mission and vision forward?
- If the organization structure could be totally redesigned to align with the strategic plan, and there weren't any employees hired yet, what would it look like?
- What is the current state across all teams? Is a centralized/decentralized model working? Is there misalignment in reporting structures?
- What process is needed to review the current structure? How will the redistribution of functions, reassignment of reporting relationships, and titling inequities be addressed? What is needed to create best practices for other leaders?
- What if people in key roles make an exit for retirement or other job opportunities? Do you have a robust succession plan in place to fill any talent gaps?

Pivoting to address our changing world includes understanding how to leverage people to achieve our strategic objectives. This focus will improve work efficiency and output and drive high levels of engagement for employees and leaders who want a work experience where they understand how work gets done, how decisions are made, and how they fit into the bigger picture.

Chary Krout *is co-owner & partner at Cultivate (*cultivateresults.com*), Vancouver, Washington. With 25 years of service in the CU industry, she has dedicated her career to helping employees and leaders be their best.*

CARES Act: *What Plan Sponsors Should Know*

On March 27, Congress passed, and the president signed into law, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a massive relief bill for those suffering as a result of the coronavirus pandemic. Besides the generalized financial relief afforded to individuals, as well as loans and other concessions for businesses, the new law includes provisions to help retirement plan participants and sponsors.

A free whitepaper from CUESolutions provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin, outlines what the act does for both plan participants and providers. It also discuss some of the additional retirement plan issues related to economic downturns. Download it at *cumanagement.com/caresactwhitepaper.*

The Power of the *Prototype*

Picture this: Your branch system is no longer relevant and lacks technology, which, in turn, no longer attracts consumers. What solutions can help you start transforming your branches? Create a prototype design that all your spaces can be modeled after.

"The strategic framework around prototype design develops from three fundamental questions that must be answered: Who are you? Who do you want to serve? What do you want to sell? Thus, an innate understanding of the marketplace, targeted segments, and the internal knowledge and resources needed to build business all collectively inform design," says Scott Florini, VP/strategy at CUES Supplier member NewGround (*newground.com*), Chesterfield, Missouri. Read more in a free whitepaper at *cumanagement.com/prototypewhitepaper.*

Contactless "tap-and-go" transactions continue to gain adoption. Debit contactless transactions have grown from 9% pre-pandemic to 12.6% of card-present activity on contactless debit cards. Contactless credit transactions have also grown from 6.5% to 9.2% of card-present activity on contactless credit cards.

Source: Tracking Transaction Trends for the week ending Aug. 2, from CUESolutions provider PSCU (*pscu.com/COVID19*), St. Petersburg, Florida. Each week experts from PSCU's Advisors Plus and data and analytics teams release year-over-year weekly performance data trends to identify the impact of COVID-19 on consumer spending and shopping trends.

Strategic *Speed*

HOW CREDIT UNIONS CAN APPLY THE SAME AGILITY OF THEIR PANDEMIC RESPONSE TO ONGOING EXECUTION

BY KAREN BANKSTON

When credit union leaders could finally take a step back and consider all the changes made in short order to serve members and protect staff amid the COVID-19 pandemic, they may have surprised even themselves with the agility and flexibility demonstrated in that response.

The challenge moving forward is how to apply the same adaptability to confront competition and disruption in the financial services sector and to seize new opportunities. Given the tendency among some credit union leaders "to hang their hats on stability and conservatism," the nimble response to the pandemic across the industry could be a dramatic watershed moment that facilitates more acceptance of the ongoing need for organizational agility, says John Oliver, principal with CUplanner (*cuplanning.com*), Palm Springs, California, and lead faculty of CUES School of Applied Strategic Management™ (*cues.org/sasm*).

"Strategic agility is what markets are demanding. The notion that we might have to reinvent ourselves is tough to deal with, but the pandemic has pointed [out] that need even more," Oliver says. "I hope the mentality has shifted with the realization that we can innovate and serve people in different ways, especially with the speed of evolution in shifting consumer behaviors likely to be a permanent trend."

LOOK BEYOND THE KNOWNS

In acknowledging the need for change, credit unions will have to accept greater degrees of risk, Oliver notes. "Any change involves risk. Strategic change involves risk. There has got to be an acceptance of that risk, and step one in building that acceptance is an understanding that there is even more risk in not changing. There is no such thing as the status quo if the world is changing around you."

Oliver advocates for the use of discovery-driven planning, a phased process that taps into institutional knowledge and business intelligence to begin to steer strategy. Even with all the daunting unknowns in the current environment, "there are lots of things we still do know, so we can ground these

“The notion that we might have to reinvent ourselves is tough to deal with, but the pandemic has pointed [out] that need even more.”

– John Oliver

discussions in the comfort that we all get from those obvious facts,” such as data on the markets the credit union serves and its internal structure and technology capabilities, he says.

Building on that foundation, leaders move on to what they can comfortably assume about the future based on industry data, technology trends, competitive trends and the likelihood that COVID-19 will at some point be controlled.

The next step is to consider “a limited set of likely and less likely alternatives to get a bit more of a strategic spectrum of what could these be,” he explains. An example is the question of whether members who’ve embraced digital channels during the pandemic will ever return to branches.

Then leaders think about the outer limits of those future possibilities, both the most positive potential outcome and the worst-case scenario. Finally, they turn to “what is completely unknowable,” a discussion that can be deeply uncomfortable, Oliver acknowledges. But it can be reassuring that “unknowables do tend to migrate toward the knowable as crises become resolved.”

In short, “you can control the knowable, you can prepare for the likely, you can be aware of the unlikely, and you can acknowledge the unknowable”—all in a reasoned discussion, he concludes.

FOSTER DIGITAL PASSION

On the member service front, management teams must find a faster approach to identifying needs, finding solutions and laying out those solutions, suggests Tim Harrington, president of TEAM Resources (*forteamresources.com*), Tucson, Arizona, who offers four strategies toward that end:

1. Better facilitate the upward flow of information and ideas from frontline staff and other younger employees who tend to embrace the latest technology.
2. Restructure C-suite positions—and perhaps the people in those positions—with a greater emphasis on advancing technology delivery. “Consider, ‘Do we have people in the top five or seven positions who are digitally passionate?’” he suggests. “If not, restructure to get people up there who have that digital passion, because change doesn’t take place if you’re lukewarm about it.”
3. Quicken the pace of gathering input on what products, services and delivery channels members want and need. Surveys may be one source, but interviews and group sessions—these days via remote meetings—typically offer more detailed perspectives on which financial services members and prospective members are using and what they find appealing about other service providers.
4. Roll out products and services more quickly and modify them based on member feedback. “You can’t take forever to put a product out. You have to get it out probably sooner than you would like to, but once you get it out, it doesn’t mean it’s done,” Harrington says. “Whether it’s an automated lending product, a debit card or a mobile app, you have to continually fine-tune it based on the data about how members are using it.”

The shift toward increasing technological reliance is changing the skill sets managers and executives wield on a regular basis. For example, for chief lending officers, “underwriting skills won’t be as important as their ability to automate as much as possible operationally and to analyze the use of that automation,” Harrington says.

Although some organizations continue to rely on reviewing loan applications manually with the rationale that analyzing each member’s situation is a valued service, Harrington cautions that this approach may just seem slow to members.

“You have to be nimble in setting up the underwriting parameters as quickly as possible and then in continually analyzing the results. Is it too conservative? Is it too aggressive?” he says. “Market conditions keep changing, so you have to keep looking at it to see if it’s still working.

“Keep in mind, however, that consumers don’t want technology. What they want is to get whatever they are looking for faster, easier and maybe cheaper,” he adds. “It’s about convenience and speed, and technology is usually the answer for that.”

MAINTAIN FORWARD MOMENTUM

Since $5.7 billion Redwood Credit Union (*redwoodcu.org*), Santa Rosa, California, began implementing its pandemic response, President/CEO Brett Martinez has been compiling a list of changes his staff put in place with surprising speed that will become permanent fixtures in its operations:

Improved distributed call center system. In previous disasters like major wildfires and extended power outages, the credit union had relied on backup call center support. But that service was overwhelmed by demand this spring, so Redwood CU figured out the technology to reroute calls to branches so successfully that the credit union reduced average wait times to its lowest ever.

“Going forward, we’ll still have a backup call center, but we’re also going to continue to use the resources we’ve developed to make sure that when somebody calls us during peak times, we’re answering the phone,” Martinez says. “The technology we implemented was basically in place, but we were able to move on a dime and take it to the next level.”

Video annual meetings and staff interactions. Redwood CU set up a proxy system for its annual meeting this spring, but in 2021 and beyond, it will invite members to an annual video conference, “which really opens up the annual meeting to all of our membership, not just the ones who are close to our main office and show up every year,” Martinez notes.

Shifting annual meetings to a virtual setting is one of those changes that might have been more difficult without a pandemic, he adds. If Redwood CU had just stopped holding live meetings, there might have been pushback from the 100 or so members who typically attend, but in the current environment, the move is viewed as a positive change that can be permanently implemented.

The sudden shift to remote operations has also helped employees improve their video chat skills, which had previously been a longer-term strategic goal as the credit union was building a second back-office location.

"We wanted our employees to get really good at video instead of driving from this office to that office for meetings, but we thought it was going to take a while for everyone to make that transition," Martinez says. "We've been telling our staff, 'You've got to turn on your camera, because there's more connection and engagement than when you just talk by phone.'"

The CEO regularly uses video meetings himself, including a monthly advisory session with dozens of non-management staff representing employees from 24 locations, including 19 branches, four back-office centers and an auto dealership. "Face-to-face is nice, but video is faster and more efficient. And we can still see each other's faces so we can engage. So even when we go back to the office, we're not going to fill up meeting rooms regularly."

Printed documents. Like many other businesses, Redwood CU maintained a big network of printers across its locations. "We've been trying to move away from them and go all digital, but everybody was holding onto the printers," he notes. "Now everybody's working from home with zero printers and zero issues. So, as people come back to the office, if the attitude is 'Let's start printing stuff again,' nope, we're not going backwards."

APPLY MEMBERS' POV TO PROBLEM-SOLVING

Many credit unions applied aspects of agile methodology in developing their pandemic response, notes Anne Legg of Thrive Strategic Services (*anneleggthrive.com*), San Diego. They assigned teams to create "user stories" to define problems, and those teams worked in short development cycles to craft solutions honed in iterative fashion based on user and member feedback.

The same approach can be used in longer-term strategic planning and execution, Legg says. A key agile tenet is to stay centered on users' needs—to identify the problems members are trying to solve from the members' perspective rather than in terms of credit union products. That typically comes down to four problems members look to their credit unions for help in solving, she suggests:

- "I have a shelter problem," *not* "I'm thinking about a mortgage."
- "I have a transportation problem," *not* "I need an auto loan."
- "I have a travel problem," *not* "I want to apply for a credit card."
- "I have a rainy day and/or retirement problem," *not* "I'm looking for information about your short- and long-term deposit products."

Shifting perspectives might steer a credit union looking to solve members' transportation problems to bring together several departments to figure out how the auto loan process works and doesn't work: the tech team to identify pain points in online and mobile applications, marketing to look at how offers are made to members, and lending to tackle rates and terms.

"Put your member hat on and figure out, 'Where are the friction points?'" Legg advises. That investigation might turn up gaps in how members shopping online or at car lots connect with their credit union. A common disconnect is mailing preapproval certificates to members who'd prefer to apply online for an auto loan.

Once those friction points are identified, the team should prioritize problems it can fix quickly over those that require a longer runway. In the preapproval certificate example, the solution might involve sending the offer via email with an interactive link and making sure call center and branch staff are trained to respond when members accept the offer.

"There are going to be a lot of small yes/no projects that you start working right away," Legg notes. "You set up very tight deadlines. What can you do in two weeks? What can you do in one week? You're not waiting for 30 days, 60 days or half a year. You start solving all of these problems quickly, and you start making and accomplishing goals, which allows you to move faster strategically."

The most common obstacle in applying a more agile approach to strategic execution might be getting managers and staff used to change.

"You're asking for your leadership team and everybody else to be nimble, and that's not something that credit unions are usually known for," Legg says. "Plus, if you've always done it one way, you know how that works. It feels a bit awkward to have to say, 'What if we thought this was the solution and it didn't go anywhere near the way we expected?' That's OK. That is part of changing culture and becoming more flexible, adaptable and able to pivot."

STRESS-TEST LEADERSHIP CAPABILITIES

There has been no one-size-fits-all path through the pandemic. While many credit unions shifted member service exclusively to online channels and drive-thru access at branches, that wasn't an option for $1.2 billion Michigan First Credit Union (*michiganfirst.com*), Lathrup Village.

"We have a lot of lobby traffic, and we don't have that many drive-thrus because the vast majority of our branches are in supermarkets," says President/CEO Michael Poulos. "We did set up an appointment process to try to regulate the flow of branch traffic. But one decision we made early on was that we would not do anything that would send an overt or covert message to our members that their money is not available to them around the clock."

Michigan First CU had worked through pandemic response planning in the past as part of disaster preparedness, but no tabletop exercise could anticipate the fear and emotion evoked by the COVID-19 outbreak, Poulos notes. Some employees were deeply concerned about their health and safety and that of their colleagues, which prompted a recognition of the need to overcommunicate about the credit union's response.

Having made the commitment to keep branches open to members, managers set about procuring the personal protective equipment employees would need to provide in-person service and dealing individually with special circumstances facing staff. Some needed to stay at home with their school-age children and were able to obtain financial assistance through the CARES Act to replace their paychecks. A few quit their jobs rather than work directly with the public.

"I will say that the vast majority of our team members came to work every day. They adjusted with the [protective equipment] we made available to them. It was a case of adjusting and adjusting and then adjusting some more," Poulos says.

Michigan First CU's leadership team met daily in a face-to-face meeting to talk through any unexpected issues, and Poulos

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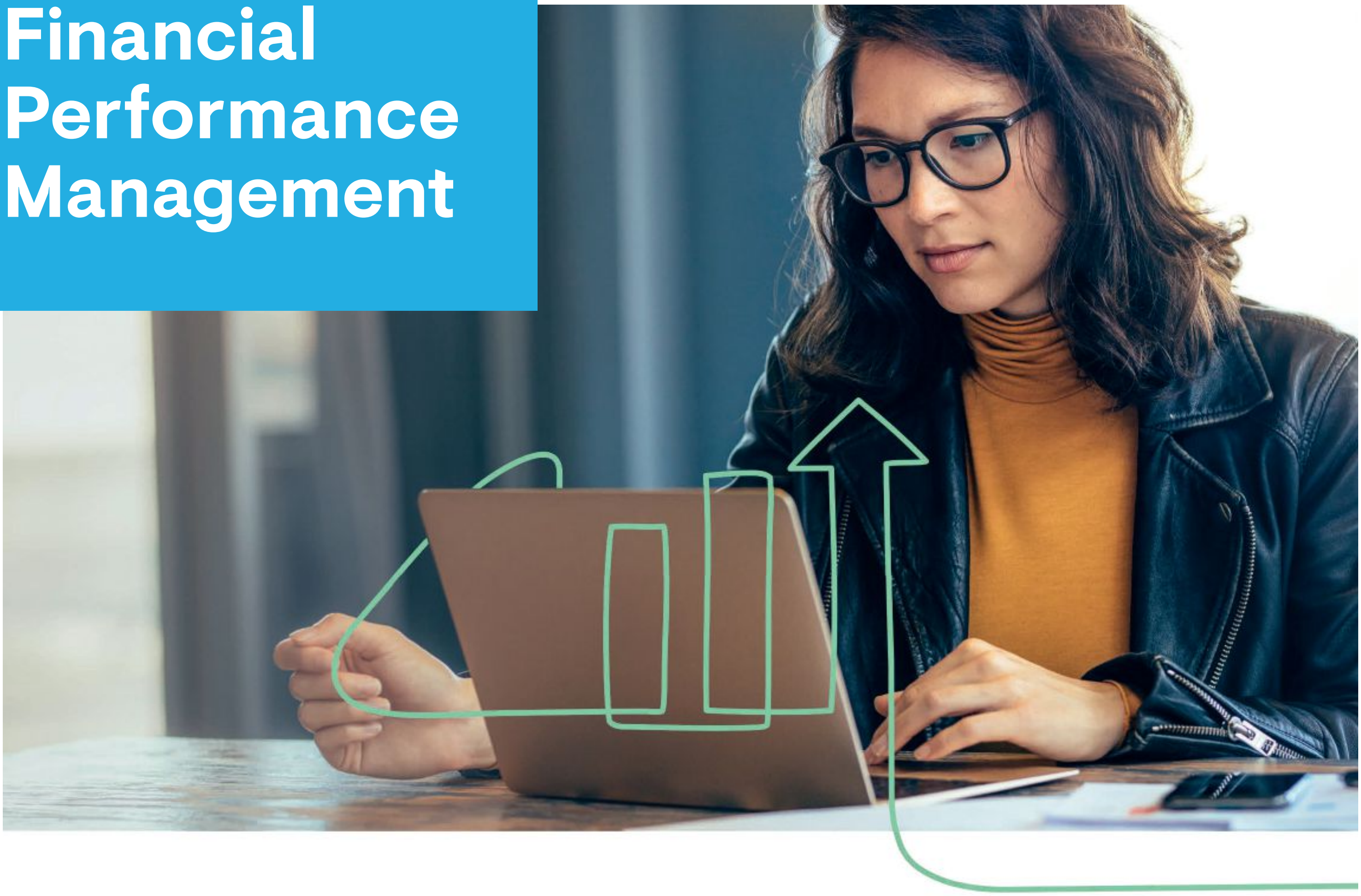

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> **"Whether it's an automated lending product, a debit card or a mobile app, you have to continually fine-tune it based on the data about how members are using it."**
>
> – Tim Harrington

provided regular updates to the board so directors understood the credit union's response—while maintaining their commitment to governance without taking on operational issues. The board met via WebEx in April and May but went back to an in-person meeting in June, with about a third of directors joining remotely.

"What we did find is that when we do WebEx-type meetings, the interaction isn't as good or as smooth as when we're in the same room," he notes. "We got through those meetings, but I think the desire has always been to go back to face-to-face."

For all the disruption the pandemic has caused, it did afford credit unions the opportunity for some "real, live stress testing"—not of the balance sheet, but of leaders' ability to respond in a crisis, Poulos says.

"We discovered that we have a lot of strength that we might not have recognized. We saw our management teams perform well over a couple of months, day in and day out. It was actually quite impressive," he adds. "It's reassuring as a CEO to know that we've got that kind of depth and strength in the leadership team. If they can handle something like this, there's pretty much nothing they can't handle."

ADOPT A CYCLICAL APPROACH

Like everyone else, credit union leaders would love to get back to business as usual, but they need to resist assumptions that their pre-COVID strategic plan is still a good blueprint for the future, says Michael Daigneault, CCD, CEO of CUES strategic partner Quantum Governance (*quantumgovernance.net*), Herndon, Virginia.

"I hope they will be as strategically nimble as they have shown they can be operationally nimble," Daigneault says. "For many credit unions, it's not just about analyzing whether they need to change their strategic plan but whether they need to change their process of strategic planning and thinking."

Credit unions still adhering to a more traditional strategic planning calendar of developing three- to five-year plans with annual check-ins should consider a more cyclical approach, he recommends. Cyclical planning incorporates strategic planning and thinking into management responsibilities and the board's governing duties, so that leaders are holding ongoing strategic discussions.

That doesn't mean a credit union changes its strategic plan at every board meeting or even every year, Daigneault notes, but that the board and management are open to adjusting the strategic plan as necessary when crises like a pandemic arise or in response to shifts in the economy, competitive environment or society.

Scenario planning can be a helpful tool as part of cyclical planning, he suggests. In the current crisis, for example, leaders can consider responses to several possible futures: What if the economy bounces back fairly quickly? What if the recession takes on a more U-shaped elongated pattern? What if we end up in a depression? How will the credit union's strategic plan shift in each of those scenarios?

This more flexible approach reflects the difference between strategic planning and strategic thinking. Strategic planning is about analyzing how to break down organizational goals into a set of steps and metrics. It is possible to get overly immersed in that analytical process, which might account, at least in part, for the credit union movement's risk-averse, conservative nature, he suggests.

"Strategic thinking is more about synthesizing. It involves intuition and creativity. It's about creating some sort of vision or direction and then moving in that direction," Daigneault says. "Both are important functions for credit unions, but the format in which they do them has been changing. If anything, the COVID crisis has caused more and more credit unions to realize that they can make changes much more quickly than they'd expected.

"When is it appropriate to do strategic thinking, strategic planning and perhaps changes to strategic plan? The answer is: All year long. It can happen at any time," he adds. "The environment doesn't care about the timing of the traditional strategic plan cycle. The environment changes when the environment changes.".

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

MORE ON STRATEGY

Don't Set Aside the Future As You Put Out the Fires of Today (*cumanagement.com/0420future*)

Becoming Masters of Disaster Response (*cumanagement.com/0720masters*)

Q&A: Steering Clear of 'Deer in the Headlights' Syndrome (*cumanagement.com/0820steering*)

Is Today Like the Great Recession or the Great Depression? *(cumanagement.com/0720recession)*

Setting Strategy and Planning for Growth Even in Tough Times *(cumanagement.com/podcast94)*

Optimizing Performance in Crisis Mode *(cumanagement.com/0720optimizing)*

CUES SUPPLIER MEMBER SPOTLIGHT

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Mobile First *Means Members First*

CREDIT UNIONS MUST BALANCE THE PERSONAL TOUCH WITH KEY FEATURES TO PROMOTE SUCCESSFUL TECH ADOPTION.

BY ART CHAMBERLAIN

Having a top-notch digital platform with easy-to-use mobile functionality is fundamental for the survival of credit unions in 2020.

The importance of mobile banking has been dramatically highlighted this year by pandemic restrictions that have driven some members to rely heavily on mobile and online services rather than branch visits and pushed others to reluctantly join the digital age.

There are two elements to the impact of mobile on credit union survival. First, a growing number of members want to do transactions on their phones or laptops, a trend that was gaining steam long before the pandemic. Second, credit unions are living in a low-interest rate, low-margin environment that puts a premium on efficiencies and cost savings. And the savings from having a member handle transactions on their phone, instead of at the counter, are dramatic.

MAKING THE SHIFT

"For us, it costs about $23 for a person to walk through the door of the branch, and it costs about 97 cents to complete the same transaction digitally," says Greg Mitchell, president/CEO of $14.4 billion First Tech Federal Credit Union (*firsttechfed.com*) in San Jose, California. "So, if the average member is holding $5,000 in deposits and they come into the branch 10 times a year, that's costing you $230 and you're not making $230 from that relationship. If you get enough of that unprofitable maintenance in a thin-margin environment, you've got problems."

The answer is "to embrace a lower-cost

“There are lots of people out there to provide the technology at a really low cost. The problem is that many organizations are not prepared emotionally or culturally to make the change.”

– Greg Mitchell

method of delivering goods and services,” Mitchell says. That approach may be easier for First Tech FCU than for most, given its background and membership. As its name hints, the credit union was started in 1952 by employees at Hewlett-Packard and Tektronix and now serves 620,000 members in select employer groups in all 50 states and around the world.

“We’ve been at this for about eight years,” Mitchell continues. “We leaned hard into digital and a mobile-first ethos many years ago.”

Like most credit unions, First Tech FCU has recently found members shifting to mobile out of necessity, then discovering it’s quick and convenient, even though the credit union’s branches have remained open. Mitchell expects few will go back to using those branches for transactions when life returns to normal, noting that studies show once consumer habits have been changed for 60 days or more, people don’t revert to their old ways.

A survey by J.D. Power confirms his assessment. As reported by The Financial Brand, the survey found only 46% of consumers say they will go back to “banking as usual.” The biggest change will be the increased use of mobile banking (20%), increased use of online banking (17%) and decreased uses of branches (10%). The survey also found that 35% of consumers who used online banking did not use mobile options before the COVID-19 crisis hit (*tinyurl.com/yyehshcn*).

Many credit unions have found the dramatic increase in mobile use this year has come from people who were already using it a bit, not newbies making a complete switch in behavior.

“Those that were using it are using it more,” says Michael Abare, principal product manager of Fusion Digital Banking at CUES Supplier member Finastra (*finastra.com*), New York. “There is also a segment of users that may not have been as technically savvy or comfortable using digital who have been forced to become comfortable with it.”

About 120 of the 300 financial institutions using Finastra’s digital platform are credit unions, and CUs’ community-based, personal approach has been in evidence through these digital channels during the pandemic. For example, some have used ads available on the platform to promote local businesses that are open or COVID-19 testing locations.

Lee Wetherington, director of strategic insight at Jack Henry & Associates Inc. (*jackhenry.com*), Monett, Missouri, which offers the Banno digital banking platform, says the pandemic has highlighted the benefits of mobile to many consumers, but has also shown its limitations.

“Digital has always been important, but now it’s no longer optional,” Wetherington says. “The more interesting part of what we have learned in the pandemic is the corollary, which is that self-service is not sufficient, and there is a tension there, because historically the application of technology in banking has been limited to the enablement of self-service.”

KEEP IT PERSONAL

Wetherington says that when people are doing mobile transactions, they can run into issues that stump them and require them to get assistance. But the problems arise at different points for different people requiring a personal touch to get back on track.

The Banno platform (*banno.com*) provides a secure chat capability that allows users to message with a credit union’s branch or call center. One major advantage for credit unions is that a staffer can handle up to half a dozen live text chat conversations at a time, increasing their efficiency.

The chat feature “extends credit unions’ personal service in and through digital channels,” he says. Plus, “it often equips the credit union to sell in the context of that service, in the context of the conversations that are originating at a moment of need.”

Is this service going to evolve into video chat? Wetherington says it will eventually but not immediately, in large part because of the way we use our phones. People are often doing their banking while in their bathroom or bedroom or lounging on their couch. “Consumers generally don’t want to be seen in those private settings,” he notes.

The answer is different for business members, who have more complicated needs and may want to turn to video chats so they can get the answers they need to more complex questions in a trusted environment.

Despite the increased usage of mobile and online banking due to the pandemic, the J.D. Power 2020 U.S. Retail Banking Satisfaction Study, released in April, shows that consumers who rely on digital banking services are the least satisfied customers (*tinyurl.com/y24kaxjp*). The root of the problem may be that credit unions and banks have used technology to cut costs and reduce human interaction too much.

“All the self-serve digital banking removed the human part of the credit union for the sake of a quicker, better, hopefully faster self-service,” Wetherington says. “Full-service ‘personal digital’ now fulfills the central idea of the credit union movement—that is, people helping people.”

Rick Menjivar, COO of $98 million United Methodist Federal Credit Union (*umfcu.org*), Montclair, California, is a happy user of the Banno platform.

Until this March, United Methodist FCU, which has 5,000 members and operates in five states, had a digital platform that was subpar. Rolling out a new digital platform as the pandemic hit was a challenge, but it turned out well.

“Online was dated, and mobile was horrible,” Menjivar says. “My goal for 2020 was to become relevant in the credit union

industry, and that's what Banno really did for us. It put us in the forefront, so we can go mobile first from now on."

Before the transition, United Methodist FCU had only about 100 regular mobile users; now, that number is already over 650 and is growing rapidly. The credit union is working on upgrading its digital applications for new members and for loans and, once they're in place, will launch an ad campaign aimed at church members.

"Our challenge is with our aged members, who weren't sure about the new app, but now they're happy they can do remote deposit capture and have real-time alerts," Menjivar says. "We are poised now to go head to head with bigger credit unions in our regions."

FINTECH COLLABORATION AND INNOVATION

Arvind Sharma, chief digital and payments officer at $6 billion Central 1 Credit Union (*central1.com*) in Vancouver, British Columbia, says its Forge Omnichannel Digital Banking Platform (*central1.com/forge*) has more than 160 credit unions across Canada committed to its use and has already launched 23 projects across public websites, mobile apps and online banking.

Forge is built on a platform developed by Backbase (*backbase.com*), Atlanta, and includes elements from several fintechs, with Central 1 overseeing the 'Canadianizing' of the product.

There are unique Canadian payment aspects that have to be considered—for example, the presence of Interac (*interac.ca*), the funds transfer service between accounts at participating financial institutions. "These characteristics are the real expense of Canadianizing," Sharma says. "We incurred that expense—we did it for Canada on Backbase. So if somebody comes to us, they don't have to Canadianize it; they get it out of the box."

The Forge platform allows fintechs to integrate and access customer data. "We don't want to build it alone—we want to partner with a fintech, have them integrate into our system, and that will allow them to get customer data, to further develop the digital experience," Sharma says. "It's much quicker to come together as a community to develop innovation than we would be able to do it individually."

> **"It's much quicker to come together as a community to develop innovation than we would be able to do it individually."**
>
> – Arvind Sharma

The pandemic has led credit unions to move more quickly to introduce online and mobile features, Sharma says. "We've had an uptick in all those kinds of asks."

He says one of the reasons to focus on mobile first is the constraints imposed by the small screen.

"The great thing about mobile is that it forces you to think about things in a different way, and to think about things such that they can be done on that small screen and with what is in your wallet," he says. "Organizations tend to think about products, tend to think about features, but what they should think about is the customer first and think about moments that matter to the customer."

Sharma says credit unions need to think about how their members use mobile so that they are ready to satisfy a need when it arises. CUs are currently looking for mobile ways to originate loans and provide other products so that members don't need to visit a branch.

Libro Credit Union (*libro.ca*), based in London, Ontario, recently rolled out a new Forge payments solution. Michael Smit, EVP/brand and digital delivery for the $4.2 billion CU, says its focus is on delivering new products and services, while retaining its vision and differentiation.

"For Libro, a big part of our differentiation is our human connection, so it's easy to say let's move digital, but for Libro we still see a strong importance in connection with our owners and our [financial] coaches," Smit says.

Libro CU is taking a mobile-first approach to developing an intelligent money-management system for its member owners that "will empower them to become savvier financially, but even more importantly, healthy financially." Smit expects the new system will also help its coaches guide the owners to meeting their needs.

AN ANTI-AMAZON EXPERIENCE

Mitchell of First Tech FCU has a similar idea of how to keep the human approach alive, while focusing on mobile. With the digital shift since the pandemic, many of the credit union's branch staff have seen their duties change.

"Longer term, we're going to take all of our team members

"All the self-serve digital banking removed the human part of the credit union for the sake of a quicker, better, hopefully faster self-service."

– Lee Wetherington

through some intensive training to cause them to have an 'MD' in financial services—so they are going to understand financial planning, they are going to understand mortgage lending, they are going to understand a lot more about human psychology and how to really listen and profile and respond," Mitchell says.

But he warns there is a danger of credit unions trying to do too much with their mobile products or creating options that consumers think they want but won't use.

"You hear a lot of conversation about 'I need a personal financial manager, I need to be able to do my mortgage, my car and everything from my mobile device—that's what I want,'" Mitchell says. "But the reality is that what consumers really want their mobile app to do is functional banking. We ... have spent time and money developing things based upon consumer demand only to find that usage was very, very low."

The experience has led First Tech FCU to be more careful about what it offers on mobile. "You can't afford to develop things that are *nice,* that nobody really wants to use."

He says the perception underlying development in the past has been that users want an Amazon-like experience—simple and easy to use, with helpful suggestions of related products. But that's not really the case, in part because financial products and services aren't like normal consumer goods.

"Yes, they want it for flowers and vases or car parts, but they are less desirous of that as it relates to financial products and services," Mitchell suggests.

Regulatory requirements often restrict how a credit union can present other products or lead to complicated steps creating an anti-Amazon experience.

For example, he says, if someone uses mobile to get a deposit product, then sees a link to a credit card, instead of an Amazon-like one-click purchase, it becomes a voyage through pages of disclosure with the need to sign additional forms. "It becomes a little overwhelming and clunky" and takes more time than you expected.

"Unregulated fintechs have the ability to deliver those types of elegant experiences without the level of regulatory scrutiny that other financial institutions face. So that's a challenge. ... How do we deliver a mobile experience similar to what the fintechs are delivering while working within a highly regulated environment?"

A recent report by the Filene Research Institute (*tinyurl.com/filenecovid19pt2*) highlights another factor CUs have to be aware of—anxiety.

"All organizations are ... facing a unique challenge in navigating how to marry high-tech channels with high-touch service," the report says. "But technology enabled, self-service channels are especially difficult to tune for financial services, because of the high stakes and uncertainty of financial decision-making. Money produces anxiety, and anxious people want reassurance from other humans. This can lead to lower satisfaction and lower trust."

Another mobile challenge for credit unions is that fintechs are able to offer services or products at a loss while they focus on building a client base, as Amazon did for years and Uber, Lyft and others are doing now. "They're losing money for many years and gathering business," Mitchell says. In contast, "if a credit union was showing persistent losses, they'd have some problems with their regulator."

In the past, there have been fears that credit unions would not be able to compete in the digital world because they couldn't match the technology spending of the big banks and fintechs. But cost is not a barrier now.

"Technology is relatively inexpensive, and the major providers for online and mobile banking solutions have done a good job of creating a core platform. There are lots of people out there to provide the technology at a really low cost," Mitchell says. "The problem is that many organizations are not prepared emotionally or culturally to make the change."

To be mobile first, credit unions must change the way their staff work and the jobs they do, turning to a digital-first mentality, he says.

"There is also a lot of fear on the part of senior executives because this requires major disruption—internal disruption—and if you don't have the courage to go out and break things up, you are probably not going to be successful," Mitchell says.

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

MORE ON MOBILE

How to Regain the Service Lead (*cumanagement.com/0620service*)

Tech Time: A Five-Step Action Plan to Mobilize 'Mobile First' (*cumanagement.com/0420techtime*)

How Can You Make Permanent the Current Increase in Digital Banking Use? (*cumanagement.com/0420permanent*)

Earning Five Stars for Your Credit Union's App (*cumanagement.com/0420earning*)

Voice Apps Gain Traction (*cumanagement.com/0420voice*)

Lending in This *COVID-19 World*

THESE TUMULTUOUS TIMES UNCOVER TROUBLED LOANS, DELIVERY GAPS AND GROWTH OPPORTUNITIES.

BY JOEL PRUIS

MORE ON LENDING

Loan Zone: The Impact of COVID-19 on Auto Lending (*cumanagement.com/0720loanzone*)

Credit Unions Can Sell Their Way Through This Crisis (*cumanagement.com/062220skybox*)

Lending Perspectives: There Is No Substitute for 'Give a Damn' (*cumanagement.com/0620lendingperspectives*)

Lending Perspectives: COVID-19 Next Wave (*cumanagement.com/0520lendingperspectives*)

Even amid all the uncertainties with the ongoing course of COVID-19 and the related recession, lending leaders should be seeking out ways to build business and improve the loan experience their credit unions offer.

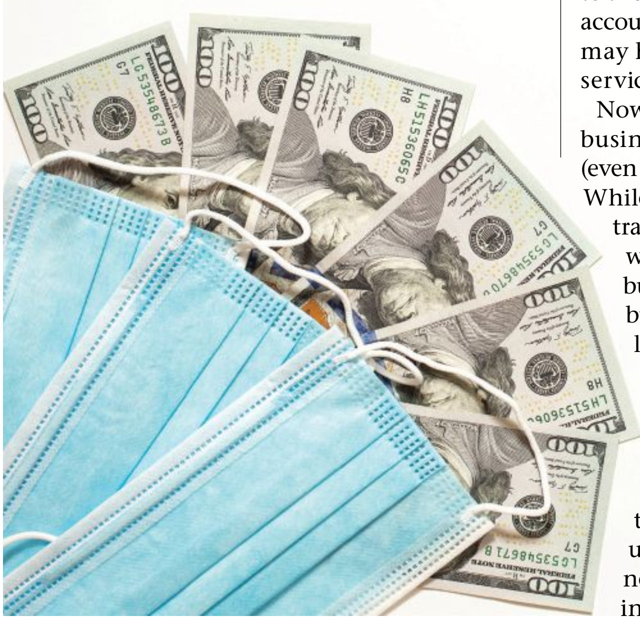
Though challenges abound, with a downturn in credit quality and uneasy outlook for new loan demand and repayment of balances already on the books, this unparalleled upheaval has uncovered gaps in service delivery that can be corrected and potentially profitable market segments that may be tapped. Navigating this new territory will require lending executives to figure out when to maintain a judicious watchfulness and when to take action.

TO EACH ITS OWN

Each CU and its members will face a unique pace of economic lapse and eventual recovery. While some industries maintained full employment in the spring and summer, others were harder hit by job loss and saw a slower return to work. CUs with community charters supported members through starts and stops in local and regional reopenings.

Each CU must ready its own response to credit quality trends, the need to rework loans to stave off delinquencies and evolving loan demand across product lines. Most lending leaders are watching and observing, ready to make any needed short-term shifts. Few are making big changes to loan rates, terms and underwriting standards just yet.

The member lending experience may take a turn for the worse short term, as underwriters are required to review more applications manually in response to deteriorating credit quality. Much of this deterioration stems from reduced income and declines in deposit balances, requiring more careful scrutiny and slowing the process across the board.



REMOTE ACCESS AS THE STANDARD

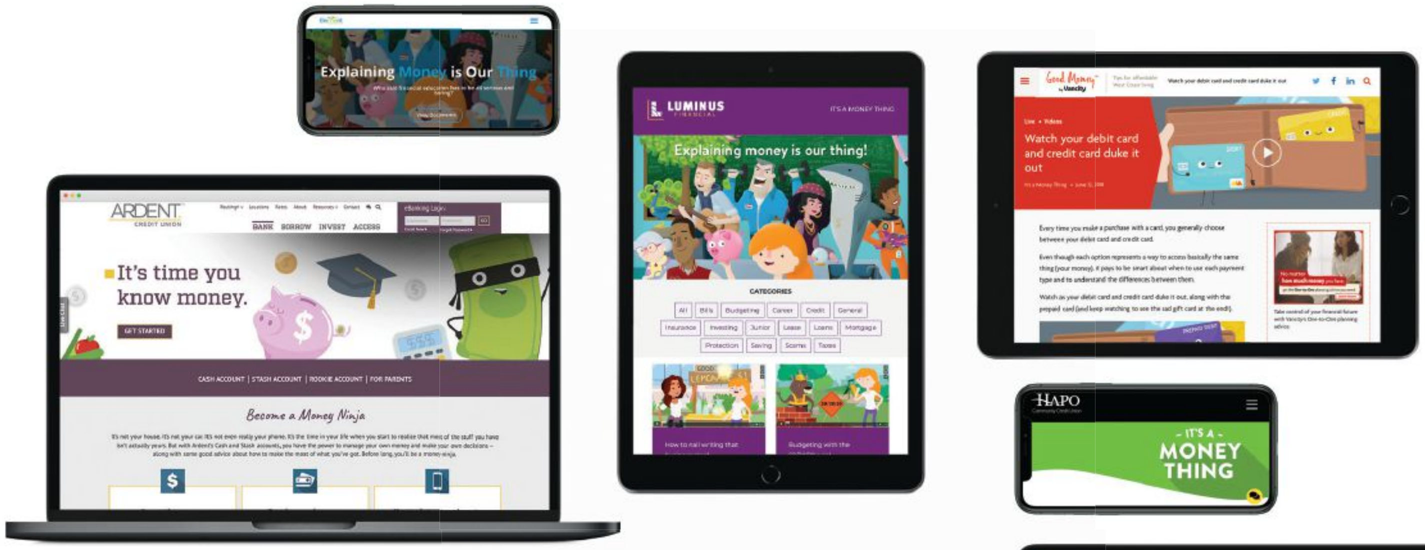
Advocates of digital delivery have been sounding the call for years that CUs unwilling and/or unable to invest in technology could be left behind. Now that even former technophobes have discovered the ease and convenience of remote banking, CUs will find borrowers unlikely to line up at loan officers' desks even when branch offices fully reopen.

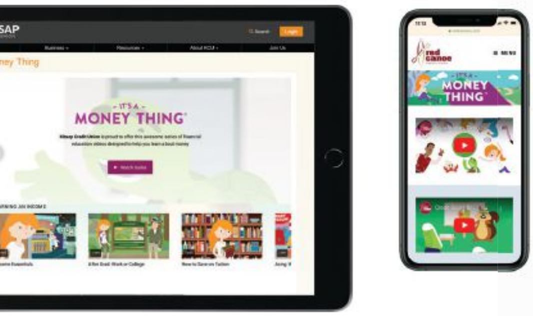
If there is one thing the pandemic has made clear, it's that the quality of digital access is setting the bar for service for both consumer and business members. Many CUs have recognized and responded to the need to invest in remote access to consumer accounts before and during the pandemic—which may have made the gap in similar automated services for business members even more glaring.

Now more than ever before, owners of small businesses have little time to stop by a branch (even when the "open" sign is back in the window). While some still appreciate and benefit from more traditional interactions with loan officers, others would value remote access. As a result, small-business owners are forced to look at alternative business financing sources, such as large banks like Chase (*chase.com*) or fintechs like Kabbage (*kabbage.com*) that provide this convenience.

OPEN FOR BUSINESS MEMBERS

Even as the member business lending team takes a hard look at how the CU needs to ramp up to offer a truly digital experience for business borrowers, leading lenders are recognizing the potential to expand their reach to this





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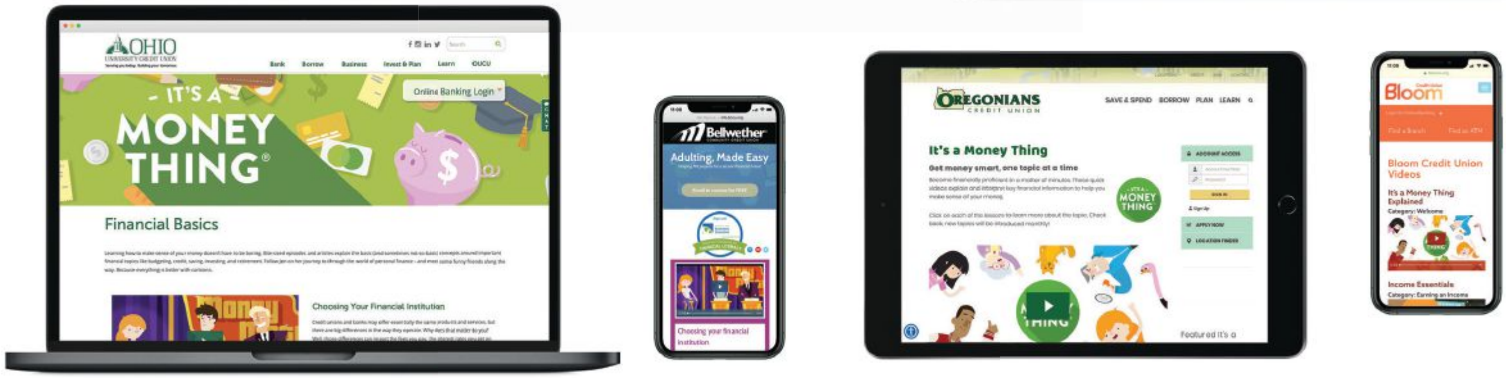

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CURRENCY FINANCIAL EDUCATION EXPERTS

LEARN MORE OR SCHEDULE A DEMO **bit.ly/money-thing** member group. Applying for Paycheck Protection Program (*tinyurl.com/sbappprog*) loans at national and big regional banks was an eye-opening experience for many small-business owners about the value—or lack thereof—those institutions place on their business.

All those unanswered phone calls are an opening for CUs to expand to selectively step into that market. For a change, CUs could serve as the disruptors by welcoming business owners with a better experience. This opportunity increases the potential return on investing in digital improvements in MBL delivery.

Going into the previous recession, some financial institutions were unprepared for the impact on their micro- and small-business loan portfolios, and they responded to the resulting double-digit charge-offs by pulling back on lending and applying much more stringent underwriting standards.

Many of the businesses that survived the 2008 recession and went on to perform well went looking for alternatives and ended up moving their accounts to institutions willing to provide the needed financing and demonstrate that they valued their business.

The same progression could unfold now—for the benefit of CUs able to accurately assess the impact of the COVID-19 crisis on prospective business borrowers. These CUs need to be able to distinguish between businesses that can recover and move back into positive territory as the impact of the pandemic wanes and those that might have been in trouble even before the economy turned. Of course, MBL departments with the benefit of that expertise will also weather the current storm and emerge better positioned to serve existing and new business members.

That's not to say that current economic conditions don't merit a more conservative approach to business loan underwriting, especially in certain segments (hospitality comes to mind). But this caution need not extend to rewriting policies to require business and consumer members to have six months of emergency savings on hand to ride out the next pandemic. That is both unrealistic and extremely detrimental to positioning lending programs for growth.

A NEW NORMAL FOR LENDING OPERATIONS

Beyond increased reliance on digital channels, lending executives will be working through several other big-picture questions about the future of their operations. The early phase of the pandemic provided a solid test of the viability of working remotely, and the verdict is that massive operation centers are not required for a successful loan department. It seems likely that remote staffing will persist.

In addition, investments in technology and security to support a distributed contact center will become a priority for both consumer and business lending. The contact center has increasingly become the service hub for consumer loan applications and other credit needs; the pandemic has nudged business lending in that direction.

A traditional resistance to doing business lending at least partially out of call centers may have come to CUs when they hired lenders from banks to launch their member business lending operations.

In support of their increasing reliance on remote channels to serve business borrowers, business lending leaders will be working more closely with IT teams charged with developing and maintaining network security and working to protect members' personal and business data. Business lenders will need to develop their understanding of and adherence to cybersecurity measures.

CURVES AHEAD IN LOAN DEMAND

Especially in consumer lending, executives should be on high alert in the coming months for changing trends in loan demand. While all financial institutions have experienced tremendous growth in mortgage refinancing as homeowners take advantage of extremely low fixed rates, other unique situations will be presented. A CLO shared an example that emerged this spring: While the volume of indirect auto loans had tapered off significantly, his CU saw an unexpected increase in demand for RV and boat loans. Members who weren't eager to fly and stay in hotels for summer vacations decided instead to cruise the waterways nearer to home or take road trips.

What other shifts might occur, and how should lenders and marketers prepare for them? Think about members who were stuck at home all spring, mentally renovating and expanding their already refinanced homes to include office nooks, basement rec rooms and backyard paradises. Those daydreams suggest home equity loans as a popular product line.

As an adjunct to small-business lending, CUs might look into facilitating business members' capabilities to accept online payments for remote orders. And, to take full advantage of new habits, CUs should remind members to put the lower-rate credit cards issued by their CUs at the top of their online shopping wallets.

EMERGING DATA WILL TELL A TALE

The coming weeks should offer a clearer view of the state of the financial services industry.

The impact of the 90-day payment deferrals that lenders granted this spring had not been in reporting as of June 30. We'll see the first signs of the impact of those deferrals across the sector by looking at the data for the third quarter. Those financial metrics will fill in a broad view of the credit positions that banks and CUs took—how aggressive they have been with new originations and how they are approaching workout scenarios.

At some point, lenders will have to make judgment calls on delinquencies to assess how to re-stabilize their portfolios. For some members who are continuing to struggle financially, long-term workout solutions may be the best option. On the member business lending side, the smaller the business, the more likely it is to just disappear, with no revenue to collect for loan repayment. Those former business owners will be forced to become job hunters, looking for paychecks to replace their business income.

Lending in this era may resemble the Dickens novel, *A Tale of Two Cities*. One "city" of members will struggle with debt and lost income and require intensive support from lending and collections. The other will emerge largely unscathed financially, though more reliant on their CU's digital capabilities. Those members will find it even easier to manage their personal finances, especially if their CUs step up investment in improving communications via these remote channels and in honing the digital lending experience. At both ends and across that continuum, the CU will need to adapt continually to meet members where they are in serving their lending needs.

Joel Pruis *is a senior director with CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Arizona.*

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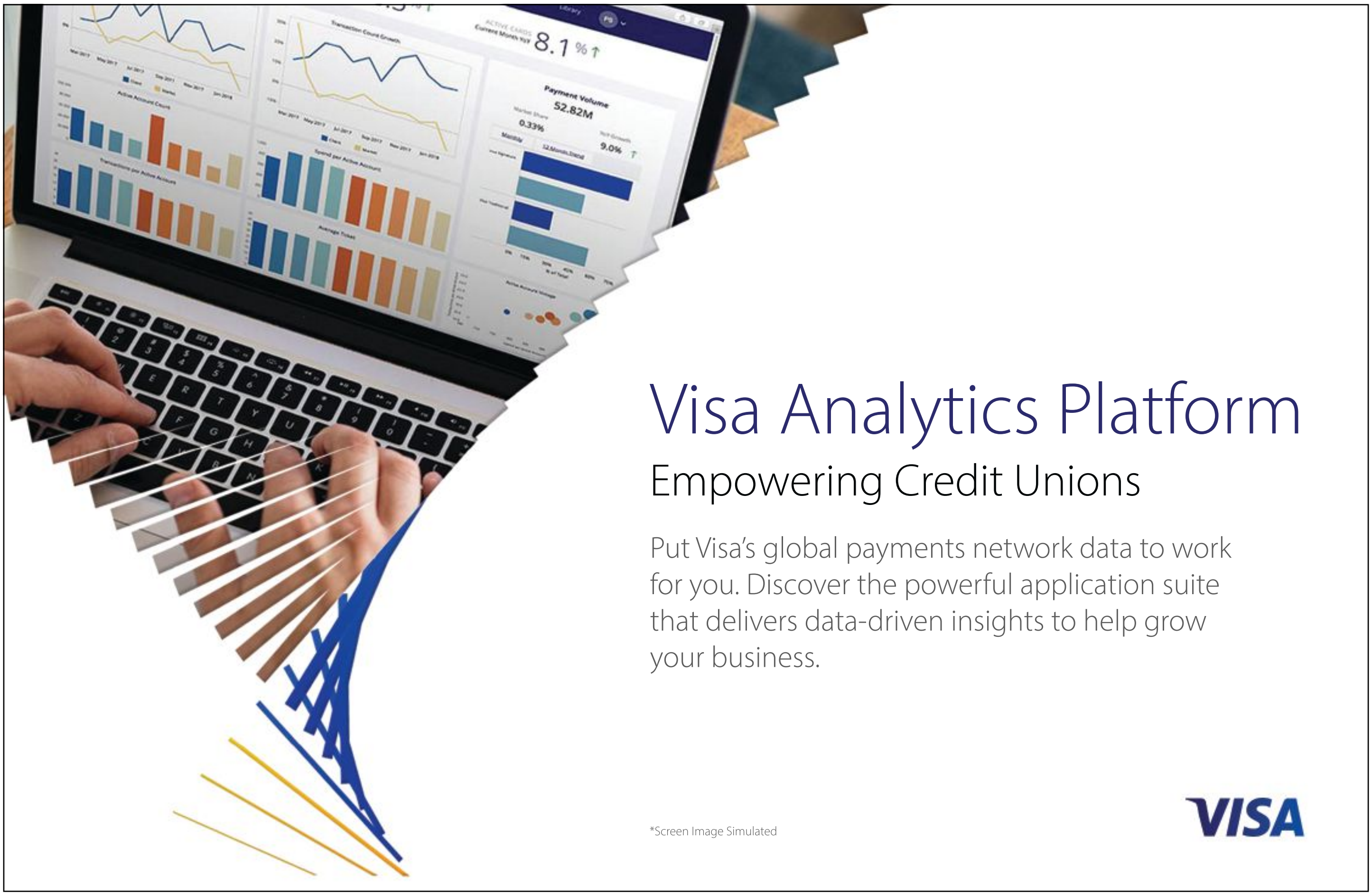

Special Report: Boards

Credit Union Management

SEPTEMBER 2020

KEEPING BOARD DATA SAFE

Security is a key reason to use a governance portal.

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Keeping Board Data *Safe*

SECURITY IS A KEY REASON TO USE A GOVERNANCE PORTAL.

BY STEPHANIE SCHWENN SEBRING

Directors often see sensitive information—whether that's a credit union's financials, legal questions or member data. So, it stands to reason that the information directors are accessing needs to be highly secure to protect the organaization and its members. Fortunately, modern board portal solutions can help.

ELIMINATING EMAIL RISK

With 3.9 billion users in the U.S. alone, email is a convenient, ubiquitous way to communicate. However, because it is so commonplace, it's easy to have a false sense of security.

"Although email may seem private, it is not a secure method for discussing board-related matters or sharing sensitive documents," says Ian Warner, president/CEO of CUES Supplier member Aprio Inc. (*aprioboardportal.com*), Vancouver, British Columbia, who wrote more about this topic at *cu management.com/0319emailvotes*. "Board members often use their personal email address for credit union communications, which brings a potential security risk considering these are usually less secure than corporate email channels."

Data breaches are costly, too.

Warner references a 2020 study from IBM Security (*tinyurl.com/ibmsecreport*): "The average cost of a data breach in the U.S. exceeds $8 million and can take up to 280 days to be identified and contained," he says. "This is not a risk that any board should be willing to take.

"People are also likely to use the same password across multiple web services," he continues. "Every year, hundreds of millions of login credentials are leaked due to a data breach, making it easy to see why board communication shouldn't be done through email. In July, a group of hackers managed to take over the Twitter accounts of over 130 public figures, including Elon Musk, Jeff Bezos, Bill Gates, Warren Buffet and more (*tinyurl.com/nyttwitterhack*). The hackers were thankfully only trying to make some money by encouraging the victims' followers to send Bitcoin."

Warner says it's easy to imagine how things could have gone differently had the public figures' email accounts been hacked. "The cybercriminals could have easily manipulated corporate decisions, having a long-standing impact on the organizations and their employees. For instance, the hackers could impersonate one of the victims to approve a plan to reduce a significant portion of the workforce, sell shares of the company or manipulate its stock. Or, more simply, they could have leaked board information to the press, which could have caused significant damage to the organizations."

While the faces might not be famous, the risk is equally real for credit unions.

Board portals alleviate the risk of using email. "With today's technology, board portals are purpose-built with industry-leading security measures," Warner stresses. "The best offer end-to-end encryption, enabling a user to access the board portal anywhere—even through such non-secure connections as public Wi-Fi—and remain fully secure. Also, permissions control can restrict how directors view or download specific documents. And, if a device is lost or stolen, the administrator can either lock or wipe the board data from the device remotely. Two-factor authentication and biometrics provide additional support (on smartphones and tablets) and help prevent unsolicited access even if a user's password has been compromised."

With secure portal access, directors can gain assurance when voting remotely (particularly relevant since COVID-19) that the data surrounding votes is critical for any board to protect, Warner adds. "The voting process captures a board's decision-making process, and it's important that not just anyone has access to this information.

"Other documents and functions that contain data also are critical to protect," he continues. "In not-for-profit organizations, the board meeting's agenda (and related documents) may not be as important to protect since they are often made public. However, a private corporation can't afford to have its financials fall into the wrong hands," Warner

MORE ON BOARD PORTALS

Board Portals: A Cornerstone of Modern Governance (*cumanagement.com/0320cornerstone*)

Board Portals Are for Smaller Credit Unions, Too (*cumanagement.com/0220smaller*)

Three Questions Not to Ask About Board Portals (*cumanagement.com/0919three*)

As many credit unions continue to revise budgets for 2020 to reflect drops in income that could possibly stretch into 2021, one target for budget tightening may be compensation and benefits, as they can be one of the larger expenses. IZALE has worked with clients to increase earnings and reduce expenses over the past few months.

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BOOST EARNINGS

Client A used Business Owned Life Insurance (BOLI) for several years to offset employee benefit costs. With deposits up, loan demand tempered, and traditional yields down significantly, they allocated additional money to BOLI and immediately boosted earnings by over $140,000.

RECAPTURE EXPENSES

Client B had a 457(f) for several executives. Together, we evaluated the merits of continuing that plan vs. using a split-dollar loan structure, deciding the latter met their objectives. The client recaptured more than $5 million of expense while offering more net cash flow to executives.

ACHIEVE GOALS

Client C wanted to retain senior executives. After quantifying the benefit, the board and CEO, evaluated 457(f), split-dollar loan, and Restricted Executive Bonus Arrangements (or REBA), and decided that a combination 457(f) + REBA would achieve their goal.

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notes. "Credit union boards often have access to sensitive documents, some of which contain personal member data. These items require a secure platform."

DATA GOVERNANCE BEST PRACTICES

Kenny O'Reilly, president of CUES Supplier member MyBoardPacket.com (*myboardpacket.com*), Arroyo Grande, California, thinks that boards will do the best job of securing their data when your IT team provides data security guidelines for directors to follow.

"Each credit union should review its unique concerns and implement a policy that dictates its data's safety, how it is accessed and stored on a director's device," he says. "Consider drafting a written policy on data use, signed by each board member, or a short training session for each volunteer."

For example, directors can be taught to be very careful in the ways they handle the devices they use for their board work.

"Unless an individual is extremely cautious with their personal device (keeping it protected with a strong password, meticulously logging out after each use, ensuring the device isn't shared among the family, etc.), storing credit union data on a personal device is not wise," he says.

In this vein of good device management, O'Reilly says the most infallible way to keep data secure is by providing each board member with his or her own tablet—and using the portal to restrict logins, allowing the board member to only sign in with the single tablet assigned to them.

That way, he continues, "you control the device and the material going through it. Data is 'containerized' within the device, and the files controlled (edited, saved, deleted) by the credit union's administrator."

He also recommends two-factor authentication be part of your board data policy. "Many portals offer it," he says, "but board members (and credit unions) are often reluctant to use it. Some individuals may complain that it's cumbersome or less convenient, or difficult to have handy an additional login key. It may be an extra step, but the additional key offers another layer of protection." Consider a source like *yubico.com*, he says, but there are many.

O'Reilly is surprised at the number of CUs that continue to email confidential data, strategic plans and sensitive member information. "Even if the file is password-protected or encrypted, once your board member unlocks the file, it lives, unfettered, on that device. The board member can forward the material and print it. If the individual is not diligent in keeping the computer locked or using a shared device among family members, the data becomes vulnerable.

"In today's world, it makes no sense to use personal email to communicate and share information with board members," he reiterates. "If a computer becomes compromised, that's a problem, and it can lead to a greater chance of phishing. Board members are targets to fraudsters and should be trained to avoid becoming a phishing statistic since scammers can easily find out who serves on a credit union's board."

PORTALS PART OF SECURITY EVOLUTION

Not surprisingly, COVID-19 has fast-tracked the digital transformation of credit union board governance—and continued the need for data security.

"We are amidst the third evolution of how board and leadership meetings are conducted and secured," explains Paroon Chadha, CEO of CUES Supplier member Passageways (*passageways.com/board-portal*), Indianapolis. "The first generation began in the boardroom with paper documents and parcels mailed. As computers became commonplace, the second generation, defined by the transition to digital delivery and consumption, included governance by email and email attachments. Other enhancements, such as file encryption and centralized repositories like Dropbox (*dropbox.com*) or Google Docs (*google.com/docs/about*), also played a role. Yet, for all the virtues of going digital, this process proved just as chaotic as paper and frankly felt like 'digital duct tape.'

"Today's digital governance platforms help promote board engagement while providing a streamlined experience so directors, even those skeptical of technology, find it straightforward and intuitive," adds Chadha. "A progressive platform should also maximize your board's time and experience, evaluate governance maturity and, above all, enable faster, more informed decisions. But given the sensitivity and density of the information shared with the board, organizations must first ensure their chosen board platform has a world-class security foundation."

This level of security is nonnegotiable, continues Chadha. "Any platform used by the board of directors must encrypt information at every step. Capabilities should include continuous breach monitoring, remote wiping of data, and a company experienced and compliant with information security standards like ... SOC 2 Type I and II (*tinyurl.com/aicpa-soc2*). Organizations should not use free software for board communication, where there is no guarantee of data protection, as there is typically no contract signed with free offerings. It's not just a better board experience at stake, but reducing your liability makes this a no-brainer."

A board management platform should also offer secure capabilities that support a credit union's broader governance goals. For example, Chadha says that directors and CEOs should have the capacity to collaborate and govern outside of meetings. This can be supported by such features as encrypted chat, secure e-signatures and task management.

Also, if a legal or confidential matter is shared via email, data risk is heightened.

"This is especially so if a board is involved in the discovery portion of the litigation," he says. "It can be the difference between a credit union spending thousands of dollars on a secure information platform and tens of thousands of dollars in attorney fees. When information runs through a single secure platform such as OnBoard, the data is centralized, and risk diminished. It provides peace of mind that the information will only be accessible by its intended audience, with no worry that it might accidentally be shared or forwarded to an outside individual."

"The ongoing crisis will permanently reshape how we work — how organizations govern," concludes Chadha. "Credit unions will be the bedrock of our revival. Our communities need them to flourish. And that means effective governance."

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.*


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Branch *Recovery*

COVID-19 PANDEMIC RESHUFFLES THE PRIORITIES FOR BRANCH TECHNOLOGY.

BY RICHARD H. GAMBLE

Locking members out of nearly every credit union branch in the U.S. for months has been a life-changing event for branch operations and member relations. The warm, friendly, face-to-face experience CUs have cultivated with great success is in the balance. Technology seems destined to play an even bigger role in credit union operations going forward, but what tech and when are not yet resolved.

Branches will never be the same, but "it's too soon to replace a strategic branch tech plan," advises Paul Seibert, CMC, a Seattle-based independent consultant specializing in CU branch issues. "You need to find out what members want as branches reopen. It's time to collect data over several months and fit the plan to member preferences. Credit unions may find they need fewer branches, but right now, most plans are on hold."

So far CUs are not jumping to conclusions, at least the ones working with Level5 LLC (*level5.com*), an Atlanta-based design-build firm that also offers consulting and real estate services. Level5 has CU projects in progress ranging from concepts ready to be presented to branches ready to open. So far, nobody has hollered "stop" or even "hold," reports Justin Kroop, VP/marketing. "We aren't seeing credit unions take dramatic actions or make sudden changes in direction yet because of COVID, aside from the branch closings," he reports, "but everybody is talking about it."

What has changed quickly is acceptance of remote banking technology by traditionalists who liked walking into friendly branches. Converting these people to digital normally would be slow, Seibert says, but the branch closures "speeded up that process incredibly. People who might have delayed for years mastered the new remote technologies in a matter of weeks."

Overall, the pandemic will accelerate the trend to fewer, smaller, more technology-enabled branches, predicts Brian Nesgoda, founder/CEO of Black Swan

"Those machines were a godsend. They allowed us to deploy staff safely at home and continue to offer full services to our members, including live conversations with a real teller they could see and hear."

– Kelli Ellsworth Etchison

Technologies (*blackswantechnologies.com*), Madison, Connecticut. He's a former CU tech guy (CIO/SVP/risk management of $830 million Sikorsky Credit Union, *sikorskycu.org*, Stratford, Connecticut, from 2013 to 2017) with many CU clients.

The immediate fallout for CU branches reopening after the pandemic closures boils down to sanitation and service. Sanitation is tactical and fairly simple, although new technology tools are showing up. Changing service delivery is strategic and fairly complicated because of lingering uncertainty.

ITMs TO THE RESCUE

Much of the current discussion of pandemic banking focuses on the shifting role of interactive teller machines. Their stock is rising. The larger banks and credit unions that had embraced ITMs years ago were starting to move away from them before the pandemic hit, Nesgoda observes. "Those financial institutions were increasingly turning to chatbots and predictive technology," he reports. "Now, with social distancing and the concern to keep members and employees safe, they're having second thoughts [about abandoning ITMs].

"A lot of credit unions that haven't used ITMs are now talking about getting some and how best to use them," Nesgoda says. He predicts that CUs will be likely to place ITMs outside the branch lobby, often in drive-thru lanes, in a vestibule that is separated from the lobby where people work, or in a desirable traffic location away from a branch.

And CUs that rejected ITMs as too expensive are thinking again, Nesgoda adds. "Members concerned about their finances—especially payments on existing loans—had questions, and when they were cut off from branches, they deluged the call centers," he notes. "Credit union managers had to throw technology at the problem, and ITMs proved useful."

ITM sales started to soften for big banks a few years ago, reports Adam Crighton, SVP/general manager of digital first self-service banking at NCR Corp. (*ncr.com*), Atlanta. In contrast, sales grew to credit unions—which had been slower to adopt ITMs initially—making 2019 a banner year for sales at NCR.

The value of ITMs when branches were shuttered has caused CUs to upgrade existing ITMs, adopt best practices and buy new units, he reports. "There's no doubt that interest has grown in the past five months because of COVID," he observes. But, he adds, there has not been a dramatic spike in demand or shortage of supply so far, as financial institutions take time to rethink their branch tech strategies.

Before the virus, ITMs were falling short of expectations, Nesgoda suggests. They had been introduced as promising on two grounds:

- They could provide a satisfying member experience remotely through a live conversation with a person they could see; and
- They could bring back-office efficiencies.

The member experience facet has proved valuable, but the back-office efficiencies never materialized, even as usage grew during COVID-19, Nesgoda says. "People thought one teller could service two or three machines, but that cost savings never worked out. The best they could manage was more like one teller to 1.5 machines."

The ITM resurgence will be a stop-gap measure, Nesgoda predicts, because why drive somewhere to make a connection you could make with your smartphone or laptop? Tying transactions to a specific, inconvenient location is not really the way of the future, he suggests. "That will be more like FaceTime."

On the other side of the fence, Terry Duffy, NCR's SVP/general manager of banking software and services, says ITMs will continue to develop and play a role in the future. There are transactions that ITMs can handle better than mobile or online banking, he notes, such as those that require the presentation of documents.

INGENUITY WORKS FOR LAFCU

Whatever the future holds, ITMs certainly have been useful in the first half of 2020. Leaders at $817 million LAFCU (*lafcu.com*), Lansing, Michigan, didn't know a pandemic was coming when they decided to bet on technology for member-facing services and installed the CU's first three ITMs in 2014. The team believed that high-tech convenience was the way of the future, explains CUES member Kelli Ellsworth Etchison, chief marketing officer. The CU also didn't know a pandemic was coming last summer when it completed converting all its drive-thru stations from pneumatic tubes to ITMs, leaving it with 24 ITMs at 10 branches, she adds.

But last March, when the scope of the coronavirus became clear and governors started issuing shelter-in-place orders, including in hard-hit Michigan, LAFCU was glad it had taken those steps. "Our timing turned out to be fortunate," Etchison says. "Those machines were a godsend. They allowed us to deploy staff safely at home and continue to offer full services to our members, including live conversations with a real teller they could see and hear. Without the ITMs, that would have been harder and riskier."

While all the ITMs were in place when the virus first appeared, the teller staff was not equipped to work from home, so the credit union had to scramble. "We made the decision to have staff work from home March 16, and then we went into high gear assembling the equipment they'd need," Etchison recalls. "We called each station a 'computer in a box.' We bought the parts like web cams. We set up assembly lines to put them together. People came from wherever they had capacity—IT, trainers, operations, management—to work

Staying Open, *Staying Safe*

Branch technology investments paid off in unplanned ways for $520 million Pioneer Federal Credit Union (*pioneerfcu.org*), Mountain Home, Idaho. Pioneer FCU had installed ITMs gradually over the past six years, with no thought of a pandemic, but they sure came in handy, says Tracey Miller, SVP of the credit union and VP/operations. "I don't know how we'd have gotten through without them, our mobile video platform and our digital banking platform. We were able to stay open with video tellers 12 hours a day, six days a week. We didn't have to furlough any of our staff. And we all stayed safe."

Pioneer FCU has 21 ITMs for its 14 branches, 17 of them in drive-thru lanes and four inside branches. The four inside were locked up and unavailable to members during the branch closures, Miller notes. Pioneer FCU branches reopened May 6 and ITM traffic began to taper off once members knew the lobbies had reopened. When the CU closed its branches March 23, with only seven open business days left in the month, the ITMs did 6,000 more transactions than they had in any other reported month, she notes.

Was that surge in traffic a problem? "It was a little rough on paydays," Miller admits. On Friday, May 1, "Pioneer had at least three major paydays hit at once, which created some long lines in our drive-up lanes."

Even though all branches are open again, "business won't go back to the way it was," she predicts. "People who hadn't used ITMs or the mobile video platform before lost the intimidation factor. They'll at least consider it an option now."

All the ITM video tellers were linked to Pioneer FCU's call center, while branch staff stayed in their branches to handle lobby appointments for things like cashier's checks and notary services. They also assisted on the video platforms until the branches reopened, Miller reports. People who were set up to work from home mostly did so. Call center desks were moved six feet apart, and the reps members saw on their screens did not wear masks.

The ITMs, from Atlanta-based vendor NCR (*ncr.com*), worked in tandem with a second video platform, POPi/o (*popio.com*), that can be used on members' mobile devices to video conference with a Pioneer FCU video team member, as well as members' online banking, Miller explains. Using these options, she says, members could do almost anything they needed to do remotely.

on the assembly line. It was beautiful how everyone jumped in to help. Now we have 113 people working from home—approximately 80% of our workforce—and 24 of them using the computers in a box we put together in about five days."

How do you train a member-facing branch staff to work from home? "Obviously, we told them to wear professional attire like they would in the credit union," Etchison explains. "Nobody knows if they're wearing house slippers and blue jeans, but what the camera sees had to be professional.

"We didn't try to simulate a branch setting or even require them to lock themselves in a dedicated home office when they were working," she continues. "We had to be reasonable. Could a member see a child or pet walk by while they were doing business? Sure. We were having a teleconference with our governor when her husband walked by. People understand the work-from-home environment."

Branches were accessible by appointment only for limited services and all other activities proceeded remotely, not just with ITMs. Members could still join, take out loans, get credit cards, deposit checks and refinance mortgages through LAFCU's online platform. "Thanks to mobile banking and digital document transmissions," Etchison notes, "everything a member has needed to do could be done remotely—except visit their safety deposit box, which could be done by appointment only."

With added ITMs and staff repositioning, credit unions do need to consider long lines at the drive-thru. "That's been an issue," she concedes. "However, by the time our work-from-home was fully deployed, we had a one-to-one person-to-machine ratio for servicing our members at the ITMs, which speeded up the process."

THE FUTURE OF WORKING FROM HOME

The value of having staff work from home has been considered and debated for at least 15 years, Seibert notes, "but now most financial institutions have tried it. It's going to be a big HR issue," he predicts. Banks and credit unions will have to sort out what's best for the employees, what's best for credit union operations and what's best for members, and settle on arrangements that will vary from CU to CU. Working alone or with a team of coworkers makes a psychological and performance difference, and not all employees like working alone. "The answers will change every credit union's strategic plan."

Work-from-home has been tested before. "It's doable," says Tim Klatt, director of retail strategies at La Macchia Group (*lamacchiagroup.com*), Milwaukee, a design-build partner that serves the financial industry, "but it isn't looking like a long-term solution. Most of our clients want to bring back most of their workers when it's safe to do so. Not only are there regulatory and security issues that must be considered when employees work from home, but there are the benefits of workplace culture and collaboration that can be hard to replicate in virtual settings."

SANITATION INNOVATIONS

With getting back into the office and reopening branches at top-of-mind, sanitation is happening quickly. The big challenge, Nesgoda says, is for credit unions to restore the trust that the virus undermined, to provide a branch setting that shows the CU is ensuring member safety. Expect the now-commonplace transparent

> **"People thought one teller could service two or three [interactive] machines, but … the best they could manage was more like one teller to 1.5 machines."**
>
> – Brian Nesgoda

teller shields, masks, distance markers on floors, plenty of hand sanitizer and frequent wipe-downs of commonly touched surfaces upon reopening.

To make members feel more secure, credit unions are installing new branch technology, Klatt explains. Some CUs are installing thermometer stations near the branch entrance. The member simply stands within three feet of the device and it takes his or her temperature and displays it. A similar device can be used to scan groups in a room. While there doesn't seem to be significant regulation related to using such technology without pairing it with facial recognition, "it is always better to communicate openly about what you are doing to ensure the member's comfort," he advises.

Ultraviolet light is also being deployed in retail banking environments as a sanitization solution, Klatt reports. Compact units with wands can be used to scan and disinfect commonly touched surfaces as an alternative to wiping them down. A blast of UV light from larger units can be used to sanitize a room prior to and after a meeting. Because the intensity of the light is designed to kill viruses and bacteria, these units should be implemented and used with proper training and care, he cautions.

Appointment scheduling apps are taking on an expanded role as well, as members pull into the parking lot and use their devices to see wait times. They can stay in their cars until it's time to transact, Klatt says, and if they have an appointment with a loan officer, they can signal their arrival on the CU's app in their smartphone and know when that person is ready to see them.

WILL BRANCH TECH BE DEFUNDED?

A lot of technology budgets were drawn up for 2020 at a time when the economy looked solid and earnings were good, so many CUs planned for growth, Kroop notes. Now they're revisiting those budgets and maybe holding off on capital expenditures until it becomes clearer what direction the health crisis will take and how bad the recession will be.

Will tech budgets be cut due to declining interest income and looming credit problems? Probably, but they shouldn't be if CUs can help it, Klatt advises.

"The data from the Great Recession are revealing," he says, referencing National Credit Union Administration call report information (*tinyurl.com/ncua-callrpt*). "Of the 8,000-some credit unions in existence then, 490 made meaningful investments in fixed assets between 2007 and 2010, and they had 4.1% more annual asset growth between 2008 and 2012 than the ones that didn't." And that growth continued to be higher even after 2012 (3.5% stronger than for the CUs that didn't or couldn't invest). Plus, the group that kept investing was less likely to disappear through mergers—about 9% compared to 35% for the ones that didn't invest. So, "there's evidence that a financial contraction is the right time to invest in the future," he concludes.

The recession, compressed margins and credit problems will not cause credit unions to cut their tech spending, predicts Jeffery Kendall, EVP/ sales for CUES Supplier member Temenos North America (*temenos.com/us*), Malvern, Pennsylvania. "If anything, the pandemic experience will increase it. It has reinforced the value of technology." But credit unions will not necessarily proceed with construction of high-tech branches that may be on the drawing board, he concedes. "Any large capital expenditure on physical locations will get heavy scrutiny," he notes.

Realistically, Seibert insists, overall spending on technology is sure to go down during the recession and the period of very low interest rates.

With digital and remote banking surging and in-person banking under duress, Kendall observes, the challenge now for CUs is to bridge the gap between the digital experience and the friendly, highly personal in-branch experience that credit unions have built into a powerful brand. It's possible—it's even happening, he says—for a member to use mobile or desktop technology to engage remotely with the same teller or tellers a member would see in the branch—to see and talk with those people live, where they would still greet you by name, remember your birthday, ask how your daughter's wedding plans are going and see if you need help with anything else—just without the coffee and fresh-baked cookies.

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

MORE ON BRANCH TECH

Tech Time: Luck or Foresight? (*cumanagement.com/0820techtime*)

Facility Solutions: Is it Wise to Invest During Economic Uncertainty? (*cumanagement.com/0720facilitysolutions*)

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Safe Use of ATMs Amid COVID-19 Concerns (*cumanagement.com/0620safe*)

Branch Transformations That Work (*cumanagment.com/0519branch*)

What's Next in *Canadian CU Tech?*

SUCCESS AGAINST THE BIG BANKS WILL BE FOSTERED BY MORE DELIBERATE COLLABORATION AMONG CREDIT UNIONS.

BY ROB PALIN

Canada has some of the largest and most progressive credit unions in the world, and they have been at the forefront of pushing digital technology boundaries and finding ways to drive efficiency.

These institutions have leaned into being progressive, in large part because of the competitive environment in which they operate. Although a small number of CUs in Canada have recently expanded their scope nationally, most serve a unique geographic region and compete directly with larger, national institutions with hundreds of billions of dollars in assets that spend hundreds of millions of dollars annually on technology. They must keep up and compete.

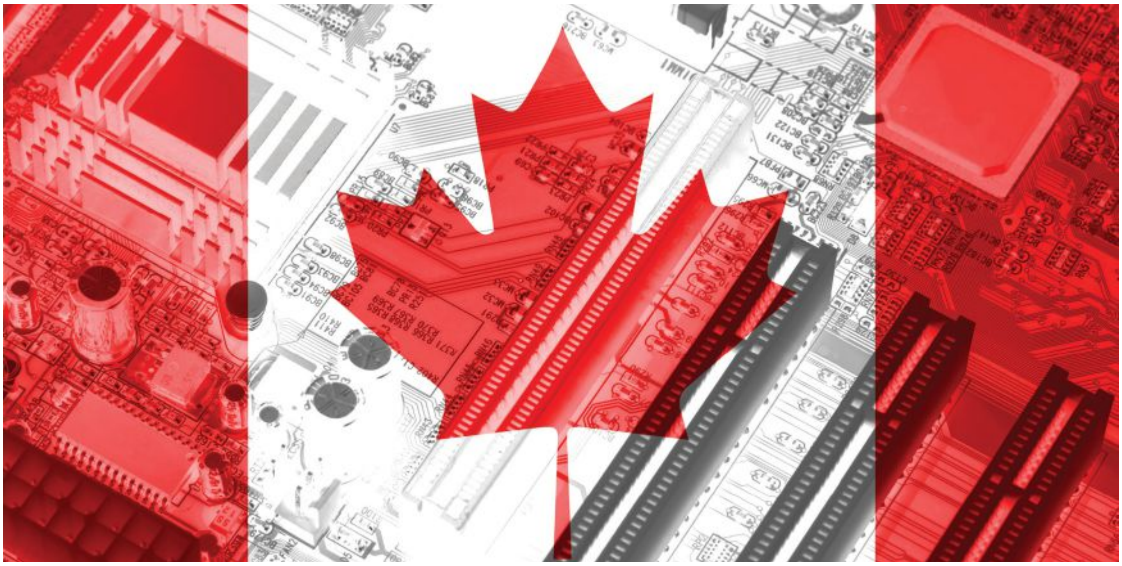
CUs traditionally have focused on their close trusted advisor relationships with the communities they serve. With community banking being very limited in Canada because most of the banks are large and national, CUs that have had a strong position in this market niche can build on the preexisting momentum of member centrism.

However, this traditional competitive advantage is increasingly challenging to maintain when digital and remote access have become the prevalent means of dealing with financial institutions. More recently, the global pandemic has dramatically accelerated industry movement toward virtual access. As a result, what was once a long-term planning exercise is today's reality in several key areas:

Digital banking, including traditional banking activities and services historically only available to account holders inside a branch. The movement to digital continues to accelerate beyond such basic banking activities as deposits to include account and loan origination and aspects of commercial banking.

Real-time payments, meaning instant transactions for business and consumer payments. The benefits include convenience, speed and faster access to funds. Canada is currently modernizing payments, and CUs and related organizations are starting to make significant investments in the necessary infrastructure. This is driven by emerging regulatory guidelines and competitive pressure, with major financial institutions already well along the path.

Open banking, or consumer-directed banking, based on open application programming interfaces that enable building applications and services around a CU that allow members to take advantage of value-added financial services. These data-driven services can help people budget, access more affordable financial services, better manage their money and more. But without strategic forethought, open banking could lead to lost member



MORE ON CANADIAN CREDIT UNIONS

Canadian CUs Make Case to Counter 'Warren Buffett Effect' (*cumanagement.com/0320warren*)

Cannabis and Canadian Credit Unions (*cumanagement.com/0220cannabis*)

Canadian Credit Union Expansion (*cumanagement.com/1119expansion*) relationships and wallet share.

Fintechs, non-traditional financial providers as both an opportunity and a threat. These provide CUs and their members enabling technologies, primarily in the member-facing online space but also as competitors in such niches as low-value lending. While this trend is not unique to Canada, fintechs have certainly helped Canadian CUs address the tech gap with major banks, while also posing an emerging competitive threat.

These key tech trends will contribute to allowing Canadian CUs to execute rapidly in the following strategic areas.

ENACTING DIGITAL TRANSFORMATION

Like other financial institutions, Canadian CUs are looking holistically at digital transformation. This expands beyond the member-facing digital banking experience to look at member journeys from their first contact with the CU through their lifetime. This omnichannel experience must be based on a well-thought-out technology strategy based on secure and easy access to member data.

Digital transformation must also apply to a CU's internal operations, so the internal digital experience enables staff to efficiently serve members. While continuing to identify and automate key business processes through advanced workflow automation, content management and financial solutions, some Canadian CUs are now implementing such advanced tools as robotic process automation.

Fundamental to increased efficacy is a better understanding of members' needs and interactions with the institution, including embracing advanced analytics based on integrated data sources. The strategic use of this data maximizes the return on an under-utilized asset, particularly the member data and knowledge already available to the CU. This knowledge is not being used simply for retrospective or "point-in-time" reporting, but in combination with advanced tools to enable predictive decision-making at any point of member contact and to give executives dashboards that allow rapid understanding and projection of key metrics.

ENHANCING CYBERSECURITY

The movement to digital engagement continues to exponentially increase the opportunity for cybercrime. Every institution knows that reputational damage is a click away in the cyber universe.

The increased focus on ensuring member and institutional data is protected is not unique to Canada. However, many Canadian CUs are working collaboratively to assess and share information and technology to help prevent cyberattacks. The need for significant investment in cybersecurity is unending, and the funding and resources required are a challenge even for larger CUs. Canadian CUs are increasingly looking to leverage cybersecurity-as-a-service options.

NAVIGATING CONSOLIDATION

It's no secret that in recent years, there has been an acceleration in consolidation within the Canadian CU market via mergers and acquisitions. In 2001, there were well over a thousand CUs across the country. The number was down to 252 in 2019.

We in Canada enjoy the world's highest per-capita membership in the CU sector, with more than 10 million members, or about a third of the Canadian population. While the sector is active in all parts of the country, it is strongest in the western provinces and Quebec. In Quebec, 70% of the population belongs to a caisse populaire, while in Saskatchewan close to 60% belong to a CU.

Interest in membership is not at all wanting, but market dynamics are making M&A activity increasingly attractive. This activity will be catalyzed by such technologies as APIs and open banking, which can greatly enhance the ability of a CU to close a merger quickly and efficiently by making integration of external parties easier.

To keep up with member needs and leverage these fast-moving technology trends, Canadian CUs will need to make some significant systemic investments. Even large credit unions will be challenged to navigate this individually. A related challenge is for smaller institutions to recruit and maintain the tech talent required. The answer: broad-based collaboration among CUs.

There is a unique inherent advantage for CUs to work together. Fortunately, the Canadian system has already developed such infrastructures as the Canadian Credit Union Association (*ccua.com*), the CU centrals that represent CUs in a province or a group of provinces, large Canadian CUs that have banded together, and ad hoc collaborative bodies. Notably, while the Canadian CU system is already collaborating to address these types of issues in many ways, this mindset will need to be taken to the next level.

RECOGNIZING WHEN & HOW TO COLLABORATE

Notably, collaboration within the Canadian CU system has raised some interesting strategic challenges.

For example, in a technology world that moves quickly and has now accelerated even more, how do Canadian CUs that have traditionally collaborated successfully through committee-based discussions enable rapid decision-making to keep pace? Also, If collaboration and standardization drive efficiencies, how can an individual CU create competitive differentiation? A third question: If Canadian CUs need to spend and invest at the level necessary to "keep up" with the large financial institutions, where/when is there an opportunity to lead the market?

The answers are still emerging, but from a technology strategy perspective, some broad-based principles are being applied:

1. **Enable customization and differentiation** by investing in technology that offers and uses leading-edge APIs.
2. **Leverage the scale of partners and vendors.** Often the investments required to maintain a future-proofed environment are at such a scale that even widespread, national CU collaboration cannot efficiently keep pace. Partnerships with global vendors have the potential to help.
3. **Embrace strategic fintech partnerships** to help address the technology gap CUs faced against major banks.
4. **Continue cooperation and collaboration** on critical system-wide technology infrastructure initiatives.

Perhaps most importantly, for a CU to even begin to take full advantage of collective investments and collaboration, technology needs to be a strategic initiative. In any case, if there is anything we have learned in the first part of 2020, it's that the pace of change can accelerate dramatically, and there is more pressure to work together to compete more efficiently and quickly than ever before.

Rob Palin *is general manager/Canada for Fiserv (*fiserv.com*), with North American headquarters in Brookfield, Wisconsin.*

Collections *During COVID-19*

WITH UNCERTAINTY STILL HIGH, CREDIT UNIONS MUST RESPOND TO LATE PAYERS WITH COMPASSION AND ONGOING, IMPACTFUL COMMUNICATION.

BY STEPHANIE SCHWENN SEBRING

COVID-19 has impacted nearly every employment sector.

In the U.S. alone, it's estimated that almost 57 million jobs became vulnerable due to the COVID-19 crisis. According to global research firm McKinsey & Company (*mckinsey.com*), this figure encompasses permanent layoffs, temporary furloughs, and reductions in hours and pay. The company's April 2020 article "COVID-19 and Jobs," also reports that an increasing number of white-collar jobs are at risk: "While leisure and hospitality accounted for most of the earliest layoffs and furloughs, the share from industries such as retail trade, manufacturing, nonessential healthcare and professional services has been growing."

This translates to potential tough times for credit union operations. "Take this bird's eye view down to the regional and local level where credit unions serve, and the impact is equally as harsh," says Steve Balmer, managing VP/delinquency management for CUESolutions Silver provider PSCU (*pscu.com*), St. Petersburg, Florida. "Many individuals can't work from home—including the service, retail and travel sectors. These areas all saw dramatic drops in output, which immediately impacted their workforce."

A May TransUnion (*transunion.com*) study found that 59% of Americans' household income had been negatively impacted by COVID-19, and two in three Americans (66%) were concerned about paying their current bills and/or loans. In addition, 31% of impacted consumers planned to pay a partial amount on their next loan payment.

PSCU expects delinquency to worsen over the next six to 12 months and that, for some areas of the country, figures could be 10 to 15% higher than the previous year. This means credit unions need to pay close attention to collections. But what exactly should they do?

VOLUME AND INNOVATION

Balmer says to prepare for escalating volumes and communicating with members in nontraditional ways. "These may be enhanced digital interactions and connecting with members via their preferred device or channel," he explains. "Also, be ready to help them manage their financial challenges, both in the short and long term.

"Tools can be deferred loan payments, loan workout programs, fee forgiveness and access to financial education," he adds, "but the key is to be diligent with your interactions and willing to understand your member's predicament. Now more than ever, the listeners will become the best collectors."

In all, credit unions need to have compassionate, empathetic communication that attends to each member's unique situation.

"There are many variables to consider: employment, near-term financial outlook and the opportunity to remediate the borrower's position over the next three to six months," Balmer suggests. "Regardless, the effort should never take a cookie-cutter approach. In the past, collections could be viewed almost as a numbers game, with successful outcomes based on the sheer number of calls a collector could make. The calls were quick, focusing on the nonpayment, and the numbers (moving the needle) were most important. For success today, post-COVID, watch for the methods and expectations to shift dramatically. All will become centered on how to best serve your member."

SERVICE IN THE MIX

Balmer advises that collectors be encouraged to spend more time on each call, to review and understand the member's financial situation and determine the best solution.

"This enables you to transition calls from a 'collections' perspective to that of 'member service' and see greater success from your efforts. This outreach will not only pay dividends for the payment due today, but also—and more importantly—the long-term relationship you have with that person."

Through any crisis, people will remember how they were treated and who was there to help them. In turn, credit unions should evaluate their capacity to handle the higher delinquency volumes now expected.

"To transition from a 'numbers' to a customer-centric approach, start by reviewing your employees' training needs," Balmer says. "This is essential to learning and practicing empathy and could be new territory for some collectors."

Also, consider reassigning to collections employees who have an aptitude for listening. The key is to have training for these individuals so they

“Now more than ever, the listeners will become the best collectors.”

— Steve Balmer

can assist immediately. Balmer defines this new method of collections as the “listening approach.” Other solutions will center around technology, digital platforms and self-service opportunities.

CONCRETE STEPS

Balmer recommends that credit unions:

- Realize and project what new volumes may look like. Evaluate unemployment figures in the sectors your credit union serves. Consider the hidden and less-than-obvious retail sectors too.
- Ensure staff is professionally trained, engaged and prepared to work with members.
- Reallocate member service staff as needed to assist and provide relief.
- Consider third-party assistance to add bandwidth.
- Determine a feasible, compassionate solution for each member.

He adds that credit unions will need to strike a balance between a borrower’s creditworthiness and need for credit balances from a risk management perspective. “For example, a long-term loyal member may need a line increase to manage finances today and provide future dividends and opportunities. Today’s genuine member experience will build loyalty for tomorrow.

“The long view is critical,” Balmer stresses. “Remember, the stimulus money will last only so long. Now is the time to get ... ready to serve your members with real-life solutions, while assessing your need for credit balances.”

DIY VERSUS THIRD-PARTY SOLUTION

When outsourcing collections, a credit union can still set the parameters under which the collecting will be done when it uses “first-party” outsourcing, which acts as an extension of the credit union’s own collections capability. In “third-party” outsourcing, the entire collections process is handled by the credit union’s vendor.

On its own, a CU can implement technology solutions that are effective against early-stage delinquency and implement manual collections processes for the more difficult situations, such as high balances,” Balmer notes. “As an example of how to leverage a third-party solution, credit unions can tap into our tenured, customer-centric staff trained to make and manage calls. These individuals are well-versed in the credit union space and understand the credit union vision while recovering debt.”

Balmer says both long- and short-term delinquency management solutions are relevant in the wake of COVID-19. “We realize credit unions may not need long-term assistance with all loan types, yet these opportunities to serve the member during the pandemic allow the institution to allocate tenured staff internally to meet current and changing demands best.”

Whether they outsource collections or not, PSCU Owners and other CUs can achieve a higher level of collections efficiency through Optimus (*telrock.com/optimus*), a cloud-based collection and recovery software platform that PSCU now offers through its recent partnership with Telrock, which has its U.S. headquarters in Atlanta.

“It provides a powerful platform for managing all types and stages of account delinquency. Automation and ease-of-use drive collection efficacy, along with enhanced manageability,” says Balmer.

Credit unions can also use the platform for additional in-house delinquency management efforts: omnichannel collections, embedded digital channel communications, an integrated self-serve portal, real-time processing, and an intelligent agent desktop to collect remotely easily and securely.

Heading into 2021, credit unions will be entering a new “collections reality”—and this changed environment represents a significant shift in how credit unions will need to engage going forward, adds Rob Fite, VP/business development for Telrock.

“More than ever, results will depend on a collection software’s ability to provide a much higher degree of agility, responsiveness, control, usability and automation,” he says.

Unique solutions and approaches are needed in the ever-changing collections climate, concludes Balmer. “But with appropriate planning, training and taking a member-centric approach, credit unions can be successful in building new member relationships and managing delinquency in a post-COVID-19 world.”

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 COLLECTIONS

How Partners FCU Cut Repossessions in Half (*cumanagement.com/0220repossessions*)

Finding the Right Collections Temperature (*cumanagement.com/0220collections*)

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

Lending Perspectives: Are Credit Unions Consumer-Friendly? (*cumanagement.com/1119lendingperspectives*)

Meet the CUES Emerge *Top Five*

Eric Christensen

Paul Hinrichsen

James Hunter

Katie Luther

Lindsay Walker

It's an exciting time for CUES Emerge (*cuesemerge.com*)! In April, 30 applicants were accepted into the program, which started with a six-week online course including live instruction and an opportunity to collaborate with other participants. Of those, 27 moved forward with creating a business case for their credit unions and earned their Certified Credit Union Manager designation. Next, a judging panel of four CUES members reviewed the business cases to determine the Top Five. We're happy to announce the Top Five and their business case titles are:

- **Eric Christensen,** lending manager at $205 million Dane County CU, Madison, Wisconsin—Lender Sales Initiative;
- **Paul Hinrichsen,** product manager at $2.4 billion GTE Financial, Tampa, Florida—Rediscovering the Mantra of Credit Unions Through a Focus on Connecting Members to the Bottom Line;
- **James Hunter,** executive director at $200 million New Orleans Firemen's FCU, Metairie, Louisiana—Predatory Lending: A cooperative approach to breaking the economic debt trap and bridging the financial wealth divide;
- **Katie Luther,** mortgage servicing supervisor at $3.2 billion Royal CU, Eau Claire, Wisconsin—Developing High Performers for Non-Management Career Tracks; and
- **Lindsay Walker,** executive assistant at $352 million Tampa Bay FCU, Tampa, Florida—Reducing Linguistic Barriers: Hispanic Outreach Program.

Each finalist will receive professional coaching and mentoring from CUES Supplier member Envision Excellence (*envisionexcellence.net*) and participate in an online pitch show on Sept. 16, hosted by Tim McAlpine, CEO of CUES Supplier member Currency Marketing (*currencymarketing.ca*). From there, the Top Three will receive an education and coaching package, which includes registration to a CUES event in 2021. Finally, the ultimate winner will be announced and named the 2020 CUES Emerging Leader. That person will receive an all-expense-paid trip to CEO/Executive Team Network™ in 2021, including an award presentation, a live interview and an ongoing coaching package. Follow along on *cuesemerge.com*.

PSCU Offers Payments Expertise as *Newest CUESolutions Provider*

PSCU (*pscu.com*) has signed on as a CUESolutions provider to offer its innovative payments solutions to CUES members. "The challenging times we've found ourselves in mean payments solutions are more important than ever," says John Pembroke, CUES president/CEO. "PSCU offers CUES members trusted resources to turn to; the wealth of information they can provide our members will prove to be invaluable."

"PSCU is proud to be a longstanding CUES member and supplier," says Merry Pateuk, SVP/industry engagement at PSCU. "Partnering with CUES as a CUESolutions provider for payments, an area that represents the majority of consumers' interactions with financial institutions, allows us to leverage our collaborative industry relationships and broaden the pipeline for communicating PSCU's recognized expertise, commitment to CUs and thought leadership in the payments space."

Learn more about CUESolutions at *cues.org/cuesolutions*.

Online Learning

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

SEPT. 16-17
Board Liaison Workshop

SEPT. 17
Noon Central
Elite Access: The New Leadership Challenge: How to Crowd-Source the Innovation Around Us

SEPT. 23
Noon Central
Elite Access: Partnership is the New Leadership

SEPT. 29
Noon Central
Elite Access: Third-Party Data Breaches: Considerations When Planning Your Response

AD INDEX

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Chris Sachse

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Phone: 410.560.5601

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What makes Think|Stack unique?
We transform and protect by putting people before technology. We believe the technology credit unions rely on should work for them, not the other way around. The "think" in our name is rooted in design thinking and helping organizations look at technology in a completely new way. Our approach uses interactive journey mapping and strategic foresight sessions to visualize how technology causes friction and to plan improvement projects. We become an extension of our client's team, providing ongoing design services and education to deliver continuous technology infrastructure evolution and alignment with organizational growth goals.

Tell us a client success story.
We serve organizations that know technology will be the primary change agent and driver for their businesses and within their industries to stay competitive and grow. So, we were elated when we received the call from a credit union asking us to make them "flexible, secure and innovative." Innovating with new products and services was a key strategy to grow memberships. They needed a flexible, agile and secure environment to roll out their new initiatives. They had a world of data that could be leveraged to make business decisions, so we created a unified platform. We also leveraged applications and services through the Amazon Web Services cloud with secure functionality. They are now a technology-forward CU with no on-site servers, a fully redundant cloud network, a 15-minute disaster recovery time, and the agility to develop and deploy new applications rapidly.

How is Think|Stack making the credit union industry stronger?
Think|Stack has deep-rooted expertise in working with credit unions. We understand how to navigate compliance to provide secure, modern technology platforms that we co-manage together. We deliver an infrastructure that allows these highly regulated organizations to securely innovate so they can keep up with banks and fintech.

Purposeful Talent Development: *Talking Timing*

BY JENNIFER STANGL

We used to live in a world where we had to wait for things to happen. We had to wait for tomorrow's paper to hear the news of today and we had to wait for a letter in the mail to hear from a friend. When you're required to wait for so many things, you develop patience.

However, the way our world is now, we aren't used to waiting. We can find ourselves getting impatient if a webpage takes more than two seconds to load or our oven takes a few minutes to preheat.

It makes sense that things move more quickly now than they did five or 10 years ago. The advancement of technology has created new efficiencies and changed the speed at which we operate. When we look back and see how quickly the world has evolved and technology has changed, can we really blame individuals who believe their growth and development should happen just as fast?

We all have goals for our own career and development. We may want to expand our knowledge and skills to strengthen our current capabilities, understand other functions of the organization or move into a more senior position. Leaders may discuss development and career goals with staff, but maybe not the expectations of when those goals could be achieved. Setting expectations for development is becoming more and more important for organizations and individual leaders.

It is not uncommon to have an employee who wants to participate in an opportunity that falls outside a department's professional development budget or wants to move up in an organization where few leadership opportunities are available. When staff encounter what they feel is a roadblock in their development, they can begin to look outside the organization for opportunities that meet their current needs.

To combat these perceived roadblocks, we need to engage in discussions about expectations for development. These discussions can include timelines, available budgets, and identifying opportunities to supplement and support overall goals.

I offer you the following recommendations:

- **Address restrictions.** This could include budgets or frequency of available positions. Remember that restrictions do not have to shut down opportunities. Once restrictions are identified, ways to overcome can be discussed.
- **Identify timelines.** Engage in discussion to create an understanding of what it takes to grow skills. If you have an individual who wants to move up, be truthful about how long it could take and help that person see how full development of skills occurs with experience over time.
- **Assess potential.** Restrictions and timelines are separate from an individual's potential. Understanding the potential an individual has and identifying strengths and gaps are important to not only creating a development path, but in identifying current and future opportunities.
- **Establish ownership.** Development is still reliant on the person. We have found more ways to be efficient in our ability to read, learn and access information, but absorbing and applying new information still requires an investment. The individual needs to put energy, effort and time into development and understand they cannot wait for someone else to make it happen.

These conversations may not always be easy, especially when you have someone who is looking to move up and opportunities may seem limited. They should also not stifle someone's desire or ability to grow. But if you open the lines of communication and are honest about the possibilities, you can begin to discuss alternatives, address concerns, and identify opportunities.

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

Leave a comment at cumanagement.com/072720skybox.

"When it comes to business continuity plans, technology partners can't be left out of the conversation. It's ultimately the credit union's responsibility to ensure that all technology providers and vendors they interact with have strong pandemic preparedness plans in place as well. This is especially important for those partners that manage institutions' critical IT infrastructure."

Scott Johnston, EVP/COO of Member Driven Technologies (*mdtmi.com*), Farmington Hills, Michigan, in "This Credit Union's Show Must Go On" on CUES Skybox: *cumanagement.com/080320skybox*

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