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OCTOBER 2021 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

Our Analytics Journey: From Idea to Action

Richard Sowell,
VP Reporting & Analytics, shares Coastal Credit Union's story of leadership, partnership and big wins

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The future of the member experience

Surround Yourself with Analytics Masters

Credit union business intelligence teams can boldly step into the leadership position.

By Richard Sowell
VP, Reporting and Analytics at Coastal Credit Union

As more credit unions confront the need to improve their data engines and analytics capabilities to better serve modern members, business intelligence (BI) teams are in a time of transition. What was once a reactive function, , responding to requests for data and insight, has become much more proactive. In fact, many are expected to lead strategy based on the stories the data is telling.

One thing we know about great leaders – they surround themselves with experts. For credit union BI and analytics teams navigating new expectations, that often means layering in the perspective of an outside analytics expert.

The trick is finding the right one. Credit unions need an analytics partner willing to flex and adjust, which is particularly important for credit unions that take an agile approach to innovation. As everyone knows, different credit unions are on wildly divergent paths to data transformation. A one-size-fits-all strategy is a non-starter.

For these reasons, it's a good idea to set out rules of engagement before you even start talking to vendors. Here are a few examples:

1 | **The partner is willing to listen and adapt its services to your goals.**

2 | **Analytics capabilities must translate through showing as much as doing.**

3 | **Your internal team's skillset will grow as a result of the partnership.**

Our team set up similar rules ahead of our search, and as a result, leapfrogged traditional milestones on the road to analytics mastery. In collaboration with the data analytics consulting team at AdvantEdge Digital, our team has achieved several wins that have generated substantial momentum for the future while also supporting us in leading Coastal's data strategy. These are just a few:

+ Drastically shortened insights delivery time.
Coastal's analytics team has established processes and techniques for getting business intelligence into the right hands very quickly. We've assisted our outbound calling team with highly targeted leads from predictive models; we've quickly answered ad hoc business questions from executives; we've delivered forward-looking balance insights to our mortgage and business lending teams. Soon, we'll have built a delinquency dashboard to keep outreach efforts focused on those members who can benefit most.

+ Deepened internal analytics knowledge.
At the outset of our engagement, AdvantEdge Digital delivered a lot of analytics capabilities with practical outputs. It became clear that the greatest value for our team would be to learn from them so we could evolve our own analytics expertise. They taught us how to provide business-altering information internally, which enriched the team, and showed me personally how to do analytics well.

+ Continuously building predictive models.
The credit union is benefiting from our partner's knowledge of what works in various industries and styles of business. Their 'in the wild' experience taught us advanced methods for building data models we can continuously reuse for different marketing efforts. We are now poised to take a much more predictive approach to helping members through their financial journeys.

A vendor partner's willingness to listen to a credit union's needs and quickly pivot their services to match ensures measurable and enriching outcomes. My advice to any credit union BI team looking to boldly step into the leadership position is to find an external resource willing to contribute to the development of internal competencies. It takes time to pin down the right partner, but it's worth every ounce of effort to find a good match.

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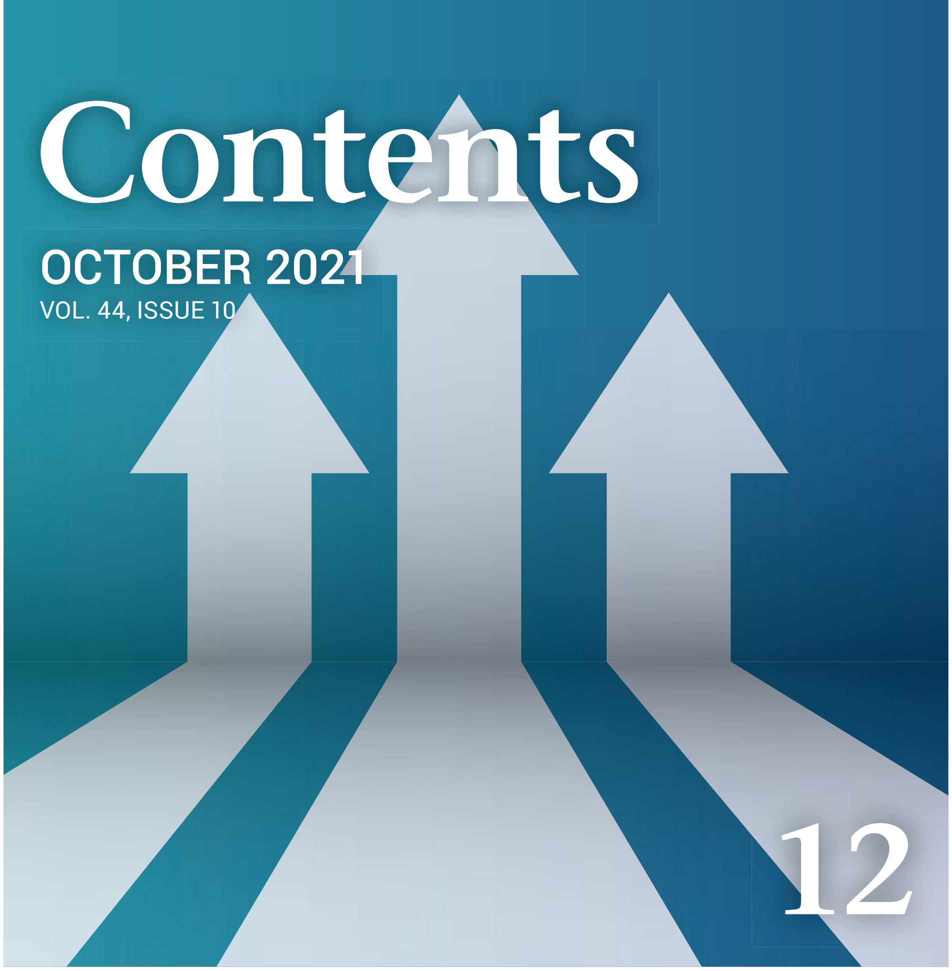

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ONLINE ARTICLES, VIDEOS AND MORE

DEI Resource

Diversity Insight: How to Be Anti-Racist (and More Inclusive)

We can talk all day about good reasons for the current focus on diversity, equity and inclusion. But the truth is, the ideals of DEI don't advance until we act.

cumanagement.com/0921diversityinsight

CUES Video

How the Pandemic Has Changed the Way Credit Unions Govern Themselves

Michael Daigneault, CCD, CEO/founder of Quantum Governance, discusses what COVID-19 and the social justice movement mean for credit unions moving forward.

cumanagement.com/video090121

Online-Only Column

NextGen Know-How: Why Your Employee Experience Matters Now More Than Ever

Plus, four considerations for elevating onboarding and the ongoing work experience at your credit union.

cumanagement.com/0921nextgen

CUES Podcast

Lending in a Two-Lane Economy

In this episode of the CUES Podcast, Harry Singh, SVP/decisioning products and solutions for CUESolutions provider Experian, talks about how credit unions might best serve their members with loans and other products in today's economy.

cumanagement.com/podcast120

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CURRENCY FINANCIAL EDUCATION EXPERTS

LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.
TWITTER: @tawitham
LINKEDIN: Theresa Witham
INSTAGRAM: tawitham

YOUR THOUGHTS

WHAT DO YOU PLAN TO LEARN THIS MONTH?

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

Let's Celebrate Learning *& Development Month*

October is National Learning and Development Month, and CUES invites you to participate.

First, join us Oct. 21 for an online Member Appreciation & Awards Event. Sarah Thomas, the NFL's first female official, will kick things off with her presentation, "Breaking Through: My Journey to Becoming the First Female NFL Official." The CUES award celebration will follow, where we'll announce the winners in several categories—including our first ever DEI Catalyst for Change Award (*cues.org/dei-catalyst-change*). The event is free to all CUES members. Register at *cues.org/MAE*.

Decide to invest in yourself and your career in 2022. Visit our resource page at *content.cues.org/budget-your-pd* for ideas about how you can grow and reach your goals. You'll want to start with an individual development plan—the resource page includes a guide and worksheet that you can download and fill out to help you focus. Next, compare your IDP to our events calendar (*cues.org/events*) and attend the learning opportunities that match your aspirations.

If working on diversity, equity and inclusion is part of your (or your credit union's) goals, visit the CUES DEI Resource Center (*cues.org/dei*). Here you'll find online courses, learning pathways and other resources to help you on your journey.

In the center of this magazine, you'll find the 2022 CUES Talent Development Guide. This comprehensive tool is meant for you to pull out and keep, so you can refer to it throughout the year.

CUES members have access to so many learning opportunities. If you have never completed a CUES Learning Portal (*cues.org/clp*) pathway or Harvard ManageMentor® (*cues.org/hmm*) course, this is a great month to do so. And for board members, CUES Director Education Center (*cues.org/dec*) and this magazine's Governance+ content collection (*cumanagement.com/governance*) offer deep director competency training. If you have not used your CUES member benefits lately, this is a great time to review everything you get when you join. Visit *cues.org/membership*.

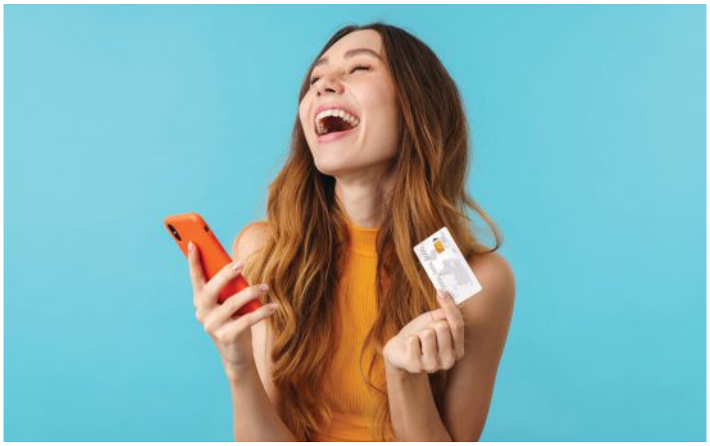
Finally, last year, we published the first *CUES State of Credit Union Training and Development* report based on findings from a survey of credit union CEOs and HR executives. This month, we will release the 2021 report, which outlines the most challenging aspects of talent development at credit unions and how they have changed in the past year, plus offers recommendations on how credit unions can meet those challenges. The top three challenges in 2021 are:

- building sufficient bench strength;
- attracting and retaining quality talent; and
- developing future leaders.

Of course these challenges are not exclusive to credit unions. But CUES member credit unions certainly have abundant learning resources to help meet each of them. I hope you'll use our offerings to renew your commitment to your development this month!

Theresa Witham

Theresa Witham
Managing Editor/Publisher



Digital Payments to *Delight Indirect Borrowers*

Indirect lending is a large part of many financial institutions' auto lending strategies. In fact, in 2020, credit unions held $378.2 billion in auto loan balances—or roughly 31.5% of all auto loans in America. Of that, 84.4%, or $319.4 billion, was funded through indirect channels.

If indirect borrowers make up such a large percentage of your institution's auto lending portfolio, and you're not focusing your efforts on engaging and serving this population, you could be missing out on a huge opportunity to build a relationship with your indirect borrowers. Effectively engaging with indirect borrowers offers a unique opportunity to change their experience of your institution from a generic finance company that holds their auto loan to an organization that can be an active participant in their financial lives.

To accomplish this, you'll need two critical tools:

1. Convenient and secure payment options that will provide a seamless user experience for your indirect borrowers, making them more likely to make loan payments promptly and avoid payment default.

It can also help your institution increase profitability by creating potential future revenue streams while saving you time, money, and exposure to risk.

2. An intuitively designed and easily navigable digital payments system that will delight your indirect borrowers.

These borrowers have likely never been exposed to your institution's ecosystem, so creating a seamless digital payments experience will give you an opportunity to impress them with the intuitive feel, easy navigation and pleasing aesthetic of your online environment. This, in turn, will make your indirect borrowers more likely to want to work with your institution when you introduce them to more of your products and services.

In a free whitepaper, CUES Supplier member SWBC (*swbc.com*), San Antonio, discusses the benefits of serving your indirect borrowers with convenient payment options, outlines user experience design strategies that will help ensure your borrowers have an optimal experience in your digital environment and gives tips for increasing the profitability of your indirect lending portfolio.

Download it at *cumanagement.com/indirectwhitepaper.*

Digital Transformation *Goes Beyond Technology*

Why do so many digital transformations fail? Because digital technologies provide only the potential to increase efficiencies and improve the customer experience. However, a *Harvard Business Review* article points out (*tinyurl.com/2mtd5653*) that if an organization lacks the right structure and culture, digital transformation will not only fail, it will magnify those flaws.

The success of your credit union depends upon your ability to do business with your members using the channel they prefer. With each year, those preferred channels are digital. That means when it comes to credit union digital transformation, failure is not an option.

CUES Supplier member Origence (*origence.com*), a CU Direct brand headquartered in Irvine, California, spoke with three credit unions that have successfully executed digital transformation and are already experiencing growth as a result.

As is the case with credit unions, each cooperative is unique, representing different asset classes, serving different fields of membership and having unique legacies. In addition, each CU is focused on different mixes of technology to create customized member experiences that meet the needs of their unique markets.

None of these CUs let technology drive the future of their organizations.

Instead, they first envisioned the credit union's future and then making sure the people and processes fully supported that vision.

That vision then drove which technology was used to transform the credit union. These successful credit unions view culture, organization and budgeting mindset as the three most important changes that need to take place to achieve digital transformation.

Learn more in this free whitepaper at *cumanagement.com/transformationwhitepaper.*

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What makes OnBoard unique?
We created OnBoard to drive visionary leadership by freeing boards to pursue more effective governance. We are a privately owned, founder-led organization that is proud of its independence as a business. When we set out to develop a board management platform, we did so with the fundamental principle of developing the solution on the best web services-based cloud technology. OnBoard uses product design rationale to develop and consistently iterate on new features and capabilities. This allows us to continually improve the product experience.

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OnBoard is the highest-rated and most easy-to-use board management platform available today, according to G2, a user-based software review site. OnBoard customer satisfaction was recently evaluated by an independent third party, and we are proud to have earned an NPS of 79 among business decision-maker users. OnBoard also enjoys 10 times the number of app reviews in the iTunes App Store and the highest rating among all iTunes board management apps available.

Why is OnBoard a great place to work?
OnBoard is a diverse group of more than 150 technologists and board management experts motivated by a desire to make the world work better. We are a growing business that never forgets that success is built on the success of its relationship with employees. As the fastest-growing board management platform globally, we believe that honesty and openness fuel innovation, that success is a group effort, and that every setback is an opportunity to learn and improve.

How can credit unions be more successful?
We believe credit unions will improve their overall performance by improving their board performance. Improving a board is like improving the clock speed of a computer. By utilizing board management software, boards don't need to spend too much time on administrative tasks. We've worked with credit unions since our inception in 2003 to create solutions that solve credit unions' everyday challenges and deliver tangible results in their communities.

Compensation Rises Despite *Uncertainty*

EXECUTIVE SALARY AND BONUS AWARDS CONTINUE TO FORM FOUNDATION FOR RECOGNIZING LEADERSHIP AS THE PANDEMIC CONTINUES.

BY LIN GRENSING-POPHAL, SPHR

It's fair to say that 2020 was a year like no other. Not a single individual in the U.S.—or, in truth, much of the world—was not impacted in some way by COVID-19. It's against that backdrop that the 2021 *CUES Executive Compensation Survey* (*cues.org/ecs*) was conducted. Like the previous year's report, the 2021 report shows steadily increasing salaries for credit union leaders.

Scott Hackworth, CPA, president of Industry Insights (*industryinsights.com*), Dublin, Ohio, which administers the CUES survey, says that executive level positions were, for the most part, paid more in 2020 than in 2019. "That's really interesting given that we were in the midst of a pandemic," he notes.

The 2021 survey collected data on the previous year's benefits packages offered and the compensation levels of 22 credit union position titles. The survey was fielded in February 2021 via email invitation to CUES members and nonmembers; responses were accepted through May 2021 and represent input from 308 CUES member and nonmember credit unions.

Economic impacts always drive compensation decisions, both in terms of what organizations can afford to pay and in terms of what they *need* to pay to be competitive, especially when seeking executive level staff. COVID-19 has been no exception.

THE STATE OF THE ECONOMY

It is indeed interesting that, despite what could be called a rather dismal economy after several years of slow and steady growth, executive salaries continued the upward trend seen in 2019. In fact, across all industries, salary budget increases in 2020 remained near 3% in the U.S.—this alongside a dramatic increase in unemployment.

Today's economy is anything but stable, of course. Though there were positive signs in early 2021, the rapid emergence of the delta variant precipitated some backsliding during the second half of the year. Inflation is also an emerging concern, although the inflation rate in 2020 dipped from 1.8% to 1.2%. (2008 saw the highest inflation in recent history at 3.8%.)

It's a shifting landscape that deserves close and ongoing attention, says Matt Shefchik, senior consultant with Carlson Dettmann Consulting (*carlsondettmann.com*), Madison, Wisconsin. One key question, he notes, will be what effect inflation pressures may have on compensation. A tight labor market is also likely to keep impacting compensation decisions as companies, including credit unions, compete for scarce talent.

"I think what we're going to see is that projections made early in the year are going to be continually adjusted," Shefchik says. "Or maybe we'll see smaller, more frequent changes to pay levels across the year to account for a rising compensation level." At all levels of the organization, he says, credit union leaders need to be keeping a very close eye on talent supply and demand and how this may impact wage pressures.

TOTAL COMPENSATION INCREASES ACROSS THE BOARD

Hackworth believes that credit unions took advantage of stimulus funding to invest in their key employees. Wage increases for all roles, he notes, were consistently between 3% and 7%, especially for executive level employees.

This year's survey found total compensation increases based on median values across all positions ranged between 3.4% and 6.9% higher than reported in 2020's survey. CEOs saw the biggest increase at 6.9%, although this raise is approximately 1% lower than the total compensation increase reported in the 2020 survey. Following are chief lending officers (6.3%), CIOs (6.2%) and compliance/enterprise risk management executives (6.0%). Human resources executives saw a total compensation increase of 5.1%.

"The CEO position saw a clear increase in salaries and bonuses at about 7%. Close behind the CEO are CIOs and HR executives," Hackworth says. Both have been broadly impacted by the pandemic—CIOs by the need to ensure data security in a hybrid work environment, and HR executives by the significant and ongoing shift in where and how employees can work during the pandemic and beyond.

While recruiting and developing talent remains a top priority, HR executives may also continue to see increasing levels of compensation. In addition, the HR role has been significantly rocked by the pandemic as employees were sent home, are now being called back, and uncertainty reigns as new variants emerge.

At the other end of the scale are senior credit union service organization executives, who saw an increase of 3.2%, followed by chief operating officers (3.4%) and mortgage lending officers (3.8%).

The average base salary for executive vice presidents of credit unions of all asset sizes was reported to be $228,427. Average base salary plus bonus was $264,500, and the total average compensation was $267,967.

EMERGING ROLES, SHIFTING FOCUS

While 22 executive level positions were included in the survey responses, only 19 had adequate response data to be included in this year's report. One position not reported on that is likely to be added to the mix in the future is the chief diversity officer role. Diversity, equity and inclusion leadership is becoming increasingly important for all businesses, including credit unions, says Hackworth.

This heightened DEI focus could impact compensation considerations, Shefchik notes, in that "many of the leading publicly traded companies have diversity, equity and inclusion measures in their incentive plans."

Hackworth agrees: "That trend will follow in the credit union—the use of DEI metrics for the payment of incentive compensation."

Shefchik suggests that executive roles related to digital services are another area to watch as credit unions expand the use of online tools for members—and, potentially, as remote or hybrid work continues both for credit union employees and members.

ASSET SIZE DRIVES INCREASED COMPENSATION

Asset size clearly had an impact on executive pay over the past year, says Hackworth. "When we just look at CEOs, we can see that … for every percentage point increase in asset size, CEOs increase their compensation by 0.4%," he says.

For CEOs, every year of experience also added 0.5% to their pay. "So, someone who has worked 20 years in the industry added 10% to their wages," Hackworth notes. Both years of experience in the industry and overall experience had a positive impact on compensation.

Past survey results have shown a relationship between CEO compensation levels and the asset size of their credit union; the results for 2021 tell the same story. CEO compensation levels increase at the base salary level, base plus bonus level and total compensation level as the asset size categories increase. The average base salary for all asset sizes was reported to be $382,680, with an average base plus bonus of $469,353 and average total compensation of $481,691. From an incentive standpoint, the top three determining factors for bonus/incentive awards for CEOs were board evaluation (64%), credit union earnings (62.9%) and loan growth (50.4%). Impacts drop off sharply from there, with the next greatest factor being membership growth at 33.3%.

The relationship between an individual's total compensation and a credit union's asset size is elastic, says Hackworth. Essentially, as the number of assets a credit union controls increases, so does the total compensation levels of executives. As an example of how to interpret this, with everything else being equal, a CEO working at a credit union that is 1% larger than another credit union would typically make 0.44% more in total compensation, he explains. In another example, a 1% annual increase in the asset size of a credit union would yield a 0.34% increase in total compensation for the chief financial officer. The same elastic relationship holds true for all applicable executive positions.

> **"I think what we're going to see is that projections made early in the year are going to be continually adjusted. Or maybe we'll see smaller, more frequent changes to pay levels across the year to account for a rising compensation level."**
>
> — Matt Shefchik

COMPENSATION PLANNING IN A PANDEMIC THAT JUST WON'T END

The rise in hybrid employment—and the likelihood that a hybrid model may remain in place long after the pandemic—may also impact executive pay in the future and should be watched closely, says Hackworth.

How does being able to hire from anywhere play into overall compensation? To what extent will cross-regional and international hires become an option for credit unions once geographic barriers have been diminished by virtual or remote work options? These shifts will impact pay strategies and philosophies.

There are three primary ways credit unions might approach compensation strategy as physical locations become increasingly untethered from where employees live, says Shefchik: establish pay based on where employees live, establish pay based on where the CU is located or establish pay based on a national average. "There are pros and cons to each of those approaches," he reflects.

Staying on top of these and other trends will be invaluable for credit unions, says Hackworth. Having the knowledge of what's happening in the marketplace related to executive compensation can help credit union leaders prepare their boards for these changes and keep them ahead of the competition for top talent.

As noted last year, the impact of the pandemic on economic conditions will likely continue to change as credit unions make compensation decisions this fall and winter while the delta variant puts many plans in a state of flux.

The labor market is seeing "unprecedented levels of difficulty right now," says Hackworth. "The need for competitive wages, and the need for benefits, has never been greater."

The good news, he says, is that access to data has never been more readily available—the 2021 *CUES Executive Compensation Survey* report provides insights that are extremely beneficial. Shefchik agrees: "It's such a great tool and a valuable resource."

The *CUES Executive Compensation Survey* offers an array of options to analyze salary and benefit trends by asset size, region, field of membership, number of members and other factors. In an environment of continued uncertainty, it's good to be able to rely on solid data to help make critical executive compensation decisions.

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

Executives' Median Base Salary + Bonus Comparison

	2021	2020	CHANGE
CEO	$470,000	$441,989	6.3%
Executive Vice President	$224,102	$214,809	4.3%
Second Executive Officer*	$232,000	$218,273	6.3%
Chief Financial Officer	$253,834	$244,220	3.9%
Chief Operations Officer	$239,974	$227,566	5.5%
Chief Lending Officer	$208,380	$197,420	5.6%
Retail Branch Executive	$195,750	$185,105	5.8%
Marketing Executive	$171,811	$166,286	3.3%
Human Resources Executive	$191,466	$184,894	3.6%
Chief Information Officer	$220,856	$209,920	5.2%
Business Development Executive	$162,182	$156,607	3.6%
Senior CUSO Executive	$202,361	$196,158	3.2%
Business Lending Executive	$197,416	$186,239	6.0%
Legal Counsel Executive	$206,931	$201,820	2.5%
Chief Operating Officer	$243,703	$235,312	3.6%
Regional Branch Management Executive	$149,296	$143,038	4.4%
Mortgage Lending Officer	$165,468	$161,401	2.5%
Compliance/Enterprise Risk Management Executive	$152,587	$146,176	4.4%
E-Commerce Executive	$169,289	$162,778	4.0%

NOTE: *The results in this table reflect "same-sample" reporting; they represent the data only of credit unions that participated in both years of the survey, which permits more direct comparison.*

**The Second Executive Officer was not reported as a separate stand-alone position, so there likely is some double reporting of salaries of executives serving as Executive Vice President, CFO, COO, etc., who are also designated as the second-in-command at their credit unions.*

Median Base + Bonus Compensation for Selected Execs Across Asset Ranges

	ALL ASSETS	< $100 MILLION	$100-249 MILLION	$250-499 MILLION	$500-999 MILLION	$1 BILLION+
Chief Operations Officer	$194,323	$87,498	$119,610	$151,519	$201,893	$295,398
Chief Financial Officer	$221,649	$105,744	$136,910	$146,082	$214,500	$317,405
Chief Lending Officer	$186,954	$80,000	$116,017	$132,588	$191,771	$251,108
Marketing Executive	$158,575	$72,655	$98,194	$120,410	$135,589	$200,869
HR Executive	$162,383	*	$92,170	$100,000	$141,753	$217,000

** insufficient sample size*

CEO Bonuses and *Other Exec Benefits*

According to the 2021 *CUES Executive Compensation Survey* (*cues.org/ecs*), almost nine in 10 (89.4%) of CEOs were eligible for bonuses, comparable to 2019 findings. Other findings from this year's executive summary:

- The average CEO bonus was 20.3% of base pay (compared to 17.7% in 2020), with a range from 9.2% at credit unions with less than $50 million in assets to 27.8% among $1 billion-plus institutions.
- Almost all CEOs (96.3%) were enrolled in 401(k) retirement plans; in addition, 49.2% also received retirement benefits in the form of 457(b) plans, and 37.7% were enrolled in 457(f) plans. A 457(b) plan permits executives to set aside more of their income to supplement retirement savings, while a 457(f) plan is an employer-funded deferred compensation program that a credit union might structure to reward and retain executives.
- Topping the list of eligible benefits for CEOs were supplemental life insurance (32.8%), split-dollar life insurance plans (32.8%) and medical insurance premium reimbursement (22.8%), taking the third spot in 2020 away from executive long-term disability coverage (24.1% in 2020; 18.2% in 2021).
- Almost half (48.7%) of CEOs at credit unions participating in the survey have employment contracts, with the most common term being three years (34.3%).
- Among common contract components were severance pay (85.1%), change-in-control provisions (55.2%), noncompete covenants (36.8%), provisions to continue specified benefits post-termination (32.8%) and a covenant not to solicit employees to move to the CEO's next organization (35.8%).

CEO Salaries (Increase Over Previous Year Average Results/All Asset Sizes)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Base Salary	6.8%	6.8%	7.1%	7.4%	7.2%	7.0%	4.6%	7.8%	6.43%	4.93%	4.37%
Base + Bonus	7.0%	7.6%	7.4%	7.3%	7.7%	7.1%	5.7%	10.0%	8.40%	5.93%	5.01%
Total Comp	6.8%	7.9%	7.0%	7.5%	7.8%	6.8%	5.5%	9.5%	8.18%	5.83%	5.07%

NOTE: *The results in this table reflect "same-sample" reporting from year to year; they represent the data only of credit unions that participated in both years of the survey in consecutive years, which permits more direct comparison. (For example, 2011 data shows the percent change for participants that completed the survey both in 2010 and 2011.)*

2021 Median CEO Compensation

	BASE SALARY	BASE + BONUS	TOTAL COMP
All Assets Categories	$329,068	$368,243	$374,265
Less than $50 million	$119,709	$125,000	$125,000
$50-$69 million	$134,530	$153,199	$153,199
$70-$99 million	$160,718	$181,094	$181,094
$100-199 million	$186,694	$200,716	$201,329
$200-$399 million	$235,206	$263,000	$270,194
$400-$599 million	$345,000	$397,846	$405,000
$600-$999 million	$406,824	$464,588	$466,728
$1 billion or more	$585,649	$708,000	$717,875

Subscribe to the *CUES Executive Compensation Survey* and the *CUES Employee Salary Survey*. Learn more at *cues.org/compensation*.

MORE ON COMPENSATION

Credit Union Executive Pay Up Despite Economic Uncertainty (*cumanagement.com/podcast119*)

Nine Steps to Creating a Deferred Compensation Program (*cumanagement.com/0421deferredcomp*)

Why Your Credit Union Compensation Philosophy Needs an Upgrade (*cumanagement.com/0321mclaganwhitepaper*)

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Setting Out *on the Analytics Expedition*

CUs ARE GEARING UP TO USE DATA TO BOOST ENGAGEMENT AND BEAT THE COMPETITION—BUT IT'S TIME TO GET MOVING.

BY ART CHAMBERLAIN

Talk to most people in the credit union system about their increasing use of data analytics, and they'll describe it as a journey where the desired destination is easy, personalized communication with their members. The trip sounds like a family sojourn to Disneyland or Yellowstone—a bit tiring, but not unbearable or too onerous, maybe even fun.

But ask Andre Thibault, SVP/marketing at $200 million United Educators Credit Union (*uecu.coop*) in Mendota Heights, Minnesota, and he'll give a different and probably more accurate answer. He says his credit union is setting out on an expedition. It has been preparing for this trip for the past five years or more—replacing its credit card system, online banking provider and 1980s-era core banking system—and is now almost ready to start the real journey.

The changes at United Educators CU haven't occurred in a vacuum, naturally. The core changeover happened just as COVID-19 was hitting the U.S. in March 2020, adding extra stress and complexity. Now, in addition to the data changes, the CU is planning to launch a re-branding campaign in a few months.

Thibault says United Educators CU will rely on its partners as it moves ahead, drawing on the experience and databases of CUES Supplier members CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, and Seattle-based Strum Agency (*strumagency.com*) to flesh out its own data.

"We'll get the necessary information about our members, but also on the profitability of our products, so that we can really make more informed decisions," Thibault says. "That way, we can tweak them to make them even better for our members."

AN EXPECTATION OF UNDERSTANDING

The analytics bar is set high for all organizations. Thanks to intuitive suggestions from the likes of Amazon and Netflix, we all expect retailers to understand our needs and desires and quickly get cranky if they don't. "Why did Netflix suggest that I watch that dumb movie?" could easily

“Lots of billion-dollar organizations now have completed a data warehouse, but they have not been able to tackle and solve the last mile of how to communicate with and understand members’ needs and improve their journeys.”

– Mark Weber

become “Why did my credit union suggest a student loan to me when I’m pushing 60?”

A decade ago, many people felt such recommendations were creepy and intrusive, but now they’re part of our everyday life. Even though some people are still uncomfortable with suggestions related to their finances, younger people overwhelmingly accept and expect such nudges.

Thibault says United Educators CU currently uses Constant Contact (*constantcontact.com*) to send email blasts, but he’s reluctant to potentially antagonize members by sending offers or suggestions that don’t interest them. At this point, he has no way to personalize or target those messages; that capability is the desired endpoint of his credit union’s analytics expedition.

“This isn’t just a challenge for midsize or smaller credit unions—it’s challenge for most credit unions,” says Mark Weber, founder/CEO and chairman of Strum.

Weber observes that in recent years, credit unions have tried to pull together data from their many silos with limited success, in part because they didn’t focus on the member experience and how to enhance and personalize it.

“Lots of billion-dollar organizations now have completed a data warehouse, but they have not been able to tackle and solve the last mile of how to communicate with and understand members’ needs and improve their journeys,” Weber says.

ESCAPING THE NOISE

It has become clear that the data journey is not just an initiative for the marketing department. To succeed, it must include the entire organization and involve a culture shift that starts in the CEO’s office.

In fact, the need for decisions based on algorithms, artificial intelligence and machine learning is becoming a basic business requirement to counteract faulty human decision-making tendencies. In his latest book, *Noise: A Flaw in Human Judgment* (*readnoise.com*), Daniel Kahneman, a psychologist and winner of a Nobel Prize for Economics, argues persuasively that rules or algorithms should be used whenever possible, instead of relying on fickle humans who make decisions driven by any number of factors.

His book focuses on all the things that interfere with our ability to make consistent, rational decisions—from lack of sleep to the temperature to the time of day or week—anything that he calls “noise.” For example, his work with a large insurance company showed its brokers made widely different assessments about adjustments that cost the company millions in lost revenue.

Kahneman’s rule of thumb is that any decision that can be handled by simple rules or AI should be. This provides a rational and consistent underpinning for the ongoing shift to automated approaches and data analytics. “Much of this book might be taken as an argument for greater reliance on algorithms, simply because they are noiseless,” he writes.

Understanding the importance of moving in this direction requires leadership. “It needs to be an enterprise-wide endeavor, bringing in all different layers and breaking down some of the silos between departments,” Thibault says.

He stresses that digital transformation is not going to be about promoting products. Rather, the goal is to provide information that members can use to make their lives easier and deepen their relationship with the credit union.

“We want them to see us as their partner, and we want to make them successful,” Thibault says. “We’re looking at ways that we can better serve our members, and the main way that we’re going to be trying to do that is by asking more questions of them. It’s not selling—it’s supporting your member with the right and relevant products and services.”

KNOW YOUR DATA

Ben Stangland, president/COO of Strum, says a shift in mindset is required for many organizations that have built data warehouses but now are trying to figure out how to leverage the information.

“They’re asking: How do we culturally change the organization? Because at the end of the day, it’s not just the data,” Stangland notes. “You have to have people believe in the data; you have to have data-driven decisions, and that means making sure that data is accessible for multiple people throughout the organization and something they can actually read and use.”

Before any credit union starts on the data journey, it must know what data it has and how to protect it, says Natalie Copeland, manager of data operations for CO-OP Financial Services.

“Before jumping into analytics and data, it’s really important to make sure that credit unions develop policies and processing around data,” Copeland says. “The first thing is to ensure you have correct data standards, and then you really want to make sure that you understand who your data owners are. Who owns putting that data in? Do you know where it is coming from—what software, what application?”

This tracking of member experience data can be a complex challenge. “The average midsize and large credit union has somewhere between 30 and 50 different data systems today,” Weber says.

But Copeland warns that the work to clean and consolidate that data is crucial: “If you don’t have those standards, ... that can really cause issues in your analytics down the road.”

PARTNERS CAN EASE THE BURDEN

Credit unions also need to consider the reputational risk from any privacy or compliance issues that might arise, Copeland says. "When you talk about compliance, you know none of us want to hit the headlines with a breach of privacy."

Amber Sappington, head of data and analytics at Finastra (*finastra.com*), Lake Mary, Florida, recommends credit unions find partners to help them deal with security and compliance issues. "We have been able, for example, to build out an entire area of data governance and compliance. We can assess each individual field of data and determine how we need to handle it." For example, any data with personally identifiable information will be encrypted.

Sappington says the Finastra platform FusionFabric.Cloud offers 150 apps (*store.fusionfabric.cloud*)—some developed by Finastra, others by fintechs—that can easily provide credit unions with an ability to use data in a more effective way. The store has everything from ABAKA's AI-powered Next Best Action (*abaka.me*), which calls itself an AI-driven recommendation engine for financial institutions, to upSWOT (*upswot.com*), which is designed to increase revenue from small-business members by consolidating their data and providing actionable insights.

Working with vendor partners can also reduce the need to hire your own data scientists, Sappington says. "Then, you can take advantage of others' subject matter expertise."

Thibault says United Educators CU is following that approach, at least initially. He and the credit union's IT manager plan to work together on the expansion of data use before jumping into hiring staff.

$570 million Clackamas Federal Credit Union, based in Milwaukie, Oregon, decided in June to move to the Strum Platform (*strumplatform.com*), an analytics and marketing automation solution offered by the Strum Agency, to meet its needs. The CU plans to eventually use the platform for a data warehouse that will pull together information from across the organization.

Marketing Manager Meagan Rice says the transition has involved a lot of front-end work by Clackamas FCU's IT staff, but once the system is up and running, it will reduce the workload.

"Once everything is in there, it's just a matter of plug and play," she says. "A big reason we decided to switch to Strum is the fact that a lot of it can be automated on the back end so there's not as much day-to-day work needed from my team."

A PERSONALIZED APPROACH

Luke McMurray, VP/member engagement at Clackamas FCU, says one of the challenges in moving to a data warehouse solution will be bringing together the independent systems. "We're looking at multiple systems, and one records the information this way and another records it that way," McMurray says. "They're both true, but it's apples and oranges."

Rice says the goal over the next couple of years is to focus "on getting into the data and learning as much as we can about our members, so that we can help them the best way that we can. We want to focus on providing solutions that are going to help our members."

McMurray says there will be a change in what the credit union currently communicates with members and what the new system will make possible. "There is a big difference between saying, 'You know, you may qualify for this level of loan. Call us,' and saying, 'Hey, we already know that we'll save you X dollars per month on your loan if you refinance with us. Click here to get started.'"

Rice also says that the more personalized, targeted approach will be appreciated by members. "It's going to resonate with them better than a lot of the emails we send out that aren't relevant to them."

Clackamas FCU wants its emails to be relevant to members, McMurray says. "We don't want to be guessing. We'd like super-targeted material that's going to really help our members, and they're going to look forward to opening their emails from Clackamas because they match exactly what they need."

As an example of such data-driven personalization, Sappington says Finastra has developed an app that credit unions can use to determine whether an individual is likely to prefer to switch to e-statements by identifying how tech-savvy they are, how often they use mobile banking and whether they use a branch. The CU can then contact those members, confident that they will be interested in switching and not delete the unread email.

"Customer expectations are higher than ever before," Sappington reiterates. "They want that personalized experience. They want their credit union to know who they are and know

"You have to have people believe in the data; you have to have data-driven decisions, and that means making sure that data is accessible for multiple people throughout the organization and something they can actually read and use."

– Ben Stangland

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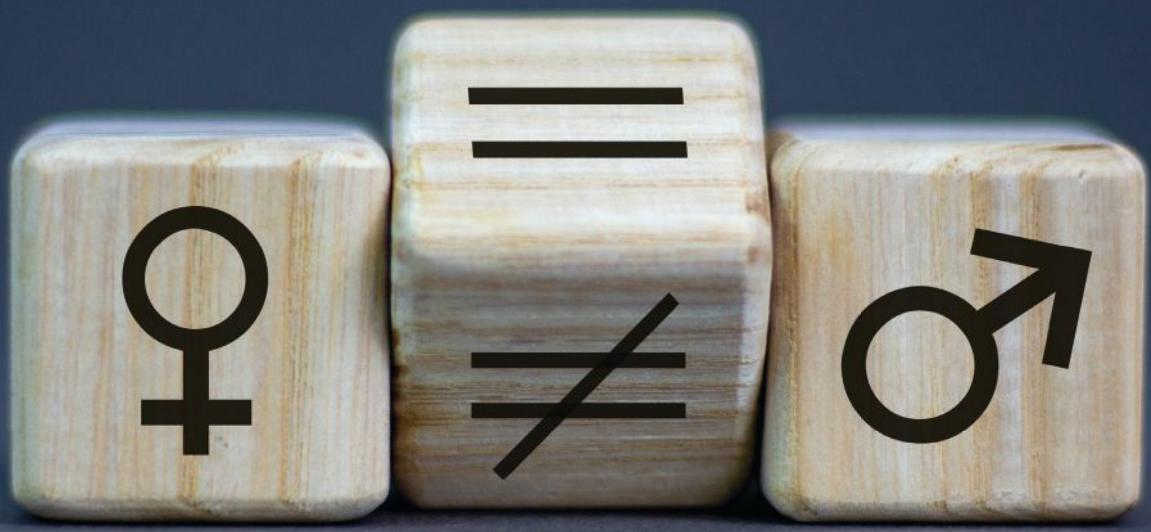

“There is a big difference between saying, ‘You know, you may qualify for this level of loan. Call us,’ and saying, ‘Hey, we already know that we’ll save you X dollars per month on your loan if you refinance with us. Click here to get started.’”

– Luke McMurray

MORE ON DATA ANALYTICS

Data-Driven ATM Strategies (*cumanagement.com/0621atmdata*)

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Bringing Together the Credit Union Heart and Head With Data (*cumanagement.com/0221heart*)

Data Analytics: More Than Just Numbers (*cumanagement.com/0221data*)

what product they want next. I think AI and machine learning are the backbone to being able to make that happen.”

BANDING TOGETHER

Brenda Moulton, product manager for CO-OP Insights Center (*co-opfs.org/solutions/integrate/insights-center*), which pulls together credit, debit and ATM portfolio data, says all credit unions are somewhere on the data analytics journey. However, “I haven’t yet talked to many that would say they have a true data science capability in place.

“They all realize that getting to know their members it is no longer just a face-to-face activity,” Moulton notes. “There’s no shortage of data—that’s not a problem for most of them—it’s more what do you do with that data and how do you marry it with other sources.”

But credit unions *are* facing a shortage of qualified staff, Moulton says. Because all industries are moving toward greater use of data, and because the pandemic has shown that staff can work remotely, the competition for data science staff is global.

“It’s not just our industry that’s looking for data analysts,” Moulton observes. “We are not just competing for talent within our own industry, but we’re potentially competing for talent across multiple industries. That makes it even more difficult.”

Moulton warns that as we come out of the pandemic, credit unions are competing with analytics giants including Google, Apple, Facebook and Amazon.

“These sophisticated companies are starting to dip into our space and leveraging their existing relationships with credit union members to disintermediate the credit union, potentially,” says Moulton. “I think we’re going to see a sense of urgency because of that intense competition for those members. ... It’s going to cause an acceleration of the need to analyze the data and use that to better understand and serve members.

“Credit unions are going to be looking for support,” Moulton adds. “One of the things that we’re building in CO-OP Insight Center is the ability for credit unions to share report templates and analytics tools with each other, should they so choose. We’re finding a huge interest in them banding together to compete for consumers in the broader space.”

HIT THE ROAD

Whether credit unions decide to embark on the journey solo or with partners, Weber urges them to get going. “To me, fundamental to data analytics is the question: Can you wait two or three more years to begin to harness and leverage analytics? And the answer is absolutely not,” he says. “People have already fallen behind on leveraging and utilizing their data in growing relationships, understanding and managing member experience.”

Weber suggests the key for credit unions that are just starting out is to focus on small wins and look for ways to “hit singles,” instead of hoping for a home run. Plus, Stangland says, some credit unions have used the financial gains from those small wins to finance the following phases in their transformation.

Sappington also urges credit unions to start small and identify a problem they can learn from. “I think picking a specific pain point or use case to tackle and then learning from it is a really a good place to start,” she says. “I’d say get your feet wet [and] learn from it. ... It’s really a cycle of testing and learning.”

The analytics expedition could mean big changes and potential benefits in the future, if credit unions can get there on time. “I think it will open up other avenues that credit unions just really haven’t thought about for their members and for their culture,” Stangland says.

Art Chamberlain *is a writer based in Campbellford, Ontario, who focuses in the credit union sector.*


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Special Report: Fintech

Credit Union Management
OCTOBER 2021

4 BIG IDEAS ABOUT FINANCIAL TECHNOLOGY COMPANIES

... as they help shape the future of the member experience.

PLUS

4 Big Ideas About *Financial Technology Companies ...*

AS THEY HELP SHAPE THE FUTURE OF THE MEMBER EXPERIENCE.

BY CELIA SHATZMAN

Though no one can predict the future, some organizations certainly help to shape it. When it comes to financial services, financial technology companies are doing just that. With their actions today, they are influencing how credt unions will serve their members in the future.

To gain insight into how fintechs are molding what's to come, we asked four leaders to weigh in.

1. FINTECHS RAISE THE BAR

Today's consumers expect more than ever from their financial services providers, including CUs and banks, and you can thank fintechs for that.

"They are leveraging technology to improve the customer experience, lower costs, accelerate decision-making and remove friction points in the delivery of financial services," says Paul Davis, director of market intelligence at CUESolutions provider Strategic Resource Management (*srmcorp.com*), based in Memphis, Tennessee. "They are raising customer expectations. People want convenience. They want options, and they want quicker responses when it comes to setting up accounts and applying for loans. Fintech is playing a large role in all of these areas."

That brings plenty of good news for credit unions.

"Fintech partnerships can help credit unions maintain and renew member loyalty by introducing more to the breadth and range of the CU's products and services," Davis says. "As more customers rely on digital channels to handle financial transactions, a shift to fintech can also lower a credit union's costs over the long run."

But CUs should also keep an eye out for some key red flags. Davis recommends thoroughly vetting any fintech partnership since there could be a reputational risk if customers experience problems.

"Management teams would be wise to involve their boards in decision-making and have conversations with their regulator before diving into a fintech strategy," he says.

A good jumping-off point for vetting a fintech is following regulatory guidance. A few areas to focus on include business experience and qualifications, financial condition, legal and regulatory compliance, risk management and control, information security, and operational resilience.

MORE ON FINTECH

Fintech Partnerships Aren't All or Nothing (*cumanagement.com/0821fintech*)

Good Governance: 3 Fintech Factors Board Members Are Perfectly Poised to Consider (*cumanagement.com/0721fintech*)

Fintech: What's Hype and What's Not (*cumanagement.com/0621fintech*)

"It is critical for credit unions to first develop a strategy, including an understanding of what members they want to bring in, before pursuing fintech partnerships," Davis says. He suggests keeping these four considerations in mind: 1) involve the board; 2) consult with your regulator; 3) thoroughly vet any potential partnership to weigh risks to rewards; and 4) look for fintechs that can credibly deliver a product that meets your strategic goals.

Once a CU gives a fintech the green light, the partnership can be rewarding since fintechs are creating apps and strategies that are forward-thinking.

"I am interested in the apps that are appealing to Gen Z," Davis says. "Till (*tillfinancial.io*) and Goalsetter (*goalsetter.co*) have products that connect kids and teenagers to savings accounts. Goalsetter offers 'GoalCards' so relatives can contribute funds while setting up entertaining ways to educate kids on financial terms. Financial education is another big opportunity. And apps designed to help small businesses are interesting as well; Monit (*monitapp.io*) has one that helps owners manage and forecast cash flows."

The Amazon effect has trickled over to the financial industry, and now financial services is all about personalization.

"Customization and segmentation are critical to connecting with consumers and small businesses," Davis explains. "People want to have more control over the look, feel and optionality of their financial services. At the same time, making full use of data to better understand and access subsections of the population will be a difference-maker in a hypercompetitive environment."

Blockchain is a key technology to watch.

"Credit unions and banks will look at blockchain as a way in areas such as mortgage and payments," Davis says. "Two banks recently announced plans to invest in Figure Technologies (*figure.com*) to explore those types of improvements." As fintechs continue to sway the industry, it will be fascinating to watch it evolve, he adds.

2. FINTECHS FILL KEY GAPS

When you think about it, fintechs were born to close the gaps in what members want from their financial services experience and what they currently can get.

"By design, fintechs are created to resolve a specific functionality gap in our industry or enhance an experience that exists today that is often too complex," says Scott Young, VP/innovation and design for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "Fintechs typically isolate a niche experience that needs enhancing and build a more intuitive digital solution that is easier to use."

That's why it's no surprise that fintechs are delivering cutting-edge solutions and driving innovation.

"Fintechs are absolutely raising the bar on experience, setting the tone for the member's expectations," Young says. "Certainly, what's caused some of the biggest buzz in our industry over the past several years has been the growth of the buy now, pay later technology driven by fintechs such as Affirm (*affirm.com*), Afterpay (*afterpay.com*) and Klarna (*klarna.com*)."

Young says the focus at PSCU has been on meeting with a range of fintech partners that focus on financial health and literacy, as well as opening accounts for the unbanked or underbanked.

"Some of these solutions that we are exploring align very well with the credit union philosophy of 'people helping people,'" he says. "Fintechs are laser-focused on these issues and are building out solutions that may have real impact on our industry."

For example, PSCU's innovation team has recently met with several forward-thinking fintechs that focus on nontraditional lending methodology, biometric authentication, digital agents built on artificial intelligence and subscription management services.

Another area where fintechs have had great success is with the coveted Gen Z group. "Fintechs have quickly (and easily) grabbed the attention of the Gen Z consumers by building digital solutions 'where they are'—on their devices," Young says. "Odds are that it will be increasingly more difficult over time to win a new member away from their existing digital solution unless you are offering something on par to what they have today."

For all these reasons, it's imperative for credit unions to find ways to work with fintechs so that they can grow with them.

"The credit union industry has always been collaborative in nature," Young says. "Now is the time to lean into that collaboration by embracing new tech partners that can offer our members a differentiating experience."

However, Young admits that partnering with fintech companies may not be as easy as it sounds, and a proper vetting of new partners is essential. He recommends asking just how "new" a solution is. Another challenge can be integration, which is a crucial factor to consider. Finally, Young recommends ensuring that regulatory and compliance checkpoints are in place before partnering.

Though finding the right fintechs to partner with can be time-consuming, the payoff can well be worth it.

"We're living in a digital-first world now, and there's no going back," Young says. "Keep a constant pulse with members to understand their digital expectations. Look inward on what 'jobs to be done' could be enhanced via digital solutions. Raise your hand with your providers to be a pilot or early adopter of the technology they are building. Our current members and our future members will expect digital financial services that meet all four pillars of an experience: easy to use, convenient, secure and personalized. When we add what we do best—building relationships—to these set of expectations, credit unions can't be beat."

3. FINTECHS PROMOTE NEW WAYS OF THINKING

The way Doug Williams sees fintechs, they are pushing the envelope of what is possible in how members can be served.

"They not only bring about new perspectives on ways to provide products and services to members but also present opportunities for credit unions to reconsider their business model and how they operate," says Williams, senior director of product development and strategy at CUES Supplier member LSC (*lsc.net*), Naperville, Illinois.

Fintechs provide forward-thinking solutions in quite a few ways, starting with customization.

"Many fintechs know their identity, and they target a specific audience based on that," Williams says. "On the member acquisition side, you see more and more providers targeting a certain niche group and building their solution solely with the premise of meeting needs for that group. Contrast that to credit unions, which often try to compete in broader markets and have solutions that meet the needs of most everyone."

Williams also sees fintechs leading with transformation.

"Many fintechs I talk to are looking for ways they can make a difference in people's financial lives," he says, noting this goes beyond transactions. "Many of them are developing proprietary solutions they feel can do this for consumers."

Williams sees the work CUs have been doing over the last few years to amplify the member experience they offer as aligning with the vision of many fintechs. Both are unwaveringly committed to a unique experience.

"They are looking for outside-of-the-box solutions to overcome any barriers they face to help create the most frictionless experience possible," he says.

An additional area where fintechs are adept is in overcoming tech hurdles, Williams says.

"There is a tremendous focus on leveraging APIs (application programming interfaces)," he explains, "and they invest significantly in development resources. That spirit of finding solutions has served them well as they have gained momentum in the marketplace."

Finally, fintechs are at the forefront of personalization, which is predicted to become even more important as time goes on. "They are able to identify their market and then develop solutions that meet the needs for that particular audience," Williams says. "They have found a healthy balance of creating solutions that can meet the needs of many people, but yet those people feel like the services were developed just for them."

While credit unions are exploring the fintech space, they need to watch out for a few warning signs. First, make sure fintechs truly understand credit unions and what makes them unique.

"Another red flag I would be cognizant of is related to service and support, Williams says. "If there are any doubts about an organization's ability to provide service to your members or staff, you should be transparent and vocal about your concerns. There is a degree of reputation risk with any provider, especially if they are supporting your members, so be certain they have the proper resources to provide the service."

Finally, be sure to carefully examine a potential partner's financial standing since startups may not have the financial footing to be able to endure challenging times.

Once the due diligence is done, doors can open.

"There is a massive opportunity right now for credit unions to partner with and work alongside many fintechs," Williams says. "Certainly, there are those who provide a direct threat to credit unions; however, there are many who want to be willing partners in helping you grow your business. Credit unions who understand this and are able to find valued fintech partners can help position themselves for success into the future."

4. FINTECHS SET AN EXAMPLE

One of the ways fintechs are leading the financial sector into the future is by setting an example for the broader financial services industry to follow, according to Rob Dixon, director, product and business development at CPI Card Group (*cpicardgroup.com*), headquartered in Littleton, Colorado.

"Fintechs are making consumer values and preferences the foundation of their business and brand identity," he says. "For example, many fintechs are demonstrating their commitment to sustainability in alignment with a growing group of environmentally conscious consumers, with some incorporating payment products made with more eco-focused materials as part of their efforts."

Those can really add up, especially when you consider the number of payment cards issued annually.

"Using more sustainably sourced payment products, fintechs—as well as financial institutions and other segments of the card industry—are gaining the opportunity to play a part in the fight against plastic pollution, while empowering environmentally conscious consumers to join in," Dixon says.

Whether a company is sustainable matters to today's members. For example, a CPI Card Group survey of debit and credit card users conducted by an independent research firm found that 96% of respondents were concerned about plastic waste in the oceans and 83% found the idea of a card made with recovered ocean plastic appealing. More than half, 58%, said they were willing to switch to another financial institution if it offered such cards with the same features and benefits.

"Given these sentiments, it's no surprise that fintechs are introducing cards made with eco-focused materials (*tinyurl.com/2ndwavecards*) that resonate with their customers," Dixon says.

Other fintechs have pledged to support sustainable finance by planting trees for products purchased, using sustainable transportation and guaranteeing responsible waste management.

"Despite their focus on industry disruption, it remains an encouraging sign to see fintechs also make sustainability in their products and organizational changes a high priority," Dixon says.

Fintechs are also driving the transition to digital issuance, according to Dixon, in the same vein of aligning with emerging customer preferences.

"As other companies take note of these and similar initiatives, we will see financial institutions across the board collectively shape the future of the industry—not by following in the footsteps of fintechs so much as becoming even more customer-oriented in how they do business," he says.

Aside from prioritizing the planet, fintechs will help guide the industry into the future in lots of other ways, particularly with personalization.

"Consumers respond to more unique, tailored experiences as opposed to mass-produced, cookie-cutter offerings," Dixon says. "Fintechs are opting for payment products that are carefully designed, produced and delivered, with end-to-end support from a payments solutions provider, to convey the essence of their brand and resonate with their target audience."

Dixon believes that through the right payment solutions partner, the function, look and feel of cards have become areas fintechs can play with creatively to extend their brand into the physical realm. He notes that as companies look at different ways to curate a unique physical payment experience for their customers, metal cards offer a weight and tactile feel that can resonate with luxury and high-end audiences.

"Separately, colored cores can enable a colored edge for a payment card, making it more eye-catching and able to contend for top-of-wallet status," Dixon says. "Post-laminate treatments, silkscreen finishes, vertical card designs and general use of bright, vibrant colors, are being tapped by fintechs to produce payment cards that effectively capture the essence of their brand and the audience they wish to connect with. It's only a matter of time before financial institutions more broadly begin to follow suit and take advantage of what today's payment card design and manufacturing innovation can offer."

Celia Shatzman *is a Brooklyn-based writer who has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

PSCU

Adding Value with Innovation: Fintech Partnerships

By René Clayton, Innovation Strategist at PSCU

Fintechs continue to advance the financial services industry with high-tech efficiencies. Many credit union members are willing to try new solutions vetted by their credit union because of their long history as a trusted banking partner, opening the door to fintech partnerships. These partnerships enable credit unions to compete effectively with the new experiences and innovative solutions built by tech companies and big banks.

Let's take a closer look at some of the reasons credit unions should explore fintech partnerships.

Fintech Benefits

Today, members expect personalized and digital-only experience options, but some traditional financial institutions are not meeting these table stakes. Fintechs can add extraordinary value and make it easier for credit unions to compete with big tech, identifying and solving for specific gaps. Fintechs' updated technology stacks (similar to big tech) can be a true advantage for getting products to market quickly, and their R&D resources make it possible for them to offer their services at a lower cost. Due to fintechs often being solely focused on one or two solutions, they can dedicate all of their resources to those particular ideas. Moreover, updated cloud technology that is less expensive than on-premise solutions offers great savings.

While collaborating with fintechs can bring challenges when it comes to integrating with legacy credit union systems, the added integration needs are worth it for the relatively low overhead costs. Cost savings achieved through fintech partnerships can ultimately be passed on to the credit union via a credit union service organization (CUSO) with existing partnerships.

PSCU's Fintech Journey

Over the past five years, PSCU's engagement with fintechs has helped evolve the CUSO's response to the rapidly growing needs of its Owner credit unions and their members. For example, PSCU recently has been exploring partnerships with several fintechs to deliver products that better position members for financial well-being. Additionally, working alongside the creative teams at partner fintech companies has helped the CUSO test the waters for fresh ideas, from youth banking to subscription management, account opening, lending options and more.

Regardless of the new experience or solutions, PSCU continues to focus on the member journey. Solutions need to be easy to understand, fill a gap the member may not have even known existed, and create value. They also need to be attractive cost-wise for credit unions. PSCU considers all these factors and more when vetting new fintech partners.

PSCU is in ongoing conversations with fintechs focused on using artificial intelligence (AI), crypto offerings, authentication and lending solutions, and credit unions should consider following suit.

In the past, credit union dialogue around innovation was always laser-focused on two options: Do we buy, or do we build? Now, there are more options. When done thoughtfully and strategically, fintech partnerships can play a critical role in growing the bottom line and allowing for true innovation.

With more than 20 years of experience in technology, management, and product development, innovation strategist René Clayton is passionate about creating new ways to provide unparalleled member experiences, enhancing fintech partnerships and championing research of open banking opportunities.

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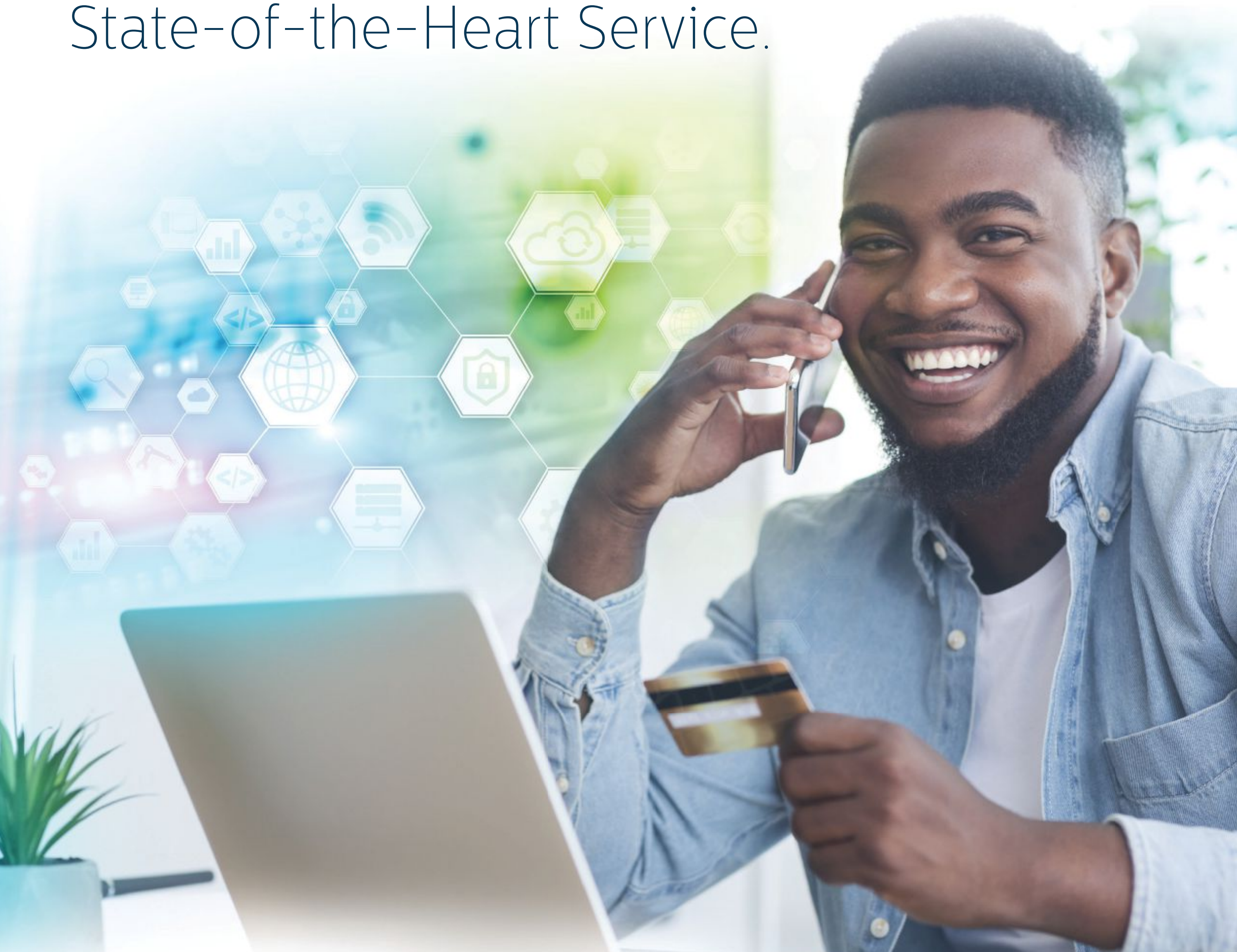

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Three Fintech *Partnership Strategies*

STRATEGIC RESOURCE MANAGEMENT

BOARD MEMBERS NEED TO KNOW WHEN TO BUY, INVEST IN OR MAKE A DEAL WITH FINANCIAL TECHNOLOGY COMPANIES.

BY PAUL DAVIS

Credit unions have an underutilized asset when it comes to charting a successful fintech strategy—their boards.

Directors, by and large, represent a cross-section of a CU's membership and can provide insights on member needs. They can inform management about the bottlenecks and friction points in the CU's products and services—key areas to monitor in a hypercompetitive environment.

Directors can also provide feedback on the right approach to working with fintechs. There are three specific ways CUs can leverage fintech: contracting with them on projects, making minority investments, or buying them and running them in-house.

When working with fintechs comes up at board meetings, CUs are challenged to navigate new internal strategies, re-evaluate ideal client segments, and select technology partners that can safely and effectively help them achieve strategic goals. This is especially true with commercial lending, given the limits on CU member-business lending.

STRATEGIES BORROWED FROM BANKS

When it comes to strategy, boards can help management teams with positioning and client segmentation. They can assist in such areas as customizing platforms and creating optimal customer experiences.

A growing number of banks, along with some bigger credit unions, have already forged ties with tech start-ups, viewing those relationships as a critical pathway to retaining and recruiting customers in a hypercompetitive environment for financial services.

"Banks are coming back to the fact that they want to customize the experience—and they're getting more selective with their targeting," says Christopher Marinac, head of research at Janney Montgomery Scott (*janney.com*).

A good example is Fifth Third Bancorp's pending purchase of Provide (*getprovide.com*), a fintech that focuses on healthcare providers. The move will allow the Cincinnati bank to put more loans on its balance sheet and, over time, pitch more services to Provide's customers.

Fifth Third has made it clear that its strategy is to eventually handle all the healthcare client's banking needs, including deposits, mortgages and credit cards. This is something all financial institutions should pay close attention to.

INVESTING IN FINTECH

Several credit unions have already been investing in fintech.

$11 billion VyStar Credit Union (*vystarcu.org*) in Jacksonville, Florida, has invested $20 million in Nymbus (*nymbus.com*), which is developing online and mobile banking solutions for the financial institution. VyStar CU has also invested $18 million in Zest AI (*zest.ai*), a developer of software for credit underwriting.

$5 billion Veridian Credit Union (*veridiancu.org*), Waterloo, Iowa, has invested $5.5 million in Moov Financial (*moov.io*), which offers an open-source infrastructure that makes it easier for businesses to send, receive and store money for customers.

HOW BOARDS CAN HELP

Boards can weigh in on whether an outside provider is delivering a needed product—and evaluate the potential risks, both from a vendor management and a credit perspective.

Recent developments can also inform these directors' decisions. For instance, a bill was recently proposed that would allow fintechs to make 7(a) loans through the Small Business Administration (*sba.gov*). That could provide partnership opportunities for credit unions that lack access to the SBA.

Looking ahead, deposit levels will likely remain elevated for at least two years, while a full-scale resurgence in loan demand remains far out on the horizon. This means there is time to analyze, scrutinize and select partners to help your CU succeed.

Get your boards involved now—before it is too late to prepare appropriately. Ask them to review the strategic plan and how fintech can move the ball forward. Engage them in discussions about the necessity of certain products and services and involve them in the due diligence when it comes to assessing the risk of any partnership.

Director of Market Intelligence **Paul Davis** *tracks the pulse of the financial services and fintech industries at CUESolutions provider SRM* (srmcorp.com)*, Memphis, Tennessee.*

MORE FROM SRM

The Seven Pillars of Post-Pandemic Operational Excellence (*cumanagement.com/0621pillars*)

What Is 'Technical Debt,' And How Can Credit Unions Overcome It? (*cumanagement.com/video123019*)

SPONSORED CONTENT

Issuers are Pivoting Towards Sustainability

The financial services sector is taking notice. In fact, when surveyed in a 2020 Aite Group study commissioned by CPI, 80% of card executives reported that they believe consumers are more environmentally conscious today compared to five years ago[1]. The January 2021 Euromonitor report supports this belief with 69% of professionals expecting consumers to be more concerned about sustainability than they were before COVID-19[2].

For issuers just beginning the journey towards a more environmentally focused card portfolio, there are several considerations to be made such as understanding consumers' values and reflecting them in your offerings. It is also important to choose eco-focused cards that match your corporate initiatives and brand.

Recycled Materials used in Payment Cards

There are various sources of plastic waste worthy of recycling. Here are three to consider as you chart your journey toward eco-focused payment cards:

Recovered Ocean-Bound Plastic: For those cardholders that care deeply about the health of our world's oceans, cards made with recovered ocean-bound plastic sends a powerful message while helping to divert first-use and single-use plastic from entering the world's oceans, waterways and shorelines.

Recycled PET-G: Considered to be a cleaner plastic "cradle to grave", PETG does not release harmful or toxic elements when degrading[3]. Also, since PETG does not use vinyl chloride in its original formation, it is free from chlorine.

Recycled PVC: Another option to reduce first-use PVC is to substitute with a post-industrial recycled version of PVC. The recycling of PVC scrap into another form factor extends the useful lifecycle of this material, delaying a need to incinerate or add it to a landfill and allows for new cards to be manufactured with a reduction in first-use PVC. Another advantage of rPVC is that the treatments and embellishments from a design perspective that work with traditional first-use PVC translate seamlessly to recycled PVC.

Make Your Values Visible

Many issuers are committing to work with suppliers to reduce their carbon footprints and increase the use of recycled, repurposed, and renewable materials. These environmental initiatives have begun to influence the decisions surrounding debit and credit card portfolios. Card payment programs have the unique ability to offer financial institutions a way to make their values visible for their cardholders. Some examples include reducing the use of paper or using recycled products in cards, card mailers and collateral or encouraging their cardholders to "go green" by accepting electronic statements. Other issuers have attached card usage or card purpose with donations to a charity or a social cause that appeals to their customers or supports the community in which they serve.

Scan to learn more!

[1] "Environmentally Friendly Card Material: Issuers Will Lead the Change," Aite, July 2020. P. 6.

[2] Westbrook, Gina, and Alison Angus. "Top 10 Global Consumer Trends 2021." Euromonitor International, Jan. 2021, go.euromonitor.com/white-paper-EC-2021-Top-10-Global-Consumer-Trends.html.

[3] Gazely, Sam, and Phil Seely. ABI Research, Oyster Bay, NY, 2020, Sustainable Materials for Payment Cards.

Cards Designed for a Better World

Including eco-focused card materials combined with more environmentally-friendly personalization and fulfillment options alongside the various card issuance methods in your portfolio can help you stay relevant to your cardholders. With these new and upcoming recycled card product innovations, issuers have an economical choice to meet their cardholders' desire for an eco-focused solution, without breaking the bank.

To start your payment journey and access more information on CPI's growing suite of eco-focused payment solutions, including Second Wave® and Earthwise™ cards, please visit https://get.cpicardgroup.com/earth-elements

Making More Mortgages *Available to Minorities*

CREDIT UNIONS ARE PERFECTLY POSITIONED TO BE EVEN MORE INCLUSIVE WHEN MAKING HOME LOANS.

BY FELICIA HUDSON HANNAFAN

Despite the passage in the 1960s and '70s of such laws as the Equal Credit Opportunity Act and the Fair Housing Act, more can be done to promote equity in mortgage lending.

Even after much work, financial industry systems infused with a history of racism still can prevent minorities from buying homes—and from building the credit histories and generational wealth usually associated with homeownership.

According to radio host Ailsa Chang in a May 2021 segment of "We Hold These Truths," NPR's series on American democracy, "The average homeowner in America is worth a quarter of a million dollars—the average renter just $6,000. And yet, the majority of Black households don't own their homes, while nearly three-quarters of white households do."

Given that credit unions were established in the U.S. to serve people of "modest means," is it only the responsibility of certified community development financial institutions to champion the cause of assisting traditionally underserved people who aspire to the American dream of owning their own homes? Or do all credit unions bear some responsibility to go beyond compliance with fair lending laws (*tinyurl.com/ncuafairlendingguide*) when it comes to mortgage lending?

Pablo DeFilippi, CUDE, SVP/membership and network engagement for Inclusiv (*inclusiv.org*), a certified CDFI intermediary that provides capital, products and services and advocacy for member community development CUs, says the call to action goes out to all CUs.

"We are financial co-ops that have the interest of the member, our owner, as the primary focus of our work," De Filippi says. "And if we don't communicate that well, that's a problem and also a missed opportunity to highlight the credit union difference."

In January 2021, Inclusiv launched its $20 million Racial Equity and Resilience Investment Fund to underscore the CU difference. The fund expands economic relief and financial inclusion for CUs that serve communities of color.

"Inclusiv has been in this racial equity space for a very long time," says DeFilippi. "We came about almost 50 years ago, out of the war on poverty, which was really about empowering low-income and minority communities. When you think about who is low-income and who's been left behind in the system, more minority people happen to be low-income. What are the reasons for that? And what can we do to address that? That's where these minority lenders are so important."

BARRIERS TO HOMEOWNERSHIP

Let's look at some of the systemic obstacles that Blacks and other people of color face in the financial

MORE ON EQUITABLE LENDING

Making Racial Fairness Fundamental in Lending (*cumanagement.com/102920skybox*)

Offering Access to Funds to People Who Need It (*cumanagement.com/0321access*) services world—and more particularly, in mortgage lending.

1. Many minorities are unbanked or underbanked. According to the Federal Reserve (*tinyurl.com/fed2020unbanked*), an estimated 22% of adults in the U.S. are unbanked or underbanked. A 2019 survey (*tinyurl.com/fdichousehold*) from the FDIC, "How America Banks: Household Use of Banking and Financial Services," found that 13.8% of Black households and 12.2% of Hispanic households are unbanked, while only 2.5% of white households are unbanked.

Without access to affordable financial services, unbanked consumers must rely on expensive alternative financial service providers such as check-cashing outlets, money transmitters, car title lenders, payday loan sharks, pawnshops and rent-to-own stores. The fees these providers charge can cost consumers hundreds of dollars a year and create a downward debt spiral that can be difficult to escape. This affects these consumers' ability to amass enough cash for a down payment or closing costs and, ultimately, to secure a mortgage.

2. Many people of color don't appear creditworthy on paper. According to an April 2021 article in *Fortune* magazine (*tinyurl.com/fortunecreditscores*), the purpose of today's credit score system is to eliminate bias. Before credit scores, borrowers were deemed creditworthy by lenders using such factors as income, referrals and even home visits. In 1974, the Equal Credit Opportunity Act disallowed credit-score systems from using information like sex, race, marital status, national origin and religion. Today, credit scoring considers payment history, amounts owed, length of credit history, new credit and credit mix.

But life circumstances can contribute to minorities' or low-income consumers' lack of credit or poor credit. For example, people with low incomes are most likely to not have health insurance, which can lead to unbudgeted expenses or debt should they need to visit the emergency room. Additional factors can include the inability to repay school loans post-graduation if a job is not secured. (Read more about the opportunity gap faced by people of color at *tinyurl.com/oppgap*.) In a system that evaluates potential borrowers partly or entirely based on a credit or "FICO" score that doesn't take into consideration an individual's standing in the community or such responsible acts as consistently paying rent on time or repaying personal loans to assess creditworthiness, these individuals can be at a disadvantage.

In another April 2021 *Fortune* article (*tinyurl.com/fortunechen*), "Credit Unions Are Crucial to Building Racial Equity in Access to Financial Services," Nerd Wallet CEO Tim Chen says: "These are credit-worthy entrepreneurs, families and individuals who may look like a risk on paper but have credibility in their communities and should have the same access to fair financial resources as people in wealthier parts of the country."

In the article, Chen reports that NerdWallet had deposited $2 million from its traditional bank account into a certificate of deposit at $1.7 billion Self-Help Federal Credit Union (*self-helpfcu.org*), Modesto, California, which serves low-income working families in California, Washington, Illinois and Wisconsin, and is affiliated with $1.6 billion Self-Help Credit Union (*self-help.org*) in Durham, North Carolina. To encourage other companies to make similar investments, NerdWallet also partnered with Inclusiv, Chen says.

3. Minorities have been unable to secure multigenerational financial literacy. Another factor that can result in a poor credit rating is a lack of financial literacy. This includes a lack of understanding of the home-buying process, which can lead to minorities falling prey to predatory mortgage lenders that charge inordinate fees and make loans with a high likelihood of foreclosure.

"Part of the discussion about systemic racism and underwriting is whether credit ratings are something that folks are knowledgeable about—if they grew up without financial literacy in the household," says Kate Laud, president/CEO, $59 million Opportunities Credit Union (*oppsvt.org*), Burlington, Vermont, and author of the whitepaper, "Making Room for Greater Racial Justice in Vermont Loan Underwriting" (*tinyurl.com/opplaudwhitepaper*).

4. Minorities may face bias from lenders. All financial institutions have a responsibility to protect customers' or members' deposits and avoid risky loans, but bias—whether implicit or unconscious—can come into play when a lender is assessing a loan applicant.

"Risk is something that we all define based on our own experiences," says DeFilippi. "So, when you are, say, underwriting a loan, you will assess more risk to a borrower that may not look like you, only because you don't know them. Or maybe because you have implicit biases that are telling you not to trust this person. That's a big problem because it violates all these fair lending rules in the first place, but it's hard to prove." Such bias can result in minority borrowers receiving a higher mortgage interest rate to offset the perceived greater probability of default.

WAYS TO PROMOTE EQUITABLE LENDING

Here are things you can consider doing to ensure you're lending as equitably as possible.

1. Look beyond credit scores. DeFilippi says credit reporting is an imperfect tool that's skewed against low-income people, who tend to have "thin credit" (a short length of time in which credit has been tracked) that can be overly impacted by what a single merchant or landlord reports to the credit bureau. One estimate puts the number of people in the U.S. who have thin credit at 60 million.

"The issue is, 'How do we lenders look at that credit report as one tool, but not the only tool?'" DeFilippi asks. "It should not be the only deciding factor."

Laud says that when making home loans, Opportunities CU tries to keep an open mind about credit scores.

"We do look at credit ratings," she explains, "but if, for example, a credit rating doesn't make a certain cut-off, we will still look at the loan. We also look at other factors, such as job history and whether there has been a stability in income."

She adds that if an applicant is self-employed, the CU will consider whether the person has kept the business going, if they have supplemental resources and if they've accumulated some assets.

2. Create in-house counseling for borrowers. Laud says that as a community development financial institution, the CU is fortunate to get grants, such as the one it received from the Department of Housing and Urban Development, that pays for its Money$ense program (*oppsvt.org/financial-education*), which offers a variety of financial education, workshops, mentoring and tools.

Through this program, Opportunities CU provides counselors who advise and work with members to raise their credit scores.

"And that's not the end goal," Laud says. "The end goal is to put the individual in a situation where they are able to borrow to buy a car to get to work or are able to borrow to buy a home. If their credit rating is low because they have a lot of collection debt, … we will …

"Part of the discussion about systemic racism and underwriting is whether credit ratings are something that folks are knowledgeable about—if they grew up without financial literacy in the household."

— Kate Laud

help them work through the collection debt, so that they are once again in a position to be able to take out a traditional mortgage."

Laud adds that the goal is not to make money off the members they are helping. Rather, the goal is to help these people be able to prequalify with Opportunities CU or another lender after going through the program.

3. Enlist artificial intelligence. "AI is really becoming a big piece of the credit profile in terms of how we determine the creditworthiness of a consumer," says Alison Carr, I-CUDE, CUDE, PHR, chief strategy officer of Your Credit Union Partner (*yourcupartner.org*). "Traditional FICO and credit scoring looks at only so many attributes; when you can bring in the AI and machine learning component, ... you can expand your abilities from an underwriting and risk management standpoint."

Carr says AI can be a game-changer for credit unions. "What we're seeing with our clients in general," she says, "is that credit unions are investing in technology to really automate their decision-making, their risk management and their overall automation of operations to be more equitable because most of the systems account for bias." Or at least they are designed to try to be equitable—but these systems function based on the data they are fed, which may be skewed by historical and systemic biases.

4. Pursue CDFI certification. In June 2021, the U.S. Department of the Treasury awarded $1.25 billion in COVID-19 relief funds to 863 community development financial institutions. The grants are made through the Treasury department's CDFI Rapid Response Program (*tinyurl.com/fedrrp*), providing capital to help CDFIs respond to economic challenges created by the COVID-19 pandemic, particularly in underserved communities.

"We want credit unions to recognize the moment and to explore their eligibility for CDFI certification, which is an extremely valuable credential that demonstrates that the credit union model is the ultimate financial inclusion and community development tool," says DeFilippi. "We expect the number of CDFI credit unions to reach 400 this year. They have combined assets of $200 billion and serve 15 million people across the nation. We could easily double the number of CDFIs within our industry if more credit unions went through the process."

DeFilippi adds that while more than half of all credit unions are low-income designated, less than a fifth of the more than 500 minority depository institution-designated credit unions are CDFI-certified. He stresses that because CDFI certification is a function of the communities to which credit unions lend, getting designated is also a decision that all credit unions can prioritize.

"This is where we, as an industry, can move the needle, because that's going to be a requirement to participate in some of the programs that the Treasury Department is going to be rolling out to strengthen minority communities," DeFilippi says. "There are resources at an unprecedented scale to help us do that."

Carr says credit unions can explore creative solutions to lending to marginalized consumers through community partnerships.

"For mortgage lending, credit unions are doing exactly that," she says. "They are partnering with local housing agencies and either matching dollars with those agencies to fund and develop new housing starts, or they are underwriting those loans for agencies to be able to build new housing for underserved and low-income individuals. It is not as predominant as your consumer lending programs, but it's something that is needed and is becoming more and more commonplace within the CDFI market."

Carr emphasizes that CDFI certification can help give credit unions the credibility they need to pursue these kinds of community partnerships.

"That's one thing that the CDFI certification is really beneficial for," she says. "I call it the 'Good Housekeeping Seal of Approval' because it's not just a financial services term. CDFI has meaning throughout the business world" and for government agencies.

5. Research innovative tools and solutions. Carr says it really comes down to researching the market as well as the available tools and innovative solutions for enhancing financial inclusivity. She notes that data and predictive analytics are critical tools credit unions can use to promote equitable lending.

"When we talk about any sort of investment in technology, that's always a scary thing for credit unions, especially smaller credit unions," Carr says. "But the upfront investment for any sort of technology to help on the lending or on the risk management side will, in the long run, reduce costs and create greater efficiencies."

6. Track your efforts. "The way we judge our success is pretty simple," Laud says. "We look at the percentage of loans we've closed in any given year, and we look at the ethnic makeup of people we have lent to." She notes that the CU's leaders also look at the percentage of loans the CU makes to African Americans, Asians, Hispanics and new Americans relative to the overall composition of its membership. For example, the 2020 membership of Opportunities CU was 78% white, 12% Black, 9% Asian, 1% Hispanic and 10% immigrant/refugee. Noting that data may cross over and not add up to 100%, the CU reports making 79% of its 2020 loans to white members, 6.6% to Black members, 13.1% to Asian members, 1.2% to Hispanic members and 15.3% to members who are immigrants or refugees. Laud adds that the team at Opportunities CU also reviews lending by income levels and immigration status.

Formerly a member of the CUES marketing staff, **Felicia Hudson Hannafan** *is a writer based in Chicago.*

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Great Preparation for *Becoming a Top Leader*

CEO INSTITUTE HONED THIS EXECUTIVE'S KNOWLEDGE OF STRATEGIC PLANNING, ORGANIZATIONAL EFFECTIVENESS AND HOLISTIC LEADERSHIP.

BY ANGELA HANSON, CCE, SHRM-CP

Leaning against my office windowsill, coffee in hand, my CEO said, "I would like to send you to the CEO Institute!" As a lifelong learner, eager for more information, responsibility and knowledge, I was ecstatic that she saw in me the potential to pursue my career path toward becoming CEO.

My first year, CEO Institute I: *Strategic Planning* (*cues.org/inst1*) at the Wharton School of the University of Pennsylvania, did not disappoint. It was, by far, the best educational experience I have had since attending college more than 20 years ago. Having spent most of my career in human resources, I found the strategic planning focus of CEO Institute I a comfortable shoe. Yet the life experiences shared by the Wharton academics brought new thinking, ideas and considerations to light that upped my game and generated a more holistic approach.

CEO Institute II: *Organizational Effectiveness* (*cues.org/inst2*) was conducted virtually because of COVID-19. The staff from the Johnson Graduate School of Management at Cornell University helped my classmates and me have collaborative, thought-provoking discussions about real-life situations involving change management and leading a diverse and inclusive organization. The Cornell faculty's efforts created a greater capacity for us to network in the digital environment.

CEO Institute III: *Strategic Leadership Development (cues.org/inst3)*, conducted by faculty from Darden School of Business at the University of Virginia, provided an opportunity to bring strategy, organizational change and application together. By considering a real-life situation and offering revenue-generating recommendations, our class was able to gain insight into big-picture, collective ideation and persuasive communication.

A week after completion of the CEO Institute (*cues.org/institutes*), I was thrilled to receive a promotion to president of our credit union! Currently, we are going through an acquisition, a merger, a core database conversion and a change in executive management with three retirements. This means that having the foundations in strategy, communication and change management that were taught during CEO Institute has been instrumental to adopting a new environment while maintaining a highly engaged corporate culture.

I have my CEO, CUES member Sally Dischler, CCE, as well as our board of directors to thank for investing in my professional development and supporting my attendance at CEO Institute. Having participated in both an in-person and digital format, I can say that the program offered an Ivy League education that is both relevant and applicable to leaders in a rapidly changing industry.

CUES member **Angela Hanson, CCE, SHRM-CP**, *is president of $386 million Heartland Credit Union (*heartlandcu.org*), headquartered in Madison, Wisconsin.*

Spring 2021 Online CEO Institute I

Wharton UNIVERSITY *of* PENNSYLVANIA

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Spring 2021 Online CEO Institute II

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UNIVERSITY *of* VIRGINIA | DARDEN Executive Education

Participants in alphabetical order: Derrick Bailey; Jeffrey L. Balestrini; Aaron Beldner; Howard Brady; Samantha Cuff; Raymond Currier; Theresa Dubiel, CCE; Mark S. Dunkley, CCE; Nicholas Faber; Joseph Fletcher; Travis N. Frey, CCE; Angela Hanson, CCE; Ryan Harvey; Heather Hickman; Brie Husk, CSE; Vikram Israni, CCD; John Katalinich, CCE; Julie Katalinich, CCE; Kasey Kirk; J. Alan Lewis; Lisa Loughery; Frank Madeira; David Marovich, CCE; Tammy Martins; Nikita McClain; Scott McKim; Ralph Micalizzi, CCE; Michael Miles, CCD, CCE; Dustin Millaway; Michael J. Millhouse, CCE; Cameron Minges; Blane Mink; Jennifer Mullen-Berube, CCE; Mike Nickel, CCE; Tonia Niedzialkowski; Georg Oberprieler, CCE; Paula O'Rourke, CCD, CCE; Jim Pack, CCE; Lisa Palma, CCE; Matthew P. Piazza, CPA; Jennifer Ramirez; Albert Rose, CCE; Ryan Ross, CCE; Richard Schwan, CCE; Rich Seubert, CCE; Ken Shea, CCE; Dana Sisk; Ashley Stimatz; Tammy Taylor; Carol Wadleigh; Brian Warner; Annie Wilkinson; Janet Wood, CIE; Mandy Zurbrick

STANFORD GRADUATE SCHOOL OF BUSINESS

Executive Education

Summer 2021 Online Strategic Innovation Institute™

Participants in alphabetical order: Brian E. Alfano, CIE; Polly Belden, CIE; Paul Blackstone, CIE; Andy Bowen, CIE; Amy Brandt, CIE; Ryan Brooks, CIE; Demetris Charalambous, CIE; Kristy Cipriani, CIE; Malachy T. Coghlan, CCD, CIE; Christopher Court, CIE; Sonja J. Delaney, CSE, CIE; Matthew Downing, CIE; Lori Garcia, CIE; Horacio Garcia-Korosec, CSME, CIE; Amie Hale, CSE, CIE; Lisa Hales, CIE; Joshua Hamit, CIE; Karen Hawes, CIE; David Kato, CIE; Stanley P. Leicester II, CIE; Michael L. Lindberg, CIE; Jeff MacMillan, CIE; Jamie Meyer, CCM, CIE; Matthew G. Moore, CIE; Gary Schuette II, CIE; Peter Sedgwick, CIE; Michelle Shelor, CIE; Frank Sposito, CSE, CIE; Mohsin Syed, CIE; Karyle Thornton, CSME, CIE; David L. Tuyo II, CSME, CCE, CIE; Heidi Wulf, CIE


William Aguilar


Krista Baum


Yianni Harbis


Alex Hsu


Daniel Valley

Meet the CUES Emerge *Final Five*

The 2021 *CUES Emerge* program is one step closer to identifying the top emerging leaders in the credit union industry.

Thirty-two up-and-coming professionals were selected to take part in the program; 24 self-selected into the competition phase to have their submitted business cases reviewed by a panel of judges. The four judges reviewed all entries and identified the top five finalists to participate in the online pitch show, hosted by Currency (*currencymarketing.ca*).

CUES is proud to introduce the five finalists:

- William Aguilar, assistant manager/contact center, America First CU, Brea, California;
- Krista Baum, security architect, WSECU, Olympia, Washington;
- Yianni Harbis, manager/branch and commercial banking, Sydney CU, Sydney, Nova Scotia;
- Alex Hsu, VP/planning and change management, SchoolsFirst FCU, Santa Ana, California; and
- Daniel Valley, member experience manager, Lake Trust CU, Brighton, Michigan.

"The five finalists chosen have a wide range of business cases that address challenges and bring new ideas that many credit unions share," says John Pembroke, CUES president/CEO.

"Once again, with CUES Emerge being purposely designed to have a large online component, we were able to have our 32-member cohort learn from world-renowned educators and seasoned credit union leaders, along with each other. The business cases show how each person has been able to incorporate that learning into their work," says Tim McAlpine, Currency president.

The five finalists will take the virtual stage and present their business cases during a live online pitch show on Oct. 6 (*cuesemerge.com/competition*). Tune in to hear from these talented leaders and support their journey. Following the live show, the judges will select the Top Three, and the ultimate 2021 CUES Emerging Leader will be named.

All members of the Top Three will receive a tiered educational and coaching package to support continued development and growth within the industry. To follow along with the next stage of the competition, visit *CUESEmerge.com*.

Report Focuses on Effects of COVID-19, *DEI in the Industry*

CUES, in partnership with Quantum Governance L3C (*quantumgovernance.net*) and The David and Sharon Johnston Centre for Corporate Governance Innovation at the University of Toronto's Rotman School of Management (*tinyurl.com/rotmancentre*), has released *COVID-19 and DEI: Revolution & Evolution in the Credit Union Community, The State of Credit Union Governance 2021—A Special Report.*

"The credit union industry, like much of the world, was rocked by two significant events in 2020 and into 2021—an unprecedented global pandemic, and the re-emergence of a widespread movement dedicated to social justice," says Michael Daigneault, CCD, CEO, Quantum Governance L3C. "We set out to discover how these two issues are affecting credit union leaders today, and we were able to offer recommendations based on our results."

Key findings include:

- Detailed crisis planning leads to a more effective response when dealing with the unexpected.
- Formal DEI policies drive strong DEI results.

Download the report at *cues.org/governancereport2021*.

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*.

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Noon Central
Elite Access Virtual Classroom: Building Transformative Business Relationships

DEC. 9
Noon Central
Elite Access Virtual Classroom: Empowering Differences: How to Leverage Your Uniqueness to Accelerate Your Career

AD INDEX

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2021-22 LEARNING & EVENTS **CALENDAR**

CUES
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DECEMBER 2021			
Directors Conference	Marco Island, FL	**December 5–8**	cues.org/DC
FEBRUARY 2022			
CUES Symposium	Wailea, Maui, HI	**February 6–10**	cues.org/SYMP
MARCH 2022			
Execu/Summit®	Big Sky, MT	**March 13–18**	cues.org/ES
APRIL 2022			
CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 24–29**	cues.org/INST1
MAY 2022			
CEO/Executive Team Network™	Austin, TX	**May 15–17**	cues.org/CNET
CEO Institute II: *Organizational Effectiveness*	*Samuel Curtis Johnson School of Management* Cornell University	**May 15–20**	cues.org/INST2
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**May 15–20**	cues.org/INST3
JUNE 2022			
Governance Leadership Institute™ I	*Rotman School of Management* University of Toronto	**June 5–8**	cues.org/GLI
Governance Leadership Institute™ II	*Rotman School of Management* University of Toronto	**June 8–10**	cues.org/GLI2
AUGUST 2022			
Execu/Net™	Jackson Hole, WY	**Aug 28–31**	cues.org/EN
SEPTEMBER 2022			
Supervisory Committee Development Seminar	Santa Barbara, CA	**Sept 19–20**	cues.org/SCDS
Director Development Seminar	Santa Barbara, CA	**Sept 21–23**	cues.org/DDS
DECEMBER 2022			
Directors Conference	Las Vegas, NV	**Dec 4–7**	cues.org/DC
ONLINE PROGRAMS RETURNING IN 2022 — DATES TO BE DETERMINED			
CUES Advanced Management Program from Cornell University		**New class starts July 2022**	cues.org/eCornell-CUManager
CEO Institute I		**Summer 2022**	cues.org/INST1
Director Development Intensive			cues.org/DDI
Diversity, Equity, and Inclusion Cornell Certificate Program			cues.org/eCornell-DEI
High Performing Board Digital Series		**New class starts July 2022**	cues.org/HPB
Strategy and Digital Marketing Cornell Certificate Program			cues.org/eCornell-Marketing
Strategic Human Resources Leadership Cornell Certificate Program			cues.org/eCornell-HR

*Dates and locations are subject to change. For pricing options, visit **cues.org/Events**.*

Like Eroding a Rock, *Learning Takes Time*

BY JEN SCHEIB

I am a fan of quotes related to talent development. I like how they can motivate and challenge me to think about something in a new way. If you looked at my desk, you'd see I have sticky notes with quotes or phrases all over. Some of the quotes are clear right away, like "The capacity to learn is a gift; the ability to learn is a skill; the willingness to learn is a choice," from Brian Herbert. Others are open to interpretation, such as "like water on a rock," from a Talmudic story.

When I first heard "like water on a rock," the phrase stood out to me, so I jotted it down. Lately, I've been reflecting on this saying's connection to talent development and the role of a leader. The phrase notes the fact that, over time, one drop of water can alter a surface, even one as solid as a rock. This is how leadership development works, both in how we develop as leaders and how leaders develop others. It is not just one experience, misstep, training or interaction that shapes us, but the combination of these that put us on the path to success.

The key is allowing the water to drip in the first place. Organizations need to offer opportunities for growth (stretch assignments, training, networking) and time to pursue them. Leaders need to open discussion to better understand current and needed skills. Individuals must have the willingness and energy to develop themselves and others. We need to apply and practice what we've learned and engage repeatedly for development to occur.

So how do you know you are giving the water enough time to drip? Since we all learn at different paces and have varied levels of knowledge and experience, these tips can help you get a sense of what you may need:

- **Create a plan.** Establish a focus for development, ideally building off an organizational capability or competency model to align your development to the organization.
- **Evaluate your current skill set.** Get a sense of your current skill set and experience for each desired capability. Talk to your leader and complete an assessment to understand where your current skills fall compared to your potential for the desired capabilities.
- **Identify opportunities.** Determine the training or resources you can access or projects you can complete to apply your learnings and deepen your experience. Collaborate with others and engage in discussions with your leader.

It's important to create a plan and timeline that will work for you. If you are supporting the development of another person, you can't expect them to develop at the same pace as you. Nor should you be too critical of yourself if you require more time than another to build a similar skill set. You need to set realistic goals, engage in open dialogue through development discussions and have patience with yourself and others.

Development takes time. We don't become experts in anything overnight, but to set up ourselves up for success with learning, we must allow the water to drip.

Jen Scheib *is professional development coordinator at CUES.*

Leave a comment at cumanagment.com/083021skybox.

"Obviously, there are no guarantees that young professionals with board experience will get a CEO spot [in the future]. But it's likely that young professionals from one credit union can add value at the board level at another—and that what they learn through that experience will serve their careers and help their credit unions."

CUES member **William Kennedy**, CFO/VP/finance at $468 million Securityplus Federal Credit Union (*securityplusfcu.org*), Baltimore, in "The Triple Win of Young Professionals Serving as Board Members" on CUES Skybox: *cumanagement.com/080921skybox*


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