CU MANAGEMENT

APRIL 2022 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

MOVING TOWARD *Mobile Maturity*

Build a strong digital culture while providing the best member experience.

COMPETITION
How to respond to neobanks' challenge

DIVERSITY, EQUITY AND INCLUSION
Five early steps for your journey

TECH INFRASTRUCTURE
Cloud-based core supports disaster recovery

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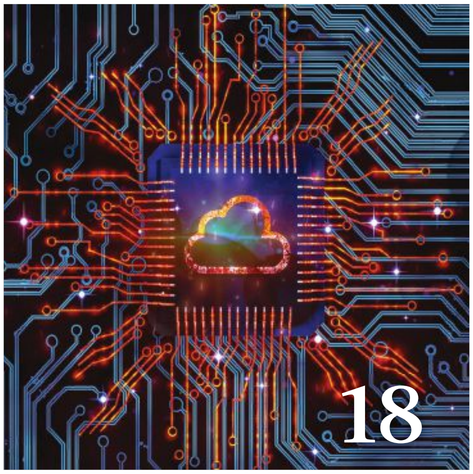

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>> CUES commits to fight racial injustice. Find resources for diversity, equity and inclusion, along with our full statement, at *cues.org/dei.*

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YOUR THOUGHTS

WHAT SETS APART YOUR CREDIT UNION'S PEOPLE STRATEGY?

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

What's Your *People Strategy?*

Credit unions, like most businesses, are facing a talent crisis. But smart organizations have been putting in place strategies to match talent to future needs.

Unfortunately, the "Great Resignation" has made the war for talent even harder. It has also highlighted just how important a people strategy is now and will be in the future.

A longtime leader in talent development, CUES has created a new event to help you meet these challenges. TalentNEXT (*cues.org/talentnext*), May 15-17 in Austin, Texas, is designed as a team event that will unite your credit union's senior leaders around a common vision for your most valuable asset—your people. Learn from experts in talent management and renowned faculty from The Wharton School and Cornell University.

In a webinar previewing the new event, TalentNEXT speaker Matthew Bidwell, Ph.D., associate professor of management at The Wharton School, University of Pennsylvania, noted that the Great Resignation poses not just an HR challenge to credit unions, but a business continuity and strategic planning one as well. Read a recap at *cumanagement.com/0322talent*.

Bidwell also shares three do's and don'ts of employee engagement in episode 129 of the CUES Podcast. Find the show at *cumanagement.com/podcast129*.

Attendees will also hear from speaker Garrick Throckmorton, SHRM-CP, CSME, chief products and services officer at TalentTelligent Inc. In a recent video for CUES, he discusses how to make succession planning more effective.

"In my work, I have often seen organizations view good succession planning as something that they need, yet they don't dedicate enough time and energy to the topic," he says. "In other words, many of us know succession planning is important, but we don't do enough about it. So how can we close this knowing-to-doing gap?

"First, we can think about what's on the line," he suggests. "Simply put, insufficient action on succession planning risks the sustainability and vibrancy of your credit union and the entire industry." View the video at *cumanagement.com/video020122*.

Another TalentNEXT speaker, Todd Henshaw, Ph.D., director of Executive Leadership Programs, The Wharton School, University of Pennsylvania, and former director of military leadership, West Point, will present about how to build an adaptive, innovative team culture by applying "after action reviews." The AAR was developed by the United States Army in the 1970s to help soldiers learn from both their mistakes and achievements.

"Used regularly to assess successful and unsuccessful events, AARs will strengthen teams and improve performance and can become ingrained into the DNA of the organization," Henshaw writes in a recent article. "When key learnings from AARs are shared, the experiences of one team can benefit the entire organization." Read more at *cumanagement.com/022822skybox*.

Turn to p. 11 to read about getting started with people analytics from TalentNEXT speaker John Hausknecht, professor of human resource studies at Cornell University's ILR School.

Your people are essential to achieving your CU's goals. Don't miss this opportunity to focus on talent strategies and performance management, ensuring your credit union's greatest asset—its people—can effectively execute your strategic plan. Register at *cues.org/talentnext*.

Theresa Witham

Theresa Witham
Managing Editor/Publisher


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Key Factors for *Reducing Turnover*

During the past two years, businesses and their employees have been struggling to keep up with the pace of change. The COVID-19 pandemic forced organizations to change entire business models virtually overnight. Employees had to keep up not only with those changes but with the drastic changes happening in their personal lives as well. Employees lucky enough to be able to work from home during this time were suddenly spending 24/7 with a roommate, home-schooling children or feeling isolated if living alone. The amount of change employees experienced personally and professionally during 2020 and 2021 was astounding. As a result of these factors, coupled with baby-boomer retirements and a lack of childcare options, the U.S. is in the midst of "The Great Resignation": Employers are seeing double-digit growth in their turnover rates as employees make different choices about their personal lives and careers.

During all this upheaval, University Federal Credit Union leaned in early to support its employees by spending time deeply listening to staff, meeting them where they were and leading with empathy, flexibility and understanding. As a result of strategic actions led by our human resources and organizational development team and carried out by leadership, UFCU saw our highest employee engagement scores ever. These scores led the Gallup organization to honor UFCU with the Gallup's Exceptional Workplace Award in 2021, which recognizes organizations with employee engagement scores in the top 2% worldwide.

If you find it challenging to get your credit union's executive team enthused about employee engagement and understanding why it matters, then let's talk about how it relates to turnover. During the same year of highest employee engagement scores on record, UFCU realized a 5% reduction in overall turnover. Looking deeper, some traditionally high-turnover departments saw as much as a 15% reduction. While most organizations were out scrambling to find new talent to fill their vacancies, UFCU took the approach of retaining the talent it had—and it worked, with tangible results.

Here are some key tactics we employed to increase engagement at UFCU:

Communicate, communicate, communicate: We drafted a rolling communication plan looking 30 days out with specific targeted messages. Executive team members delivered those messages through a variety of channels each week, such as videos, vlogs, blogs, emails, walk-and-talks and town halls, and inserted just-in-time information as needed. These messages addressed employees' feelings first and foremost. The executive team started and ended each message by acknowledging how employees were feeling and added operational information where appropriate.

Writing thank-you cards: Each senior leadership team member wrote five thank-you cards/cards of gratitude per week and mailed them to employees' homes. And in order to know who deserved or needed a card, senior leaders had to be out and about talking with employees.

Listening-in sessions in the call center: Senior leaders sat next to call center employees for 60 to 90 minutes a month listening to the types of calls they handled. By doing so, senior leaders began to understand the system limitations employees work with daily as well as member needs, and they discovered many of the calls members made to our contact center were because we caused a problem. This process uncovered many unknown challenges and allowed us to fix them—quickly!

Stay interviews: All people leaders conducted "stay interviews" at minimum two times a year with all employees.

New-hire wellness checks: Executive team members made targeted phone calls to new employees three to six months after hiring to check in on them—on their emotional state, their connectedness to the organization and how they felt.

Take five: We also dedicated time for employees to connect with their managers. Employees scheduled five-minute appointments to check in on how their manager was doing and what support the manager might need from front-line employees.

Community service projects: We built a home with Habitat for Humanity with volunteers from other local CUs, assembled college dorm room baskets for first-generation college students, unloaded trucks for Food Bank Warehouse, walked dogs at animal shelters and shopped for holiday gifts for single moms living in shelters.

Branch visits: Even when most employees were working from home, 25% of the workforce was still going into a physical work location every day. Senior leadership visited branches and listened to these employees' needs, fears and concerns. Even when branches were closed to members, senior leaders came through drive-thru lanes with signs, doing dances and sending notes of love and encouragement!

Dinner on us: When an employee was struggling emotionally or experiencing health issues, we sent them a $100 gift card to have a meal delivered to their home with a note that acknowledged the stresses they were under, and how we wanted to do this one small thing for them—have dinner on us.

Emotional well-being: UFCU partnered with amazing vendor Thrive360 (*thrive360.com*) and established two "zen rooms" in the corporate office, outfitting each one with virtual reality stress reduction. Also, through Thrive360, we provided a stress reduction app that employees could add to their phones to provide emotional well-being tools 24/7. We piloted this product in our contact center, saw amazing results and took it live. As a result of this initiative, we saw a 15% reduction in turnover in our contact center in 2021!

CUES member **Rhonda Hall** *is VP/HR/organizational development for $3.8 billion University Federal Credit Union (*ufcu.org*), Austin, Texas. Contact Hall at* rhall@ufcu.org.

Getting Started With *People Analytics*

Although there is a lot of buzz about the growing use of analytics within HR, many organizations large and small still grapple with the best way to get started on their analytics journey. Based on research that we've conducted at Cornell's Center for Advanced Human Resource Studies, several common barriers stall progress in making more data-informed decisions about how and where to invest in talent. If you would like to bring more analytics into your talent decisions, how should you get started? Here are five tips:

1. Identify an important people-driver of a key business outcome. Most people analytics groups gain considerable momentum when they are "pulled" into a business problem or opportunity (versus "pushing" data or metrics out to the business—which may or may not be relevant to a business problem.) For example, a credit union with multiple branches may see that member satisfaction scores (a business driver) vary considerably across branches. This is a prime opportunity for HR to step in with data that could explain why some branches tend to outperform others. Do the branches vary on key talent dimensions (e.g., manager experience, turnover, engagement)? Talking to business leaders about their main concerns opens opportunities to collect relevant people data that helps solve business problems.

2. Worry less about tools and systems. While many organizations indeed lack sophisticated tools and technology for collecting people data, this shouldn't get in the way of taking initial steps to become more data-driven. Even relatively simple data analyzed in Excel can provide insights that would otherwise go undetected. As one example, imagine using a third-party skills assessment as part of the hiring process—shouldn't we check to see whether high scorers on the assessment actually end up performing better? It's an important question that doesn't require much in the way of data or sophisticated tools or analysis.

3. Borrow from other parts of the business. Oftentimes we find that organizations already have systems and tools that provide some form of business intelligence to inform decisions. Building on this existing infrastructure provides a starting point for understanding the data, systems and tools that might be leveraged for talent purposes. Another benefit is that HR can learn from internal data experts and begin to speak a common language.

4. Differentiate between metrics and analytics. HR has a much longer history of tracking metrics and is only starting to embark on true analytics projects. Such metrics as time-to-fill positions, cost per hire, training completion rates and the like are helpful for showing what happened in the past, but they are less useful for forward-looking decision-making. Metrics also tend to stand alone on dashboards without much context as to why they are moving in a given direction. Analytics, on the other hand, involves linking different data sources to better understand underlying causes and potentially forecast future conditions. For example, some companies have used analytics to forecast the future size and shape of the organization based on historical trends around hiring, promotions and attrition, allowing them to develop more informed staffing plans for long-term growth.

5. Start small and build a data-driven case for change. In the early stages of such initiatives, many organizations are not ready for advanced analytics and complex tools—in fact, these efforts can backfire, especially when they cannot be explained in simple terms. A better strategy is to identify a small and manageable (yet business-relevant) problem or opportunity, collect some relevant data that informs the situation and develop a case for making a change. For example, one large organization estimated the cost of turnover for its call center staff and used the alarmingly high figures to convince business leaders to overhaul their approach to staffing and managing the call centers.

John Hausknecht *is professor of human resource studies at Cornell University's ILR School. He teaches and writes about HR analytics with a particular emphasis on employee turnover.*

Moving Toward *Mobile Maturity*

HOW CREDIT UNIONS CAN BUILD A STRONG MOBILE CULTURE WHILE PROVIDING THE BEST EXPERIENCE FOR MEMBERS

BY FELICIA HUDSON HANNAFAN

If credit unions are not already building mobile strategies, there's no question that they're putting themselves at risk of losing members. According to Business Insider Intelligence's Mobile Banking Competitive Edge Study (*tinyurl.com/5n73x789*), 89% of all survey respondents and 97% of millennials said they use mobile banking. Additionally, 91% of Gen Xers and 79% of baby boomers reported seeing the benefits of these services. Those numbers are hard to ignore.

While some financial institutions had formulated a mobile strategy before COVID-19, many found that the pandemic forced them to accelerate their plans. In the face of this pressure, how can credit unions create a mobile-first culture without sacrificing the member service that is at the core of their mission?

Mobile adoption requires a three-pronged approach: address members' needs, assess the technology and most important features, and align the strategic goals of the credit union with the credit union people who will do the work.

DIGITAL AND MOBILE MATURITY

Maha Brauch, director of digital services, $3.7 billion Affinity Plus Federal Credit Union (*affinityplus.org*), St. Paul, Minnesota, says the first thing a credit union needs to do when setting a strategy is assess its digital and mobile maturity.

"We made an investment four years ago," she says. "Our EVP/CFO, Brian Volkmann (a CUES member), recognized that digital is the future and we needed to actively pivot."

Brauch says that Affinity Plus FCU converted seven major systems, including its core, digital banking, consumer lending and real estate systems to set the credit union up with a foundation to grow and accelerate in the digital space.

"Our old solutions were archaic legacy systems that we were stretching to their maximum capac-

"Being a community-based credit union, we're really looking to balance digital with the in-person environment. That's why we labeled our transformation 'phygital.'"

— Laura Wallace

ity," she says. "They just couldn't do what we want them to do. It just ended up with our team and our staff doing a lot of gymnastics on the back end to make things happen on the front end. It was inefficient, did not deliver the ideal member experience and didn't allow us to compete with bigger institutions."

Brauch says Affinity Plus FCU began the upgrade process by doing an evaluation of their systems and asking themselves what their needs and wants were and if the systems currently in place were meeting them.

"It was a three-year project," she says. "It took a long time, but it set us up for success, especially in 2020 when the pandemic started."

PUT THE RIGHT TEAM IN PLACE

Any successful digital transformation initiative, whether focusing on mobile or an organization-wide shift to new platforms and delivery channels, requires the right people with the right knowledge and skills.

Laura Wallace, SVP/chief retail officer for $8.2 billion Desert Financial Credit Union (*desertfinancial.com*), Phoenix, says that during her credit union's digital transformation efforts, she and her team have had to consider how to help staff become more consultative in their interactions with members. To do this, they worked with redefined staff roles and provided education. The aim was to ensure that staff members would become problem-solvers rather than just being transactional.

"We've spent a lot of time elevating our roles," she says. "Redefining and renaming our roles last year was really all about setting the stage for having the foundation people-wise to be able to support any digital transformation, which obviously takes longer to bring to life."

Wallace says that Desert Financial CU started with the people—or member-facing—side, elevating the teller role to experience specialists and member advocates to relationship specialists.

The credit union has also launched a new market manager role. "We'll have 10 market managers that, ultimately, are responsible for creating consistency across our branch network and supporting all of the digital transformation and education, just so as we're moving through this transformation, we will have the consistent member experience. We don't want it to be disjointed."

Wallace adds that Desert Financial CU is aligning the new roles with training that is being rolled out this year in partnership with MindWire (*mindwiregroup.com*), a workforce analytics firm, to give the staff the needed consultative skills.

"I don't like to call them sales skills," she emphasizes. "I like to call them educational skills, so that they (staff) can be comfortable asking questions and [delving into] the conversation where they may be able to educate a member or help them save or make more money."

HIRE FOR NEEDED SKILLS

Likewise, people are an important part of Affinity Plus FCU's digital and mobile strategy. Brauch has been with the credit union for 11 years and was previously a project manager before leading the digital services team. She notes that since beginning Affinity Plus FCU's digital transformation, the credit union realized that it needed to invest not only in the knowledge of current staff, but also hire expertise it didn't already have, such as how to create an exceptional user experience and do good testing.

Brauch's digital team now includes employees with all the requisite skills, including digital product management. "We needed to invest in the people that understand how to continue to grow and optimize these digital channels," she says. "Our digital team consists of UX designers, copywriters, researchers and product managers who champion the end-to-end digital member experience journey. They helped to lead the full life-cycle digital product development and strategic definition—from requirements gathering to design deployment and enhancements."

Affinity Plus FCU simultaneously invested in creating an IT development operations team, which is a combination of software developers and operations, and a quality assurance team that manages testing. "The digital and DevOps/QA teams work together in an agile, collaborative manner to continuously deliver on digital product road map goals," Brauch says.

Brauch says that they began with only a couple of developers, but over the span of two years expanded the team when they realized they had more work than two developers could handle. She currently has 10 digital team members and admits that hiring for some of these roles can get expensive. She does, however, encourage credit unions to invest in training and certifications for staff, such as those offered in UX, product management and agile.

Brauch notes that the combination of existing internal staff and the new hires has helped Affinity Plus FCU create a highly functional digital team.

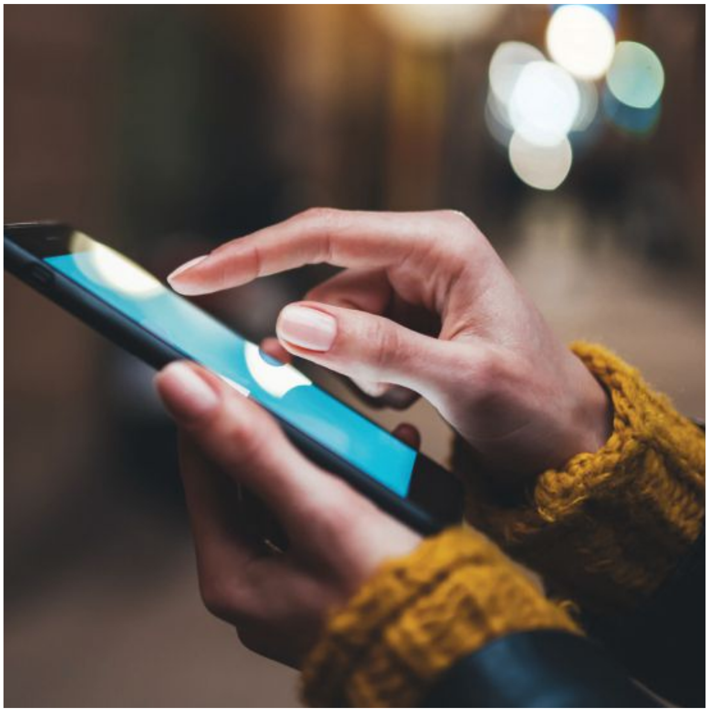
"What really made them work so well as a team is that they understood our members, they understood our organization, and they understood our mission and what we're trying to accomplish," she says.

MEET MEMBERS WHERE THEY ARE

A major concern for credit unions when creating a mobile-first strategy is how to approach physical branches in a mobile world.

"Being a community-based credit union, we're really looking to balance digital with the in-person environment," says Wallace. "That's why we labeled our transformation 'phygital.'"

A part of balancing both experiences is piloting technology. For example, the credit union tried tablets in branches and asked for



members' feedback on their comfort level using them, Wallace says. "We chose three of our busier branches to pilot tablets so that in the branches, we can go to where the member is versus dragging them to our desk," she explains. "We learned a lot from that pilot."

For example, Wallace says, the pilot helped them realize that, though they had ambitious goals for using the tablets, it wasn't necessary for the tablet to perform the full laundry list of functions initially envisioned. "It probably needs to do a handful of things so that we can meet members where they're at while being fully integrated with all of our other technology."

Wallace says the current vision is to use the tablets for member education, certain transactions or, for example, to begin the process of opening an account. The pilot phase was important to gauge member interest. "We don't want to ... force our members into technology when they may not be ready for it," she explains. "We want to make sure we're heading in the right direction for what our members want."

NOT GIVING UP BRANCHES YET

Wallace, who was formerly VP/customer care at the all-digital $14 billion Alliant Credit Union (*alliantcreditunion.org*), Chicago, says that though Desert Financial CU has a totally different model, she enjoys being in a community-based credit union where members have the option to speak with someone in person if that's their preference. But she stresses that consistency is key, whether interactions are through mobile or in the branch, in giving members omnichannel options.

Brauch notes that it's crucial to recognize right from the start that a digital- or mobile-first strategy does not necessarily mean a digital-only or mobile-only strategy.

"This is very important, especially in a credit union, because our branch network works so hard at furthering our mission and our cause," she says. "[Branches] do so much to build meaningful relationships and connections with our members. We're not focused on eliminating our branch or in-person experience, but rather we want to enhance it. We want to enhance our member experience by giving them the ability to choose how they want to bank with us—be that in person or digital."

FOCUS ON USER NEEDS

In creating a mobile-first strategy, understanding the types of support and resources members want or expect is key. This could range from the design of a specialty app to, on the more extreme end, shifting toward an online-only neobank model that aligns with the credit union's mission. (*Read more about neobanks on p. 26.*)

Michael Smit, EVP/brand and digital delivery at $5 billion Libro Credit Union (*libro.ca*), London, Ontario, says the CU's stand-alone app, Yooli, was created out of its strong desire to untangle the financial lives of members'—referred to as owners. Yooli (*libro.ca/ways-bank/yooli*), which stands for "you and Libro working together," is a money management app that includes an interactive financial health score tool, FinStrong, as well as financial alerts and guidance.

"We first looked at our target market and asked ourselves what problems our owners are facing regarding their money behavior," Smit says. "We use an innovation method called human-centered design to do this. We did quite a bit of research to understand everything from social taboos concerning discussing finances, to the pressures from society, to the complexities of partners combining their finances. And we know that consumers have good intentions but at times lack the sense of their money and how to put it to good use. We call this situation they're in being 'tangled.' We wanted to build a solution that works to untangle them."

Smit says that instead of trying to build the app to be perfect at launch, Libro CU has been rolling it out in stages and tweaking it along the way. It started with an app launch to a small test group within the app project team. Then it launched the app for all staff, asking for feedback that would help them iterate and improve it. The app is currently being beta tested by 2,000 volunteer owner-members while the CU prepares for a larger, expanded launch to its full membership.

"People know it's not at a stage where it's fully functional," Smit says. "It's in a great spot, but a lot of it was about us getting feedback from users to learn what's going well and what hasn't gone well. A lot of what Libro focuses on is this idea of iteration and continuous improvement."

GETTING GOOD FEEDBACK

Smit adds that he and his team have already received tremendous feedback about the app's many features and benefits, such as account aggregation, budgeting, holistic transaction account views, visual and data-rich transactional information, transactions by category, other financial insights, financial health tracking and education.

"It does it all within one app," Smit says. "What we're hearing the most feedback around is people's ability to aggregate all of their information in one place. ... So it's a much richer experience that allows them—instead of looking at separate pieces of their financial world—to bring it all together. We're working to build and improve it now with some of that budgeting, insight and health

"We're not focused on eliminating our branch or in-person experience, but rather we want to enhance it. We want to … [give members] the ability to choose how they want to bank with us—be that in person or digital."

— Maha Brauch

tracking information. I think for a lot of users, what they lack access to is just seeing that holistic view of their financial life."

Smit stresses that a successful member experience strategy cannot simply be digital- or mobile-first.

"That's not enough," he says. "It really needs to start with your value proposition and where you differentiate. We started a guiding strategy called 'Digital-First Coach.' … What that means is that we need to put in front of our owners the products and services—the transactional capability, the access to credit, moving their investments, etc. We need to make that very simple and easy for them to do in online and mobile banking. What we're working to do is build a wrapper around that of coaching everywhere. We think that's something that not only aligns well with our purpose but can be agile enough to shift as technology trends shift. Technology will change, but if you continue to put your value proposition at the forefront, your guiding lens will continue to be what differentiates you."

ALL DIGITAL, ALL THE TIME

Dora Financial (*bankdora.com*), the nation's first credit union service organization-operated neobank, was also created with focus on the user—in this case, the 50 million Americans currently not participating in mainstream banking. Founded by $2 billion USALLIANCE Financial (*usalliance.org*), Rye, New York, in August 2021, it is now sponsored by five entities: Affinity Plus FCU; $9.7 billion Digital Federal Credit Union (*dcu.org*), Marlborough, Massachusetts; $5 billion Service Federal Credit Union (*servicecu.org*), Portsmouth, New Hampshire; Inclusiv (*inclusiv.org*), New York; and USALLIANCE Financial.

Volkmann of Affinity Plus FCU says his credit union and board had talked a lot about whether the organization, as a low-income designated credit union, was doing enough to help the unbanked and underbanked.

"We're certainly doing various things internally at Affinity Plus, but when we were talking with USALLIANCE and hearing some of the things that they were working on with Dora, we said we would love to be a part of it.

"There are a lot of people who don't trust financial services, and we think we can make a difference in some of these communities," he continues. "When we look at diversity, belonging and inclusion, credit unions do turn people down for loans. We turn people down for membership."

With its fully bilingual digital banking experience, Dora is dedicated to financial inclusion and supports low- to moderate-income individuals. "Dora's mobile banking experience breaks down traditional barriers for people who need someplace to start or to turn around their finances with a simple, member-friendly account and educational resources and support services to really help them," Volkmann says. In addition to removing the language barrier, Dora does not require a credit score to open an account, and there are no maintenance fees. Consumers who use Dora also have access to a debit card and 30,000 fee-free ATMs.

"Dora is an innovative approach," Volkmann says. "It's just an interesting, novel concept of how we can make a difference and compete with other neobanks. But having it led by a group of credit unions is where I think those significant differences will be."

Volkmann notes that since the formation of Dora, there has been strong sponsorship interest from other organizations in the industry. "Inclusiv joined our board at the end of the year and became an investor in Dora," he says. "It's great to have an organization like Inclusiv help us moving forward."

The Dora team is considering other creative partnerships as well. "When … individuals get released from prison, they're in a difficult situation by not having banking services," he says. "And so, is there a way for us to partner with the Department of Corrections, for example? There are certainly a lot of unbanked people out there, and we're trying to figure out where we're going to be able to make the biggest difference."

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

MORE ON MOBILE

A Challenger Appears, p. 26

Offering 'Learn and Earn,' Plus Other Great Strategies for Connecting With Gen Z (*cumanagement.com/podcast128*)

This Credit Union's Members Can Add Their Driver's Licenses to Their Mobile Wallets (*cumanagement.com/1221wallets*)

Digital, Mobile and Contactless Usage Continues to Trend Upward (*cumanagement.com/120821skybox*)

Digital Card Services Enable Credit Unions to Meet Members Where They Are—on Their Devices (*cumanagement.com/1121digitalcard*)

Engaging With Members in the Wild (*cumanagement.com/0921engaging*)

5 Early Steps to Take *on Your DEI Journey*

THE MOST IMPORTANT ADVICE IS TO GET STARTED.

BY DIANE FRANKLIN

The cliché that every journey starts with a single step doesn't necessarily apply to the process of promoting diversity, equity, inclusion and belonging at your credit union. While moving along the DEI journey one step at a time may be useful to some organizations, it's also possible to move forward with two, three or even more steps at once.

Experts identified the following five steps for embarking on a journey toward greater diversity, equity and inclusion. Take these steps concurrently or one at a time, as works best for your organization. The most important advice is to get started.

1. SET UP A SUPPORT STRUCTURE

At many credit unions, forming a DEI committee is the first step in the journey.

"It's a good idea to do this sooner rather than later because then it's not just one person who is working toward a DEI solution but rather a group of individuals with diverse backgrounds collectively working to assess where the organization is with DEI and where it needs to go," asserts Anne-Marie Pham, MPA, executive director of the Canadian Centre for Diversity and Inclusion (*ccdi.ca*), a nonprofit organization based in Toronto with a mandate of educating workplaces and communities across Canada on how to be more inclusive and eliminate discrimination.

Pham adds that having input from a DEI committee is important in assessing such issues as: How diverse is your workforce? Are there equal opportunities for advancement? How well does the organization respond to employees' diversity needs?

Great Lakes Credit Union (*glcu.org*) launched its committee to give employees a voice in DEI matters.

"It's important to provide strong foundational training so that there's a common terminology around ... diversity and inclusion in the workplace, a common understanding of why we do this, and a shared commitment of acting together as an organization."

– Anne-Marie Pham, MPA

"We already had board input and leadership input, but we were missing the component of getting feedback directly from the staff," says CUES member Steve Bugg, president/CEO of the $1.1 billion credit union headquartered in Bannockburn, Illinois. "That's why we determined we wanted to have a group of volunteer employees that would help guide the strategy and suggest ways we can internally and externally support diversity, equity and inclusion."

Involving your board in the initial stages of DEI also is an important foundational move.

"Early on, I believe you need to get engagement with your board of directors," Bugg advises. "A lot of times, this involves educating them, getting their opinions or feedback, and making sure they are on board with DEI so they're not surprised by changes in strategic direction that you want to take the organization."

As the inaugural recipient of the DEI Catalyst for Change Award from CUES (*cues.org/awards*), Great Lakes CU is sought out for advice on how to implement a DEI program. "Since we won the prestigious award, I've talked to credit union CEOs across the country, and one thing I tell them is that they need to step back and look at their organization through a different lens," Bugg says.

In taking this overview, CEOs may be surprised to learn that they are already doing things that could form the basis of a DEI strategy. "It may be a second-chance checking account, a payday lending alternative or first-time down payment assistance program for a mortgage loan," Bugg explains. "Whatever it is, they may find that they're already doing a lot of DEI work but just didn't realize it. So, rather than starting from scratch, they can ask themselves 'How do we as an organization bring everything together to formalize it and develop a strategy around it?'"

Increasingly, CUs are showing their commitment to DEI by hiring a DEI officer. LinkedIn reports this as a global trend, with the number of organizations employing a head of diversity growing by 107% from 2015 to 2020 (*tinyurl.com/linkedinhod*).

Among the CUs making this commitment is $2 billion Tennessee Valley Federal Credit Union (*tvfcu.com*), which named CUES member Dionne R. Jenkins as its VP/diversity and inclusion in late 2017. The Chattanooga-based CU has made great progress since.

"When I was hired into this role, there wasn't even a job description," says Jenkins. "Our CEO knew that he wanted to tackle DEI, and he knew that this position had to be part of the senior leadership team if it was going to be effective. Together, within the first week or two, we created a job description, and as the first person in this role, I've been able to build what it means for our credit union."

After educating herself about the organizational culture (*see No. 4*), Jenkins began to implement DEI strategies designed to move the CU forward. "My three goals are simple: recruitment, retention and community engagement," she says. "They have been my goals from the beginning. Each year, they may look a little different, but they remain my goals today."

At $1.1 billion Seattle Credit Union (*seattlecu.com*), the DEI commitment involved formation of a DEI board and creation of a new position—DEIP manager, which has been filled by CUES member Lindsay Taplin. "The 'P' is internal to us and stands for 'prosperity,'" reports CUES member Richard Romero, president/CEO of this Seattle-based credit union and secretary of the board of directors for CUES. "We created this board and new position at the end of last year as part of a reinvention of how we look at DEI within the organization."

The DEI board consists of 15 employees who are nominated and elected by their peers. "We compensate them for their time because what they're being asked to do goes above and beyond their normal jobs," Romero reports. "They'll be working on various aspects of DEI—everything from implementing DEI into policy and procedure to hiring practices and more."

2. SET YOUR VISION

Before you begin implementing a strategy, it's important to identify the "why" behind your commitment to DEI. Romero classifies this step as "being intentional" in what you hope to achieve.

"That intention needs to start in the boardroom and extend throughout the executive team," he says. "It can't just be, 'We've appointed a DEI manager, we checked a box, so we're good to go.' There has to be a shift in the organizational culture to really want to make a difference."

Romero recommends that CU leaders start a DEI journey by making sure their mission and vision align with DEI, "and also that you have alignment of the board, executive team and everyone throughout the organization."

Alignment is definitely a key word. Great Lakes CU has aligned its DEI program with its five strategic pillars: cultural transformation, exceptional member experience, efficiency and sustainability, financial empowerment, and smart growth.

"DEI especially fits under our financial empowerment pillar, but it also is woven into our cultural transformation and member experience pillars," Bugg says. "By aligning with our strategic pillars, we feel our DEI policy will be more sustainable over time."

To help ensure sustainability, Great Lakes CU did extensive research, much of which entailed looking at the DEI strategies at other financial institutions and at organizations outside the industry. "Through this research, we found that those organizations that began with a well-defined strategy, in which they brought all their initiatives under one strategic pillar, seemed to be more successful in their journey and also had a better formula for how to measure the impact of DEI," Bugg says.

In addition to doing its own research, Great Lakes CU also took advantage of the DEI education provided by several organizations, including CUES. "I highly recommend tapping into such resources," Bugg says. "It's a great way to expand your knowledge base."

Pham affirms that there is plenty of research that organizations can use to help formulate their DEI strategy. "The compelling social, economic and people imperative for diversity and inclusion in the workplace is already out there," she says. "What organizations need to do is pull out the information that works for them and is relevant to what they want to do."

Another key to achieving your DEI objectives is to make sure you've allocated funds to make your aspirations a reality. "If you're not putting money behind DEI, your efforts and initiatives are not likely to succeed," Jenkins says.

While you may wish to set up a separate DEI budget, it's also appropriate for various departments to allocate money toward DEI.

"For instance, in our marketing budget, we have a separate bucket for diversity, which we use to sponsor, support and promote diverse events within the community," Jenkins says. Credit unions may also want to budget DEI funds for professional training and development or to produce bilingual materials, she adds.

3. ADDRESS DEI IN HR FUNCTIONS

An important component of implementing DEI is to evaluate your recruiting, hiring, compensation, onboarding and advancement policies to ensure consistency with DEI principles. For instance, Great Lakes CU has implemented recruiting strategies to ensure a diverse pool of candidates that is reflective of the Greater Chicago communities where most of its 80,000 members reside. Over 50% of these members are low-income, and many are people of color.

"We recruit for employees who look like the communities we serve, especially when it comes to our branch locations and our contact center," Bugg says. "Bilingual support is important in those areas, but we also make sure that we have diversity in our support groups and our leadership team."

Attracting diverse candidates becomes easier when there is diversity among those who are doing the hiring. At Tennessee Valley FCU, the HR team is much more diverse than it was in 2017, and that includes the recruiting staff.

"We were able to accomplish that without firing or moving anyone, but by being more mindful of diversity whenever we hired," says Jenkins. "Employees need to envision themselves as a part of the team. If your staff does not represent the diversity they are looking for, they will take their skills and talent elsewhere, and you will miss out on employees essential for your organization's growth."

For some CUs, striving for diversity involves making some hard decisions. Romero concedes that this was the case at Seattle CU, where diversity was once lacking.

"We have a completely different board and executive team than when I started as CEO nearly a decade ago," he reports. "We take pride in the fact that we have over 50% diversity on our board. We also have a diverse executive team, which we've been able to maintain even through turnovers." (*Read more about this realignment in the article by Romero at* cumanagement.com/0321access.)

Another important DEI practice is to facilitate opportunities for advancement across the full spectrum of employees. At Tennessee Valley FCU, implementation of a mentoring program has been an important step forward. Two three-month pilots ran in 2021, starting in June of last year; eight of the initial 46 participants have received promotions so far. The CU plans to run one six-month program this year from June through December. The mentor-mentee pairs meet when and how they choose, whether by videoconference, by phone or in person.

4. REFINE THE ORGANIZATIONAL CULTURE

CUs often need to adjust their organizational culture to be more compatible with DEI. But, Jenkins says not to go too quickly.

"The best piece of advice I received, shortly before I started my job, was: Before you go into the organization with your own mindset and your own strategies of how to approach DEI, make sure you understand the existing culture and the needs of the organization," she recalls. "Otherwise, anything you try to implement will be met with resistance, and your efforts will fail."

To facilitate organizational change compatible with DEI, Pham stresses the importance of educating the staff.

"It's important to provide strong foundational training so that there's a common terminology around ... diversity and inclusion in the workplace, a common understanding of why we do this, and a shared commitment of acting together as an organization," she says. "All the leaders should be singing from the same song sheet and have consistent messaging around the importance of diversity and inclusion for their organization."

Jenkins concurs that education is crucial. "I think it's important to educate your senior staff first, so that you can gain their buy-in and enlist their help in spreading DEI principles throughout the organization," she says.

Achieving that buy-in is not always easy, Jenkins concedes. "In almost every organization, there's going to be a naysayer or someone who is playing devil's advocate."

While it can take time to change the minds of the resisters, Jenkins contends that it's worth the effort. "There are plenty of facts to support DEI in the workplace that you can use to win them over," she says. "Tell them facts, not feelings, and when you can get them to buy into what you're trying to do, then the people that trust them will begin to trust you."

To further build relationships with employees, Jenkins has implemented "coffee talks." These informal conversations give employees an opportunity to meet with Jenkins off-site for a one-on-one meeting to discuss their challenges and concerns.

"Coffee talk is a way to retain employees because instead of letting something fester, ... they can come talk about it, and they know that our conversation is completely confidential, unless we uncover a situation of bias or discrimination that I'm obligated to report," Jenkins says. "The success of these meetings stems from the relationships I have built over time. Employees see me as their advocate and someone who will ask the tough questions on their behalf."

5. SHOW DEI COMMITMENT IN THE COMMUNITY

CUs can exhibit DEI commitment in the community by participating in events and activities that are diverse and inclusive in nature.

"From a DEI perspective, not only are we out there walking the talk, but we're also putting our money where our mouth is."

– Richard Romero

That is a high priority for Jenkins. "It's actually the biggest part of my job," she says. "I spend about 80% of my time in the community, being visible and involved as a key player in what is happening in our 13 counties."

Through her extensive community involvement, Jenkins has gained helpful insights on such questions as: What additional products and services should we be offering the community? What part of town feels neglected by the credit union? "That's the type of information I can bring back to our team," Jenkins says. "For instance, if an area seems to be underserved, should we be looking at adding a branch? Understanding what the community wants from us is the biggest part of community engagement."

Romero likewise is visible in the community, showing that Seattle CU's commitment to the community starts at the top. "One of the things we do regularly is to have listening sessions with the community to understand what they need from us," he reports, noting that the as-needed sessions with community leaders used to be held in person but are now being coordinated over Zoom. "We use that input to customize our products and services to better meet their needs versus trying to push products and services on them that we already have."

Seattle CU's mission to serve the community is reflected in three designations: as a low-income designated credit union, a community development financial institution and a Juntos Avanzamos (*juntosavanzamos.org*) credit union.

"Taken together, all of these programs help us serve our communities better," Romero says. "We don't go out into the community, and say, 'We're a CDFI,' because most people don't know what those initials stand for, but we just received a large secondary capital award from the CDFI (fund), which allows us to put money back into the community. So, from a DEI perspective, not only are we out there walking the talk, but we're also putting our money where our mouth is."

Great Lakes CU similarly tailors its products and services to meet the needs of the community. Constantly striving to be on the leading edge, the CU is the first state-chartered credit union in Illinois to offer a certified BankOn checking account (*joinbankon.org*), a safe and affordable option for the unbanked and underbanked.

Another innovative product is its Cash-in-a-Flash (*tinyurl.com/glcucf*) lending program, an alternative to high-interest options for those who need a quick-access loan.

"We also are one of eight credit unions nationwide that are a HUD-approved (U.S. Department of Housing and Urban Development) housing counseling agency, and we have a strong financial literacy and education [program] geared toward helping those who are unbanked or underbanked," Bugg says.

All of these efforts help bring empowerment to the community, Bugg adds. "If we help those in the community and the community thrives and local businesses thrive, then we know our own membership will thrive as well."

Pham suggests that credit unions use input from their employees to help determine how best to serve the community. "Every person on your team comes from a community," she observes. "They'll be able to help you identify cultural assets and community leaders—the authentic leaders as opposed to the formal leaders, because they're not always the same—and from there, you can start to build opportunities for collaboration. Look at the communities through your corporate social responsibility lens, identifying opportunities to donate or sponsor community projects or events that align with your credit union's vision, values and mandate."

A NEVER-ENDING JOURNEY

While these first steps will get CUs started on their DEI journeys, Bugg emphasizes that DEI never reaches an ending point. "This is one of those efforts that continues to evolve and change. It needs to be sustainable, so that the next generation that comes into the organization will be able to use what we've developed and take it to the next level."

Romero likewise stresses the importance of maintaining an ongoing commitment to DEI. "There's no end to the DEI journey, and I mean that in a good way," he says. "You need to keep moving forward, year after year."

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

MORE ON DEI

What Does It Take to Develop Diversity? (*cumanagement.com/1020diversity*)

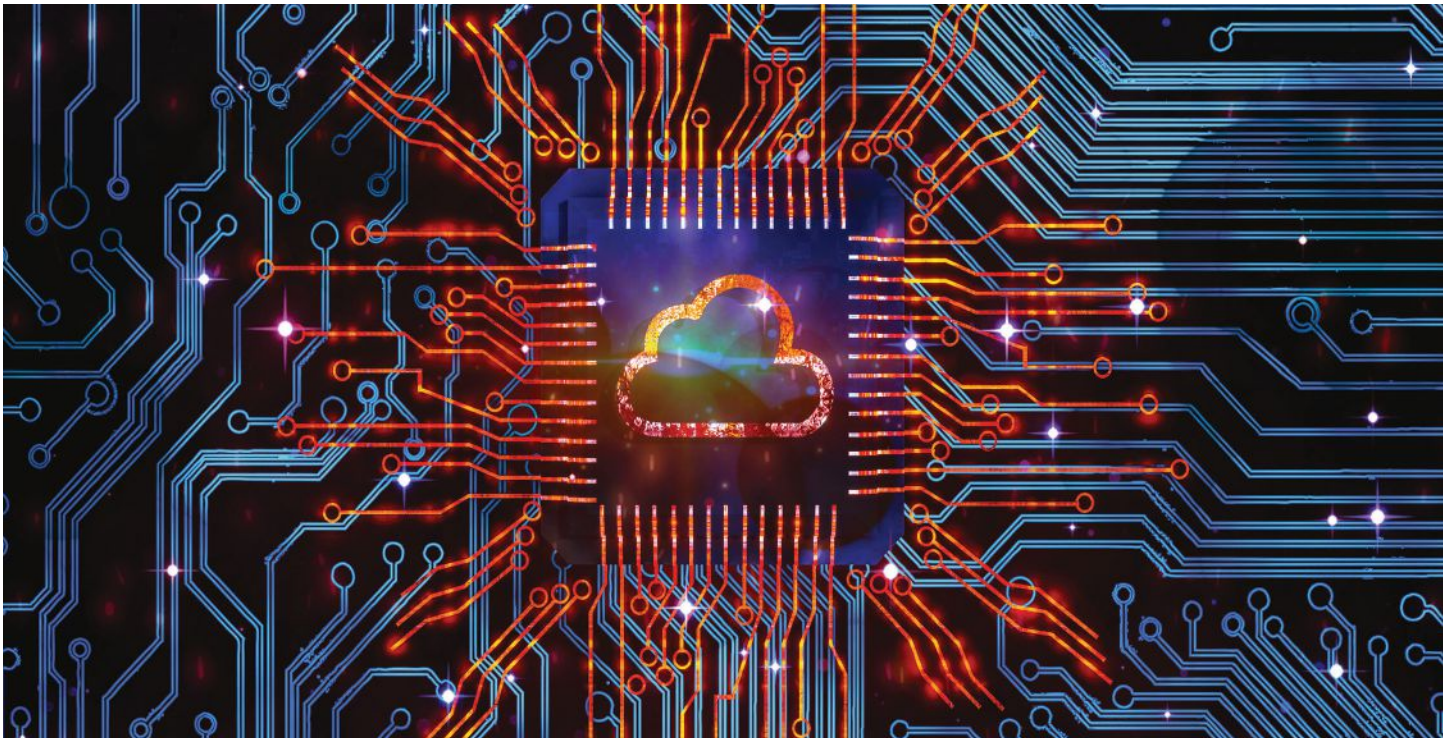
Diversity, Equity and Inclusion as a Differentiator (*cumanagement.com/podcast125*)

If Diversity Is Our Strength, Inclusion Is Our Superpower (*cumanagement.com/podcast114*)

DEI Resource Center (*cues.org/dei*)

DEI: Catalyst for Change award (*cues.org/awards*)

Diversity, Equity, and Inclusion Cornell Certificate Program (*cues.org/cornell*)



Storm Clouds *Versus Cloud Cores*

MOVING YOUR CREDIT UNION'S CORE SYSTEM TO THE CLOUD CAN STRENGTHEN YOUR DISASTER RECOVERY PLAN.

BY CELIA SHATZMAN

When natural or other disasters strike, there's a lot for credit unions to worry about. But moving your CU's core to the cloud can take one major thing off your mind by helping to ensure business continuity: You're much less likely to have a core downtime when your branches go offline due to a disaster if the core system is hosted in the cloud rather than on-site or even off-site in a single location nearby.

In the long run, a cloud-based system aggregates resources so it can be more secure, reduce costs and simplify IT processes. It can also allow a credit union to focus on important trends, such as payment innovation to enhance member service. If you're considering moving to the cloud core, here's how it can help with disaster recovery.

STREAMLINING RECOVERY

Moving the core to the cloud has a major impact on disaster recovery planning. "It's critical that our staff can work remotely and have everything they need," says Sarah Allison, CFO of $205 million Sterling Federal Credit Union (*sterlingcreditunion.org*), Sterling, Colorado. "Through moving the core to the cloud, you have a more strategic disaster recovery and business continuity plan in place."

Core systems on-premises or in private data centers require heavy investment in providing redundant environments that allow very fast recovery for a variety of failures, ranging from hardware and loss of facility to loss of telecommunications, explains Shanon McLachlan, VP of Jack Henry & Associates Inc. (*jackhenry.com*), Monett, Missouri, and president of Symitar (*symitar.com*), a division of Jack Henry with headquarters in San Diego. But "when a credit union shifts from on-premises to a cloud environment, they shift responsibility for recovery to that provider," he says. "Private and public cloud providers are typically able to provide a higher level of disaster recovery and business continuity by spreading the costs across a number of customers."

In a private cloud environment, managed by the CU or a vendor partner, such functions as infrastructure upgrades and disaster recovery are typically the responsibility of the CU or the core vendor. In a public cloud environment, such as AWS (Amazon Web Services, *aws.amazon.com*), the cloud provider manages the infrastructure and hardware.

Since providing adequate redundancy in case of disaster can be cost-prohibitive, it's a big a win for a smaller credit unions when private and public cloud providers take on DR responsibility. CUES member Javier Lozano, VP/information services of $943 million Northern Savings Credit Union (*northsave.com*), Prince Rupert, British Columbia, says that's the case for his CU.

"We benefit from economies of scale here, and partnering with the right organization makes a big difference," he says. "Every year, having to go through scenarios and test all the systems is really time-consuming and resource-intensive. ... In the past, that used to take months for us in terms of preparation and planning. Now we're benefiting from the work that [our providers are] doing. All we have to do is review the results and make sure that they are in compliance with our policies and standards."

Moving the core to the cloud also gives vendors more control as it relates to continuity, says Preston Packer, VP/CMO, FLEX Credit Union Technology (*flexcutech.com*), Sandy, Utah. He advises that a continuity plan should include geographically diverse locations—and that applies to the locations of a cloud provider's data centers too. "We've seen an example recently where two data centers were within a 50-mile radius of each other, and all employees were in a 50-mile radius of those areas," Packer says.

In this instance, the winter storms that pummeled Texas in early 2021 took out a number of one provider's servers, causing critical outages to online banking and other services for multiple credit unions. "We can learn something from failure. That means a disaster scenario for a credit union that's being impacted with their members. I certainly don't wish that on anyone," he adds.

However, simply having a cloud core with data centers distributed across the globe doesn't make disaster recovery as easy as flipping a switch. There's a range of connection points to the core to contend with during an outage situation—internet banking, mobile apps, debit and credit cards, to name a few—so multiple parties are involved in these operations. "But it can be more seamless, and it can be as near as real-time as possible because of technologies that facilitate the journey of transactions," Packer says.

Nevertheless, all parties need to be ready to tackle the recovery process. "The credit union is managing what's local to them, and we're managing our end of it, and then in a disaster recovery or continuity situation, we're fusing together. We've been very successful with our model. We run it more as a hybrid."

When a vendor is controlling the continuity plan, CUs must be wise and do their due diligence to understand how the vendor works and implements the plan. "We found out with the Texas freezes that vendors aren't always doing everything right," Packer says. "That was unfortunate, but that's part of the continuity planning. The CUs really need to work closely with their vendor partners and core partners and ensure those types of risks are addressed."

BUSINESS CONTINUITY

Having lived in California for decades and now in Florida, Sabeh Samaha, president/CEO, Samaha & Associates Inc. (*ssamaha.com*), a financial technology consulting firm based in Miami Beach, knows what it's like to live with the threat of natural disasters, and it's taught him a few valuable lessons.

"Private and public cloud providers are typically able to provide a higher level of disaster recovery and business continuity by spreading the costs across a number of customers."

– Shanon McLachlan

"The core should not be on site at the credit union, if at all possible," says Samaha. "You want to have access to dynamic balances during a disaster of any size. You want to be able to take that snapshot of a balance from the core before the disaster, and then whatever transactions happen during and after the disaster. They should all be impacting that balance.

"They have to have that ability, and it has to be tested on a regular basis to show that all those transactions can be received and processed at the DR site," he adds. "Otherwise, you're operating in the dark during a disaster event."

This applies to both in-house and cloud-based cores, adds Samaha. "In the case of cloud processing, the credit union would require the testing platform to be set up to handle this type of testing and also participate in the actual tests. In the case of in-house, the credit union would conduct the tests themselves."

Having an off-site core minimizes the impact and can help avoid downtimes altogether, explains Darrin Blankenbeckler, CEO of Sterling FCU. "If a natural disaster were to impact our facilities, as long as we have secure internet access, we could still be open in an alternate location providing our members the services they need," he says.

CUs should make sure their cloud provider has made the necessary investments in business continuity. To keep operating, it's crucial to be able to access the system from anywhere and quickly and efficiently switch from one data center to another, Lozano advises.

Credit union staff need to be able to access to all systems, log everything and transact, adds Samaha. "It's being able to work from hotels, being able to work from another credit union, being able to work from a warehouse or a school—you have to be able to do that," he says. "This is the big piece that everybody misses, which is downtime processing procedures."

Samaha has experienced disaster-related events while working at data centers in the past and knows this environment very well.

"These days, the challenges are quite different and yet the same," he says. "This is where the real work begins—by committing to be prepared and modeling out real possibilities, from local fires to acts of God and everything in between. Unfortunately, we tend to have short-term memory and want to work on more exciting projects, but lest we forget Katrina and Rita, or Northridge and Whittier, we need to always remain vigilant and prepared."

Credit unions should also consider what happens during a natural disaster from a member's point of view. For example, if they need to

“If a natural disaster were to [strike], as long as we have secure internet access, we could still be open in an alternate location providing our members the services they need.”

– Darrin Blankenbeckler

MORE ON DISASTER RECOVERY

Head in the Cloud (*cumanagement.com/0322cloud*)

When Disaster Strikes: The Lessons Learned From 9/11 (*cumanagement.com/0921disaster*)

This Credit Union’s Show Must Go On (*cumanagement.com/0820show*)

Safety and Service Foremost in F&A FCU’s Proactive Pandemic Response (*cumanagement.com/podcast90*)

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

Avoid These Mistakes in Your Disaster Recovery Strategy (*cumanagement.com/091819skybox*)

leave town because their home doesn’t have electricity or running water, they may have to withdraw cash, so their ATM card will need to work.

“That’s the bigger connection point here,” Packer says. When members get to another geographic area, will they still be able to access their funds? “That’s where the cloud model really shines in the natural disaster scenario, because you’re in a data center that hopefully—and more than likely—is not impacted by natural disaster, which means it does not interrupt availability of data.”

Giving members a lifeline to the things they need during a disaster, which might be an ATM withdrawal to provide cash for basic necessities, is what will keep them loyal to your credit union.

REDUNDANCY

The bottom line is that credit unions must plan for redundancy in case of a natural disaster, notes McLachlan. “For credit unions in geographical areas prone to natural disasters like a tornado, hurricane, earthquake or fire, having their system hosted in another region or in the cloud ensures business continuity,” he says. “In the event of a natural disaster, it’s not just about recovering the core; credit unions must re-establish connectivity to all their third parties.”

It’s important for credit unions to understand the technical details of redundancy when it comes to the cloud core, since it’s an integral factor.

“With redundancy, critical components and/or functions of a system are duplicated,” McLachlan explains. “The duplicated instance acts as a fail-safe should the primary instance fail. With core redundancy, credit unions have a secondary version of their core running in the background that mirrors the primary core. Should the primary core fail, the alternate version can pick right up where the primary instance leaves off. Thus, credit unions can remain operational with little to no impact on member service.”

Having multiple data centers helps cloud providers mitigate and manage connectivity efficiently, enabling them to give the highest level of service and continue serving customers regardless of disasters affecting specific geographic locations.

“Credit unions should be sure that their data is available at any time in no fewer than two geographically diverse data centers,” Packer says. “It doesn’t really matter if I can turn on the lights somewhere. Do I have this data available? That’s what disaster recovery planning and continuity is all about.”

POTENTIAL CHALLENGES

Though the cloud offers more security during a natural disaster, it does come with some potential challenges. One is dealing with a downtime (or near downtime).

“Downtime can happen for a number of reasons related to cloud-provider outages, configuration settings, etc.,” McLachlan says. “Back in November, AWS even had an outage for over seven hours!” As such, it’s critical to verify that your cloud provider is ready and has the resources to detect and resolve issues before they cause a significant service disruption. “Jack Henry has modern monitoring tools in the hands of our skilled technicians to quickly diagnose issues so that any disruptions are quickly remediated,” he adds.

Even with potential pitfalls, moving the core to the cloud will not only help your credit union with disaster recovery, but it can provide the advantages of the latest technology. “We’re going to continue to see the pace increase of digital transformation,” Packer says. “Obviously, the pandemic kind of forced us all there. ... When change happens, there’s all of these discoveries of new ways and more efficient ways of doing things. If we’re going to accept that technology has improved our lives as consumers and as individuals, then we also have to accept that technology can change and transform our lives as a credit union and in delivering products and services to our members.

“It is inconvenient to make a change, but we’re getting through it and we’re learning from it,” he adds. “And in the midst of all of this digital transformation, we’re seeing a social transformation. That’s the beauty of technology.”

Celia Shatzman *has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

TalentED Supports *Nonprofit Success*

NEW CUES DIVISION OFFERS CREDIT UNIONS A GREAT WAY TO SUPPORT THE EFFECTIVENESS OF THEIR NONPROFIT PARTNERS.

BY LISA HOCHGRAF

What are some characteristics credit unions share with their nonprofit partners? Here are three:

Both exist to help people. They value mission-driven leadership. They face unprecedented talent challenges in this age of the Great Resignation.

One of the ways that CUs have been able to compete for talent in today's world is by offering their team members and potential hires exceptional career development experiences—an undertaking CUES has long supported.

Because nonprofits need similar talent development support, CUES has launched a new division, TalentED (*talented.org*). Pronounced "Talent-ed," the new division is designed to help build a world of mission-driven nonprofit leaders by providing them with premier talent development solutions.

I recently caught up with Tony Covington, VP/business development of TalentED, for insight into this new offering and what it means for CUs.

Q: WHAT HAS PREPARED YOU TO BE A LEADER IN LAUNCHING TALENTED?

I have more than 20 years of experience in leadership roles at nonprofits, including the American College of Radiology, the American Stroke Association, Big Brothers Big Sisters, CureSearch, the National Association for the Advancement of Colored People, the United Negro College Fund and Special Olympics.

Q: WHAT HAS KEPT NONPROFITS FROM DEVELOPING THEIR EMPLOYEES?

This will sound familiar. They don't develop their people because of obstacles like budget constraints, not having enough time and not knowing where to find outstanding educational opportunities they can afford. While these challenges are predictable, they still can be difficult to overcome.

Q: WHY IS DEVELOPING NONPROFIT TEAM MEMBERS SO CRITICAL?

There is a war for talent. Top-level employees are looking to work for companies that are ready to invest in their professional growth. That simple investment develops trust and loyalty, which allows these organizations to more effectively deliver on their mission. An investment in talent development

Tony Covington, VP/Business Development, TalentED

can help nonprofits address turnover. A survey by Nonprofit HR (*nonprofithr.com*) found that the voluntary turnover rate at nonprofits is 19%, compared to only 12% across all industries.

Q: HOW CAN TALENTED HELP?

Importantly, TalentED offers nonprofits assistance in creating a talent plan, including assessments that help them understand where they are and next steps with their people strategy. In addition, TalentED builds on the 60 years of experience of its parent organization, CUES, to offer high-quality educational programming.

Q: HOW DO CUs FIT INTO THIS?

CUs know the reputation of CUES. By connecting the nonprofits they are passionate about with TalentED, powered by CUES, CUs can help their nonprofit partners to strengthen their talent infrastructure. This holistically strengthens the nonprofit and its effectiveness within the community.

Q: WHAT'S THE BEST WAY TO GET MORE INFORMATION?

Email me at *tonyc@talented.org*; visit *talented.org* or *linkedin.com/company/talented-2*. #BeTalented!

Lisa Hochgraf *is senior editor for CUES.*

Fixed Target *for Now*

THE RULES HAVEN'T CHANGED A LOT LATELY, BUT CREDIT UNIONS STILL MUST WORK TO STAY COMPLIANT.

BY RICHARD H. GAMBLE

The Great Recession late in the first decade of the 21st centruy shook the financial system to its core and resulted in a wave of new regulations. The more recent COVID-19 recession brought a wave of mitigation programs (some, like Paycheck Protection Program loans, with compliance strings attached) but a lull in the creation of new regulations or major changes to existing ones.

Keeping up with regulatory changes in 2022 won't be too hard, predicts Gaye DeCesare, VP/compliance at Aux (*auxteam.com*), a credit union service organization based in Denver.

Her reason? There aren't any.

"We've had requests to provide speakers about ... Bank Secrecy Act (*tinyurl.com/bsaocc*) changes in 2022, but there's not much there to talk about," she explains. "After the regulatory upheaval in 2008-2010, people got used to expecting and coping with changes every year, but now there's nothing really new or exciting happening in compliance." She notes that her definition of compliance doesn't include accounting or data security.

Instead of preparing for new regulations, DeCesare advises, credit unions should be reviewing their policies and practices, looking to catch gaps where compliance hasn't kept up with changing times. Maybe disclosures on paper documents haven't made the transition to the digital world, she suggests.

Spend the compliance training budget wisely, she adds. Be wary of investing in "BSA compliance update" training when there are no real updates. Spend the money on basics instead, a careful review of documents and fair lending training (based on the Equal Credit Opportunity Act, *tinyurl.com/ncua ecoa*) for all staff who deal with members. Staff need to understand the reasons for regulations, so they understand why implementing them is important.

After "an onslaught of new regulations" in the wake of the Great Recession, compliance has settled into a manageable job, reports CUES member Emily Borowski, AVP/compliance at $1.8 billion San Francisco Fire Credit Union (*sffirecu.org*). When adding staff isn't an option, she gets by with a little outside help from a compliance expert and

"There are still BSA violations. There are still fair lending violations. Overdraft policies, fees and disclosures are still problems for some CUs, but for now they just have to get up to speed, not hit a moving target."

– Gaye DeCesare

a legal counsel she can consult as needed. Trade association training keeps her up to date. "There are several compliance communities that share information too," she points out, including posts in the CUESNet™ (*cuesnet.cues.org*) members-only forum.

CHANGE COMING?

The current calm may be short-lived because big changes may be occurring upstream. Since the January 2021 inauguration of President Joe Biden, the Democrats—often seen to favor regulation—have the ball in many areas of federal government operations, including credit union regulation, reports John Zasada, head of the regulatory compliance practice at CUES Supplier member DoerenMayhew (*doeren.com*), a Dallas-based accounting and consulting firm. The National Credit Union Administration (*ncua.gov*), now headed by chairman Todd M. Harper, a Democratic appointee, reflects that change, he notes, although the balance of the board is comprised of two Republican appointees.

"Redlining (refusing a loan to someone because they live in an area deemed to be a poor financial risk) is making a big comeback in examiner attention," Zasada says. "The examiners are scrutinizing lending practices and looking for strong testing protocols. Credit unions need to have solid fair-lending compliance programs in place and test them rigorously."

There's a social justice goal, he suggests. Any apparent discrimination against mortgage applicants in economically distressed zip codes would be likely to attract attention.

Bank examiners are getting similar marching orders. Banks have already received enforcement actions, Zasada reports, but he is not yet aware of any actions against credit unions for compliance violations so far.

The discrimination under scrutiny may not be malicious nor racist, Zasada says, but rooted in business goals that adversely affect racial minorities and low-income groups. People who qualify to finance bigger homes and more expensive cars bring a lender more interest and fee income. Maximizing net income and serving low-income people has always been a balancing act for credit unions. The current regulatory regime is attempting to move the balance point to benefit low-income people, and credit unions need to be prepared, he says.

Because housing prices are rising much faster than personal income, fewer and fewer low-income members will be able to meet income-coverage underwriting standards, a situation that will only get worse if interest rates rise, Zasada points out.

Much of the suspected "redlining" lies not so much in rigged underwriting standards as it does in resource allocation, Zasada explains. Mortgage lenders may be suspected of not providing convenient branch services or enough lending officers in low-income zones or not doing enough outreach. The regulators want to make the borrowing process more accessible.

Given the renewed regulatory emphasis on serving the underserved, especially with affordable loans, a credit union that is shifting to a digital strategy and closing branches should consider the fair lending implications before shuttering a branch in a low-income location, Zasada advises.

Any move that prevents access to credit based on race or location could be deemed a violation, DeCesare says, including failure to provide the resources that would inform low-income members about options for getting a loan or help them get access to services.

The change in NCUA leadership may bring a shift in priorities but not an immediate change in regulatory compliance requirements, DeCesare adds, noting that this is nothing new, as the lead examiner always brings a personal slant. If a credit union gets a lead examiner steeped in BSA, it can expect more BSA scrutiny.

PASSING FEDERAL EXAMS

While the compliance rules haven't changed a lot recently, don't assume credit unions are compliant with the rules that do exist, DeCesare cautions. And examiners are vigilant.

"There are still BSA violations," she reports. "There are still fair lending violations. Overdraft policies, fees and disclosures are still problems for some credit unions, but for now they just have to get up to speed, not hit a moving target."

System changes can inadvertently create violations, she notes. One credit union lost a critical field on a digital form when its data processor changed systems and inadvertently left it out. Others still have forms that require a husband's signature for a wife to get a loan, which is clearly illegal, she recounts.

The fair lending act rules (*tinyurl.com/ncuaecoa*) apply mostly to mortgages, Zasada says, but stepped-up examination scrutiny is also showing up for BSA requirements.

"There are as many as seven upcoming proposals that will change BSA compliance," he reports. "BSA compliance comes up in every exam now, and the examiners are expecting independent testing to be much deeper."

There's also been a tweak to broaden the definition of sex discrimination to include gender/sexual identity, DeCesare adds. "Also, we get questions about cryptocurrency, but there is no regulation yet for that."

Privacy is an issue Borowski watches. California led other states in passing a European-style privacy statute (*oag.ca.gov/privacy/ccpa/regs*), and a few other states are more or less following suit. Some of the laws have carveouts that exempt CUs, but that's not assured. Another state where San Francisco Fire CU has members could pass its own privacy law that the CU would have to comply with, so it's important to stay current on those types of developments, she notes.

Overdraft and courtesy pay programs have strict rules around disclosures and opt-in or opt-out procedures that have to be watched, Borowski adds. And timely complaint resolution is another area where examiners are likely to raise questions when they examine credit unions, she reports.

WHAT ABOUT STATE-CHARTERED CUs?

As a state-chartered institution, San Francisco Fire CU is not supervised by NCUA. State examinations show slight shifts in emphasis each cycle, but those are balanced with a lot of consistency, Borowski reports.

"We just finished a state exam, and the process was basically the same." The communication channels have changed radically, however. "Everything now is digitized and often automated," she reports. "The days of file boxes and pulling folders is long gone, starting well before COVID. We meet through video calls instead of in conference rooms."

ADDRESS TOP CONCERNS

Asked what his top compliance concerns and priorities are, CUES member Thomas Lachac ticks off a fairly long list of issues that include reviewing marketing materials, upgrading complaint management, and checking out all the opt-in and opt-out provisions related to electronic banking. He is senior compliance officer at $3.5 billion Affinity Federal Credit Union (*affinityfcu.com*), Bedminster, New Jersey. Consumer compliance at Affinity FCU focuses on the effectiveness of the function, not on any one regulation or rule.

Don't wait for examinations to reveal how well your compliance operation is working, Lachac advises. Instead, proactively simulate an exam to find and fix any compliance problems before the examiners arrive.

In January, Lahac was waiting for NCUA to issue its 2022 priority list before launching such an exercise. He expects examiners to

Fielding Compliance *Talent*

Even without a lot of new regulations to comply with, staffing a compliance function with the right talent at the right cost remains a challenge. If compliance starts with building the right team, how hard is it to get the talent?

"Well," observes CUES member Thomas Lachac, senior compliance officer at $3.5 billion Affinity Federal Credit Union (*affinityfcu.com*), Bedminster, New Jersey, "nobody graduates with a degree in bank compliance, so you start with on-the-job training."

His team includes a New York banker who was ready for a change, an old friend with an audit background and two homegrown professionals, one seasoned and one starting from scratch.

"We watch for people with good skills who are looking for a way to advance," he explains. "Compliance work is broadening; it can open doors." Lachac himself reports to the director of enterprise risk management.

Lachac started as a teller, held CU positions in mortgage lending and quality assurance and then spent 15 years at a private CPA firm that acted as internal auditors for financial institution clients ranging in size from $100 million to $10 billion.

Compliance has been requiring more resources and more talent, reports John Zasada, head of the regulatory compliance practice at CUES Supplier member DoerenMayhew (*doeren.com*), a Dallas-based accounting and consulting firm.

"It takes more people and bigger budgets now," he notes. "It was rare 20 years ago to find an attorney heading up credit union compliance; now, it's not unusual. When I started 30 years ago, I was the CU's compliance officer, attached to the controller's staff. Now there's usually a VP or sometimes an SVP in charge of compliance, reporting to the CEO. And more third parties are being paid to share the work."

Zasada echos Lachac in the idea that most CUs build their compliance teams, hiring or promoting smart, detail-oriented people and training them in-house and at various industry schools.

Legal talent is also playing a growing role. When it comes to compliance expertise, CU-focused attorney Michael Edwards, (*creditunionslaw.com*), based in Upper Marlboro, Maryland, sees advantages to having a lawyer head up compliance, but concedes that for CUs that "aren't trying to color outside the lines," in-house legal expertise may not be necessary.

"The typical CU compliance head is rules-focused, able to look up relevant compliance information, and good at working within a framework," he says. "They work well within set policies and procedures. It's when CUs have to deal with screwball situations that an attorney is justified. Most credit unions below $1 billion in assets do not have a 'general counsel,' but there are an increasing number of licensed attorneys performing the compliance role at credit unions, whether or not they have a lawyer job title."

In the post-pandemic world, the cost of having an in-house attorney may come down, Edwards suggests. "It's become a lifestyle issue for some. The money matters less to them than family time and reasonable working hours. A 9-to-5 job in a good working environment has real appeal now."

Buying talent by hiring a bank or CU examiner can work too, Lachac suggests, but it's not an easy fit. "They're programmed to detect more than to build," he observes. "It can take a while for them to understand which team they're playing for."

> **“Website content is pulled from so many different sources, and there are many disclosure requirements; we find violations in almost every assignment.”**
>
> – John Zasada

return to partial or full on-site exams later this year.

As head of a five-person compliance team, Lachac has the resources to do these simulated exams focused on consumer compliance. They are not responsible for compliance with accounting regs (audit does that) or data security (an IT responsibility). Affinity FCU even has a special staff for BSA compliance.

TESTING AHEAD

Forward-looking credit unions are employing firms like DoerenMayhew, Zasada notes, to perform anticipatory compliance testing engagements to expose violations so the credit union can fix them before the real examiners arrive. Such business has really picked up starting last spring, he reports.

The two areas where credit unions most often fail, Zasada reports, is resolving electronic funds transfer errors quickly enough and keeping the content on their websites compliant.

“Website content is pulled from so many different sources, and there are many disclosure requirements; we find violations in almost every assignment,” he says.

Compliance would be easier and less expensive if credit unions could set it and forget it. But with everything going on in today’s world—even while regulatory changes are on pause—that’s not going to happen.

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

Addition of ‘S’ to CAMEL *Official in April*

Adding an “s” to “violation” makes a big difference. Adding an “s” to CAMEL won’t be such a big shift, according to credit union attorney Michael Edwards (*creditunionslaw.com*), based in Upper Marlboro, Maryland.

On April 1, the “s” (sensitivity to market risk) becomes an official addition, and examinations after that date will include the “s” in the traditional CAMEL score, which has been based on capital, asset quality, management, earnings and liquidity.

Adding an “s” to CAMEL is a paper change because regulators always considered sensitivity to market risk for CUs that were exposed to it, but they treated it as a subset of liquidity, the “l” in CAMEL. Now it will be a category in its own right, a change that was applied to banks over 25 years ago, Edwards reports.

The change will matter most to CUs that actively trade loans and securities, but CUs with large fixed-rate loan or bond portfolios, especially as a result of the COVID-linked surge in liquidity, could see some consequences, especially if the Federal Reserve significantly increases interest rates.

The most salient sensitivity to market risks for credit unions, Edwards notes, is interest-rate and credit-concentration risk, such as loan concentrations in a particular geographic area or to a particular trade, industry or profession.

The exposure to sensitivity to market risk became alarming during the Great Recession when uncertainty over the credit quality of securitized mortgages temporarily wiped out market value as an indicator of the worth of private-label mortgage-backed securities, he recalls.

Most private-label mortgage-backed securities had substantial economic value but almost no buyers because credit quality was obscured, Edwards explains. This was in part because of the then-applicable mark-to-market accounting rules, something the current expected credit losses change to U.S. Generally Accepted Accounting Principles was developed in part to fix.

The failures of U.S. Central Federal Credit Union, WesCorp Federal Credit Union and three other corporate credit unions in 2009-2010, “might not have happened under CECL,” Edwards observes.

MORE ON COMPLIANCE

2021 Credit Union Resiliency, 2022 Supervisory Priorities (*cumanagement.com/1221priorities*)

Knowing the Purpose of Compliance Processes Reduces Their Burden (*cumanagement.com/020922skybox*)

Making More Mortgages Available to Minorities (*cumanagement.com/1021mortgages*)

Coveted Member Data (*cumanagement.com/1221memberdata*)

CUES Online University (*cues.org/cuesu*)

First Line of Defense™ (*cues.org/firstline*)

A Challenger *Appears*

CUs CAN FIGHT BACK AGAINST NEOBANKS BY FOCUSING ON THE BASICS AND COMMON BONDS.

BY STEPHANIE SCHWENN SEBRING

Neobanks are rising in popularity, leveraging online savviness and problem-solving capabilities that resonate with younger, digitally minded consumers. These online-only financial institutions, sometimes called "challenger banks," typically specialize in a few fintech-powered niche services, such as savings and checking accounts, that meet the greatest needs of their target markets. Positioning their brand as something different to embrace while being present when the consumer is ready to act, neobanks have mastered the art of account acquisition.

WHY NEOBANKS ARE FLOURISHING

Many neobanks start with offering front-end services, partnering with a bank or credit union on the back end for things that require bank or credit union status to do; as they grow, some neobanks later apply for financial institution status of their own. Full-stack neobanks (*tinyurl.com/3eypjsev*)—Varo (*varomoney.com*) Square/Block (*squareup.com*, *block.xyz*) and LendingClub (*lendingclub.com*), for example—have banking licenses, so they control both the front- and back-end operations.

However, the more prevalent neobanks—like Chime (*chime.com*), Current (*current.com*), Aspiration (*aspiration.com*) and Dora Financial (*bankdora.com*), a credit union initiative—do not have a banking license. These groups partner instead with one or more traditional financial institutions and control only the front end of their operations.

Insider Intelligence (*tinyurl.com/2rradymw*) reports the largest U.S. neobanks by number of account holders are Chime (13.1 million), Current (4 million), Aspiration (3 million) and Varo (2.7 million). It projects these numbers to reach a total of 47.8 million by 2024, about 17.9% of the U.S. population. Research from

CUES Supplier member Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, adds two more contenders to the mix (*tinyurl.com/ypjvpn35*): 8% of Gen Zers consider PayPal (*paypal.com*) their primary checking account provider, and 4% have their primary checking account with Cash App (*cash.app*).

Factors supporting the rise of the neobanks include their hyperfocus on serving a specialty niche and reaching consumers in the way they prefer. "This customer-centric approach is driving the growth of neobanks," stresses Sam Brownell, founder of CUCollaborate (*cucollaborate.com*) and founding volunteer for CU De Novo Collective (*cudenovocollective.org*), which supports the establishment of new credit unions and saving existing ones.

"Neobanks don't rely on a legacy brand, demographic or even a full range of products," explains Brownell. "And they have no desire to be a customer's PFI (primary financial institution). Instead, their value proposition centers on a specific financial solution, product or service."

The public is becoming expert at consuming products based on specialty or problem-solving niches rather than loyalty to a single institution, he adds. This trend is causing consumers to move away from the PFI relationship.

Neobanks are gaining considerable market share with millennials and Gen Z. Alex Johnson, director, research/fintech for Cornerstone Advisors, cites a recent Cornerstone study reporting that roughly one in four Gen Zers and millennials now call a checking account from a digital bank their primary account. That's about double the percentage it was 18 months ago. During that same time, credit unions lost more than 600,000 Gen Zers who previously had their primary checking accounts with them.

"These challenger banks include the big ones like Chime and Cash App but also an emerging class of neobanks focused on building deeper relationships with a narrower segment of customers," says Johnson. "Touted as 'new digital community banks,' these rising challenger banks include Daylight (focused on LGBTQ+ consumers, *joindaylight.com*), Kinly (focused on African American consumers, *bekinly.com*), and Purple (focused on disabled consumers, *withpurple.com*)."

SPECIALIZATION AND COMMON BONDS

CommonBond (*commonbond.co*), which specializes in student lending and solar financing, is another prime example, notes Brownell. "Products resonate with its audience and are conducive for account acquisition. And that the company named itself 'common bond' would seem to suggest the strength in this idea that has always been at the heart of credit unions—and used to seem exclusive to them."

A U.S. Navy veteran and longtime member of USAA (*usaa.com*), Seth Brickman thinks of USAA as the first neobank in the U.S. "At USAA, all regular tasks you wish to do can be done remotely and digitally," says Brickman, CEO of QCash Financial (*qcashfinancial.com*), Olympia, Washington, a credit union service organization that drives financial inclusion by partnering with CUs to provide life event and specialty loans without using credit scores.

"They have no branches, yet provide all of the services a member could want." At one time, Brickman reflects, the common bond was a powerful differentiator and barrier to competition for credit unions. But today, neobanks are similarly forming around common need. "Credit unions, the original financial cooperatives, literally had no competition for serving the railroad workers, teachers, postal workers and others. That's why they grew so rapidly in the early days," he explains. "The banks didn't want to serve them, and it was truly 'people helping people.'"

Once credit unions moved away from the common bond model to open their charters in the '90s, serving the masses became the desired outcome. "However, many learned a community charter was not the magic bullet for growth," Brownell notes.

"Community credit unions have generally moved towards trying to be everything to everyone rather than remaining hyperfocused on the unique problems of a defined group. That lack of focus sometimes leads to a lack of identity … and ultimately execution," he says.

In retrospect, Brownell sees the specialization that once strengthened a credit union's brand and member focus as a lost advantage. "Is it easier to develop a brand around a specialized focus? Or broaden the field of membership?" Brownell says that most likely it's the first option that offers the most opportunity for growth. "SEGs (select employee groups) also continue to be a great way to differentiate your credit union. And in an ideal scenario, they offer you free marketing to their employees," he adds.

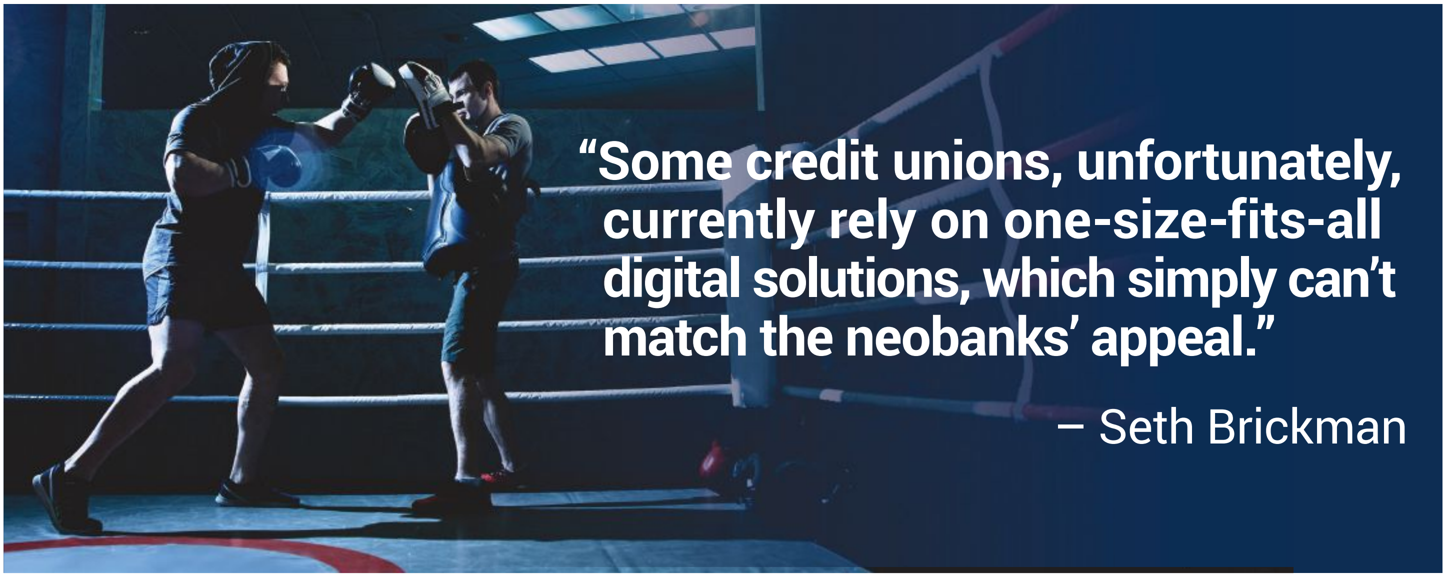
NEW CREDIT UNIONS JOIN THE FRAY

Dora Financial, a credit union service organization neobank, was formed in 2021 to serve unbanked and underbanked Americans.

Dedicated to financial inclusion, Dora is visually stunning and easy for consumers to use, says Denise Wymore, marketing manager for QCash Financial. "Neobanks are frictionless; open a Bank Dora account and see just how easy it is. It's kind of the Amazon effect. I should be able to get what I want in a few clicks," she says.

"Neobanks don't rely on a legacy brand, demographic or even a full range of products. … Instead, their value proposition centers on a specific financial solution, product or service."

– Sam Brownell



In addition, the arrangement is "the essence of the cooperative philosophy—cooperation among cooperatives," Wymore adds. (*Read more about Dora on p. 13.*) Wymore, a founding volunteer of the CU De Novo Collective—an organization that she says fights for the "vibrancy, uniqueness, value and even the survival of the entire credit union movement"—has been working with four groups seeking new credit union charters over the past year.

"These groups have highly particular niches, needs that won't be served by just becoming a select employee group of a larger credit union," she explains. "Like neobanks, they target a specific common bond, including LGBTQ+, historically Black colleges and universities, the students at George Washington University, and previously incarcerated people and their families."

These four credit unions plan to be virtual, Wymore says. "Their members can do all of their business online, with no need to build a brick-and-mortar branch to be viable.

"Like Bank Dora, they could open up with a basic checking account app," along with P2P payments and cards, she adds. In other words, both neobanks and de novo CUs can keep it simple and focus on the digital experience without the baggage carried by traditional full-service credit unions.

Brownell notes that while some may scoff at the idea that there is a need for new credit unions—especially smaller and specialized—groups of people are spending years and millions of dollars on new charters. Luis G. Dopico, Ph.D., chief economist at CUCollaborate, reports that 16 new credit unions were launched between 2011 and 2020, with capital donations estimated at more than $32 million and total assets of $189 million. Several are low-income designated, some were created to serve Native American communities, some are faith-based, and one was formed with a focus on solar energy.

NEVER UNDERESTIMATE TECHNOLOGY

Being competitive in the financial services industry requires a modern technology stack, quantifying acquisition costs and reducing overall costs.

"The very reason I love credit unions—their not-for-profit cooperative structure—is also one of the reasons they haven't beaten their competition," notes Brownell. "Credit unions simply aren't willing to pay as much for growth as their for-profit competitors. However, credit unions can succeed where their structure benefits their potential partners. This could be partnering with a fintech, for example, which can benefit from a lower cost of capital or credit unions' appetite for loans with lower rates and narrower margins.

"In today's plug-in open banking ecosystem, credit unions can partner with a fintech to create more specialized, solution-based user experiences. A partnership example is PenFed Credit Union and Caribou (*gocaribou.com*)," says Brownell. "Caribou specializes in helping consumers refinance their auto loans—so they help PenFed acquire new members and auto loans."

The neobanks have mastered personalization and are winning on this front in the digital trenches, says Brickman, who led innovation teams at Amazon earlier in his career. "To compete, credit unions must target their audiences better, and their digital apps should know enough about the member to give an ultra-personalized experience.

"This could include personalizing landing pages to the member's accounts and services with information and offers particular to that member, even providing some ability for members to customize the look and feel of the app," he notes. "Some credit unions, unfortunately, currently rely on one-size-fits-all digital solutions, which simply can't match the neobanks' appeal."

This overreliance on static product options is a definite concern. "For example, most credit unions offer at least two types of checking accounts, some as many as six," explains Brickman. "The member service representative is then tasked to fit the member into one of these options. Instead, the MSR should ask the member a few questions and build the checking account around these needs.

"When leading teams at Amazon, we would start with the customer and work backward into the experience," notes

“Their members can do all of their business online, with no need to build a brick-and-mortar branch to be viable.”

– Denise Wymore

Brickman. “Unfortunately, credit unions can be held hostage by their core processors and lack of innovation; instead, they need to refocus on their common bonds—to redefine or reiterate who you are, identify a cause and wrap a frictionless experience around this cause.

“Make it a goal to use technology to create a unique banking experience and use things like A/B testing to refine your member experience,” he suggests. “Follow initiatives like Bank Dora to create an experience that is frictionless and intuitive.”

Credit unions should also realize that each niche or “people group” has different expectations for its financial institution. “By understanding your audience on a deeper level by creating feedback loops and dedicated listening sessions, and then meeting those expectations, credit unions can be in a position to succeed and grow market share,” Brickman explains.

“We still push old banking products and advertise ‘free checks,’ and in the process, alienate the next generation,” he continues. “In contrast, neobanks make banking much more relatable to the younger generation, and it’s a strategy that credit unions can and should parallel.”

LARGER LESSONS LEARNED

Despite their appeal, neobanks are fallible. Johnson explains that balancing the right product offerings with profitability may be their Achilles’ heel. “Product breadth and profitability are two primary challenges—weaknesses that credit unions could expose” and potentially compete against.

“Most neobanks start with a single … product and expand into a larger suite of banking products over time,” continues Johnson. “In terms of profitability, the bigger neobanks, such as SoFi (*sofi.com*), are acquiring bank charters to improve their unit economics (profitability of individual lines of business).”

Becoming a licensed depository institution allows a neobank to hold deposits, which can then be used to fund lending; this is much less expensive than borrowing to fund lending. Getting a bank charter also removes the need to partner with a licensed bank for some functions and split revenue with them.

“For new products, neobanks like MoneyLion (*moneylion.com*) are entering new areas like BNPL (buy now, pay later lending) and crypto trading,” he adds.

Long term, the most successful neobanks will be the ones that tackle these challenges while maintaining product and brand differentiation. Johnson says that credit unions can counteract this success by tightening their focus on the unique needs of their members—needs that credit unions know better than anyone else—and building differentiated products to address those needs.

Johnson also believes that community vision, which has been central to credit unions’ success for decades, has been redefined today. Because the internet has empowered consumers to self-organize into new identity-driven groups with unique financial challenges at a scale not previously seen, “credit unions that want to thrive in the era of digital neobanks need to revamp the way they define and serve their members, moving beyond the traditional boundaries of community (geography, occupation, etc.).”

The key to success, says Brownell, is to identify who you are as a credit union and who is your ideal member. How can you help your ideal member? What problem do you solve that no other organization can? Lead with your brand proposition and a solution for a defined demographic. Shift from the PFI business model and focus on what you do really well. Then create an exceptional website and digital banking experience.

Remember what made consumers fall in love with credit unions in the first place: “Credit unions are losing out to challengers embracing what used to help many credit unions uniquely resonate with their membership. It’s time to recapture that magic,” concludes Brownell.

*Owner of Fab Prose & Professional Writing, **Stephanie Schwenn Sebring** assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on Twitter @fabprose.*

MORE ON GROWTH

Moving Toward Mobile Maturity, p. 10

What’s Your Definition of Primary Financial Institution? (*cumanagement.com/011922skybox*)

Diversity, Equity and Inclusion as a Differentiator (*cumanagement.com/podcast 125*)

The Million-Member Milestone (*cumanagement.com/0122million*)

OnPath Federal Credit Union on ‘Experiential Growth’ Path (*cumanagement.com/1221onpath*)

Talking Openly *About Workaholism*

WORK ADDICTION CAN HAVE A BIG IMPACT ON LEADERS. BE AWARE OF THE SYMPTOMS AND MAKE PROACTIVE CHANGES IF YOU FIND YOURSELF HEADING IN THAT DIRECTION.

BY SOPHIE BISHOP

The transition from employee to leader is an exciting one. It often comes with the opportunity to help shape and future-proof an organization. Everyone wants to make their mark, and becoming a business leader is a great way to do this. However, leadership doesn't come without its struggles.

Becoming a leader has a huge learning curve. It often requires longer working hours, unsociable schedules and a whole lot of extra responsibilities—all of which can take time to get used to.

Let's face it: We've all been confronted with the harsh realization that to be successful, you have to work hard. However, this realization coupled with the mounting pressures of taking on leadership roles can cause workaholism. And the truth is that workaholism doesn't just affect you as an individual; it affects your whole team.

SIGNS OF WORKAHOLISM

When people hear the word "workaholic," they often associate it with excessive working hours, a lack of social life and burnout. However, the term actually refers to a person's approach to work.

How you approach work can depend on numerous factors, such as fighting for a promotion, taking on a new role, accepting more responsibility or managing a team of people.

Transitioning into a leadership role often requires you to work longer hours during the week to manage your workload, or perhaps you end up working while you're on holiday or work on the weekends. But these new work habits can quickly become an unhealthy new normal.

Below are a few signs you're a workaholic:

- a compulsion to work (this could be due to workplace, relational or personal pressures);
- thinking about work even when you're not working;
- sacrificing time with friends and family in favor of working;
- working through your lunch break; and
- experiencing regular physical or mental health symptoms, such as digestive issues, insomnia, high stress and anxiety, depression or a compromised immune system.

THE EFFECT OF REMOTE WORK ON WORKAHOLISM

With more employees working from home, they have permanent access to work, causing the boundaries between work life and home life to be irrevocably blurred. Often, those in positions of leadership end up checking their emails more regularly outside of work hours, working for more hours in the day and picking up work on the weekends. This is causing workaholism to worsen and become more widely spread.

According to The American Psychological Association (*tinyurl.com/ape-workaholism*), "Technology advances (e.g., smartphones, company-supplied laptops) have allowed employees potentially unlimited

access to their work, and changes in where work occurs (e.g., telecommuting) may further blur the lines between work and home." As we continue to bounce in and out of lockdowns, it is essential that organizations are aware of the heightened risk of workaholism for employees at all stages of their careers.

THE IMPACT OF WORKAHOLISM ON LEADERS

Workaholism is something that often grows over time. It can be so subtle that many leaders fail to notice it's a problem until it starts having a significant impact on their lives and the lives of their team members. Below are some of the most negative ways workaholism can affect leaders and their organizations.

Failure to delegate effectively: One of the most common problem areas for workaholics is delegating work to their team members. The reason is that many workaholic leaders see themselves as the highest achiever. They assume that if they want a job done properly, they should do it themselves. This mindset can be incredibly damaging, both for the individual and for their employees.

After a while, the workload becomes overwhelming, and there are simply no more hours in the day to get things done. As a result, project delivery and response times slow down, and leaders become roadblocks both for their projects and for their teams. This causes a lot of stress, plummeting team morale and causing leaders to lose influence.

Poor mental health and well-being: Workaholics tend to prioritize work over everything else, including taking care of their own mental health and well-being. From taking on extensive projects to working on very little sleep and a diet of coffee and cereal bars, it doesn't take long for overwhelm to set in.

As soon as leaders become overwhelmed, the plates they have been spinning start dropping. Deadlines are missed, projects are delivered at a lower quality than usual, and still the pressure increases. Eventually, it becomes too much, and leaders have to step down to take care of their health.

Impaired judgment: Business leaders hold a lot of responsibility and are required to make important decisions daily. However, these decisions—and a leader's judgment—can become impaired by the effects of workaholism.

When a leader is overworked, exhausted and stressed, it can feel like they are overloaded. This can make things like reading body language, managing emotional responses, making sound judgments and leading a workforce effectively very difficult. Impaired judgment can lead to poor decision-making, and this can have a ripple effect on the individual leader, their team and the wider organization.

Substance abuse: Substance abuse is common among workaholics. When people are required to work harder for longer, they often revert to unhealthy coping mechanisms, such as smoking, high alcohol consumption, physical inactivity or taking drugs. All of these habits can have an extremely negative impact, causing problems such as addiction and long-term health complications.

This has been a particularly poignant issue since the pandemic started, as it comes coupled with a higher propensity for workaholism and less availability for treatment. According to Kayla Gill, content director at LuxuryRehabs.com, "In the early days of the pandemic, the surge in the need for addiction treatment services was also accompanied by a decrease in their availability. Over half of the facilities surveyed by the U.S. National Council for Behavioral Health (*tinyurl.com/2p8dehea*) said they had to close their behavioral health treatment programs, while 65% had to turn clients away."

Fatigue and insomnia: It is not uncommon for workaholics to experience severe fatigue and insomnia. The combination of long working hours, poor diet, neglect of self-care and lack of physical exercise can all make sleep problems worse. According to The Sleep Foundation (*tinyurl.com/44t7hh3j*), adults need between seven and nine hours of quality sleep per night. Most workaholics don't get anywhere near that, and as a result, they can really struggle to get through the day.

Worsening relationships: Workaholics often experience a deterioration in their personal relationships. Nurturing the relationships we have with both colleagues and loved ones is essential for our mental health and general well-being in addition to effectiveness at work. In fact, according to The Mental Health Foundation (*tinyurl.com/2p8wwufva*), "Extensive evidence shows that having good-quality relationships can help us to live longer and happier lives with fewer mental health problems. Having close, positive relationships can give us a purpose and sense of belonging." When you are married to your work, it is extremely difficult to prioritize anything or anyone else. Worsening relationships can result in very lonely, isolated people.

As you can see, workaholism can have a significant impact on leaders. Workaholism can sneak up on you if you're not careful. It's important to be aware of the symptoms and make proactive changes if you find yourself heading in that direction.

Sophie Bishop *is a medical journalist who specializes in psychology. Sophie's passion is to raise awareness through her writing about healthcare, mental well-being and sustainability issues, and she is looking to connect with an engaged audience of working professionals. Connect with her at* linkedin.com/in/sophie-bishop.

MORE ON WORKING BETTER

How to Avoid Burnout Early in Your Career (*cumanagement.com/011022skybox*)

Leadership Matters: 5 Helpful Tips for Avoiding Burnout and Managing Stress (*cumanagement.com/1221leadershipmatters*)

I'm Burned Out. Should I Quit My Job? (*cumanagement.com/120621skybox*)

HR Answers: How to Recognize Work Addiction (*cumanagement.com/0719hranswers*)

Podcast: Famous or Not, We All Have to Work on Mental Health (*cumanagement.com/podcast121*)

TalentED Offers *Talent Development Solutions to Nonprofits*

CUES is expanding its talent development offerings into the nonprofit sector through TalentED. This new offering, pronounced "Talent-ed," will work with nonprofits to develop the leadership potential of their executive teams, board members and staff.

"At a CUES event a few years back, CUES was approached and asked to hold a special Governance Leadership Institute for a nonprofit organization in Canada. We did so, with great success, and it made us realize two things," says John Pembroke, president/CEO of CUES. "One, nonprofits sorely need access to talent development; and two, CUES already has many of these resources readily available. That was the beginning of the TalentED initiative."

"According to recent studies, talent development is an important differentiator in attracting and retaining top performers in the nonprofit sector, just as it is for credit unions," says Tony Covington, TalentED's VP/business development. "70% of nonprofit employees value professional development opportunities—yet 43% feel their career development needs aren't being met.

"Great partnerships—like what we have with our credit union partners—are important. No one can change the world on their own," says Covington. "We're excited for credit unions to learn more about TalentED, and discover how TalentED can help them help the nonprofits they are passionate about."

Learn more on p. 21 and at *talented.org*.

Online Member Community CUESNet *Gets Enhancements*

CUES has rolled out an updated CUESNet, offering its membership base an improved user experience. CUESNet (*cuesnet.cues.org*) is the online community CUES members use to network with each other, post questions, share ideas and documents, and discuss industry topics. Updates to the platform include:

- a new look and feel, offering easy navigation thanks to the updated layout;
- quick links for one-touch access to popular pages, including Build My Network, Digital Learning and Complete My Profile; and
- a Member Help Center to guide CUES members in getting the most value out of their benefits.

"At CUES, we're always looking for ways to improve our member experience and forward the membership value proposition," says Jimese Harkley, JD, CUDE, VP/membership. "Our CUESNet improvements were many months in the making, and we're excited to have them take the new journey. We're confident our members will see how invested we are in providing a premium networking experience."

To learn more about CUES membership, visit *cues.org/membership*. Access CUESNet at *cuesnet.cues.org*.

Correction

On p. 32 of our March issue, Kevin J. Chiappetta's last name was misspelled in the pull quote. We regret the error.

Online Learning

CUES Virtual Classroom sessions, CUES webinars and all program playbacks are free to CUES members. CUES Virtual Classroom offers an innovative take on online education. Learn more at *cues.org/events*.

APRIL 4-OCT. 30
CUES School of Business Lending™

APRIL 20-JUNE 22
Strategy and Digital Marketing Cornell Certificate Program

JUNE 15-AUG. 17
Systems Thinking and Project Management Cornell Certificate Program

JULY 1, 2022-APRIL 30, 2024
High Performing Board Digital Series

JULY 20, 2022-MARCH 22, 2023
CUES Advanced Management Program from Cornell University

AUG. 8-12
CEO Institute I: Strategic Planning (Online)

AUG. 17-OCT. 19
Human Resources Analytics Cornell Certificate Program

2022 LEARNING & EVENTS **CALENDAR**

CUES
POTENTIAL, REALIZED™

FEATURED EVENT

NEW!

TalentNEXT

Austin, TX • May 15—17 • cues.org/TalentNEXT

This all-new conference is a team event designed to unite your credit union's senior leaders around a common vision for your most valuable asset—your people. Learn from experts in talent management and renowned faculty from The Wharton School and Cornell University.

APRIL 2022			
CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 24—29**	cues.org/INST1
MAY 2022			
NEW! TalentNEXT	Austin, TX	**May 15—17**	cues.org/TalentNEXT
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

2022 ONLINE PROGRAMS

NEW! Strategy and Digital Marketing Cornell Certificate Program	**April 20—June 22**	cues.org/eCornell-Marketing
NEW! Systems Thinking & Project Management Cornell Certificate Program	**June 15—August 17**	cues.org/eCornell-PM
CUES Advanced Management Program from Cornell University	**July 20— March 22, 2023**	cues.org/eCornell-CUManager
High Performing Board Digital Series	**New class starts July**	cues.org/HPB
CEO Institute I	**August 8—12**	cues.org/INST1-Online
NEW! Human Resources Analytics Cornell Certificate Program	**August 17—October 19**	cues.org/eCornell-HR
Director Development Intensive	**Dates TBD**	cues.org/DDI
Board Liaison Workshop	**Dates TBD**	cues.org/BLW

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

Empathy Lays the Foundation *for Leading a Team*

BY ANGELA PRESTIL

At this moment, the most important soft skill for credit union leaders is empathy. According to Oracle, Workplace Intelligence (*workplaceintelligence.com*), 70% of the global workforce says the past year has been the most stressful year of their lives. If leaders are unable to empathize with others, the rest of the skills they possess won't matter. Empathy forms the foundation for communication, team building and all human connection.

Never has empathetic leadership been more tested. Typically, the focus of empathy is on member relationships, yet we have all needed to shift and balance employee needs with member needs to help our staff realize how much we appreciate them. One leader I spoke with says she has recently flexed her empathy muscles more than she ever dreamed would be needed. She has been able to see firsthand the benefit of empathizing with staff as she sees her deepened connections providing a direct correlation with reducing staff turnover.

The simple act of making space for colleagues to share how they are struggling with the new pressures of working, parenting and simply surviving is new to many. Providing a few minutes of relaxed camaraderie building at the beginning and end of meetings is critical to helping everyone feel like their life "off stage" is as important as their life "on stage" at work and beyond.

An empathetic leader meets their team where they are and works to both listen to the emotion being expressed and to acknowledge that emotion, so the team member feels truly heard. An empathetic leader holds space for dialogue that may feel off-topic as team members share any struggles—and joys!—they've experienced. Where previously leaders may have led meetings with a strict "stick to the schedule" mantra, they've now come to realize that human connection is as important to getting the work done as the actual work itself. Lastly, an empathetic leader realizes that there is always room and time for empathy to live in their culture. They encourage it among their peer group and model it with their direct reports, which creates a cascading effect throughout the organization.

Empathy is the key to relationship success—whether with your staff, your board or your family.

According to M&C Saatchi (*mcsaatchi.com*), the empathy gap in the U.S. between what businesses promise and what they actually deliver costs companies between $460 million and $860 million every year. And 74% of consumers say they would stop using a company if it no longer delivered what it promised. This measures lost revenue from consumers switching providers but doesn't factor in the cost of turnover when we aren't delivering on our promise to our employees.

The good news is that empathy is a muscle that can be strengthened over time by practicing the kinds of actions described in this blog—listening, holding space for emotions and being OK with being "off track" at times. Fortunately, empathy is a skill that we can practice with every human interaction—from the office to home to the gas station!

Leaders act as role models, so the benefits of leaders demonstrating empathy are particularly far-reaching. Your staff is watching you. Why not investigate where you might be able to bench press a few more pounds with empathy?

Angela Prestil *is senior consultant with CU Difference* (cudifference.com) *and FI Strategies* (fi-strategies.com).

Leave a comment at cumanagment.com/021422skybox.

"It might be hard to completely erase the eye rolls and weariness that compliance tasks bring to CU employees. In the grand scheme of things, though, their true purpose serves a greater good. If we can reframe our thinking to understand that these tasks aren't just time-consuming requirements, but ones that will keep our members and our institutions protected from fraud, crime, etc., we can appreciate their usefulness that much more."

Cindy Hagan, compliance and fraud risk director at Vizo Financial (*vfccu.org*), in "Knowing the Purpose of Compliance Processes Reduces Their Burden" on CUES Skybox: *cumanagement.com/021622skybox*