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Contents

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FEATURES

Contents

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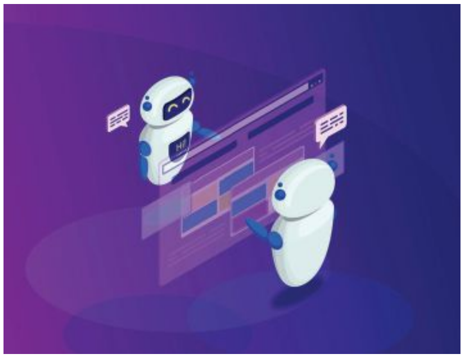

Web-Only Bonus

Is Integrating Conversational AI Into Your MX Flow Worth It?

Meet Gene and Fran, $6 billion MSUFCU's internal and external virtual support agents—next-gen chatbots that play a critical role serving the CU's 300,000-plus members and staff alike.

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CUES Video

How to Prepare for a Vote at a Virtual Meeting

Laura Lynch, products & services manager for CUES, outlines the importance of thinking through your credit union's bylaws, regulatory requirements and the points of access for your next virtual vote.

cumanagement.com/video070122

Online-Only Column

HR Answers: Revamping New-Hire Training

Last year, when most people where still getting re-oriented, Affinity FCU started brainstorming how to move forward. The $3.7 billion CU put its focus on attracting, onboarding and retaining top talent.

cumanagement.com/0622hranswers

CUES Podcast

Cybersecurity Is a Discipline

Franklin Donahoe, CEO of Lynx Technology Partners, and Julian Waits, SVP/executive in residence for Rapid7, share deep insight into today's cybersecurity environment and how to hire the right people to lead and deliver on this ever-important function.

cumanagement.com/podcast132

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YOUR THOUGHTS

HOW DO YOU MAKE TIME TO THINK STRATEGICALLY?

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

Staying *Strategic*

This month we examine strategy, including how to strengthen your strategic thinking. In "Effective Horizon Scanning" on p. 18, the experts interviewed discuss what credit unions should consider when they work on strategic plans and the trends they should be tracking.

For example, it's a good idea to stay on top of what's happening with cryptocurrency. I was surprised to read in our cover story, "The Challenge of Cryptocurrency," that 20% to 25% of Americans currently own bitcoin.

"I don't think there is another example of a financial service that is that popular that credit unions don't touch in some form or fashion," says Rahm McDaniel, head of banking solutions for NYDIG, a bitcoin services provider for several credit unions.

"Even if you don't believe in it, it is still worthwhile to research and talk about crypto and determine your position as an organization," advises Brian McHenry, SVP/principal with c. myers. "It's like any other trend in consumer behavior—you may ultimately decide not to do anything right now, but you need to understand it." Read more on p. 14.

Another important trend to consider in your strategic scanning of the marketplace is artificial intelligence, which brings us to p. 10 and "AI Becomes Productive."

The CUs in this article are using AI to better fight and prevent fraud, make fast credit decisions, make personalized offers and communicate with members via chatbots.

"AI makes it easier to invest in growth and innovation without taking on comparable expenses," says CUES member David Tuyo, CCE, CIE, president/CEO of $1.1 billion University Credit Union. "We were able to cross the $1-billion-in-assets line with fewer than 100 employees."

AI can make a big impact on your CU's lending. "If you're using data to be predictive of your members and what their needs are, you can cut off competition," says Steve Hewins, SVP of CUESolutions provider CU Members Mortgage in our special report on lending, starting on p. 27.

Of course, no two CUs will have the same strategy, but all need a strong people strategy including succession planning at all levels. "Unfortunately, many credit unions still see succession planning as job replacement (rather than strategic), and we need to be systematic in recruiting our younger leaders and continuously developing and challenging them through their careers," explains Deedee Myers, Ph.D., CEO of CUESolutions Provider DDJ Myers Ltd. Read more on p. 22.

If your CU needs help with its strategic and succession plans, consider sending a high-potential leader or two to CEO Institute I online next month. At this program, held in partnership with the Wharton School at the University of Pennsylvania, attendees learn to be agile, future-focused leaders. Get more information on p. 32 or at *cues.org/inst1-online*.

Finally, it's great to talk about strategy, but how do you find time to think big picture when you are constantly putting out little operational fires? A small step I took, after prompting by the "Strategic Thinking" course in Harvard ManageMentor (*cues.org/hmm*), was to add an hour to my calendar each Friday for what I call "strategic journaling." I spend the time thinking long-term and jotting down my thoughts in a beautiful journal that I use for only this purpose.

Theresa Witham

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VP/Publications & Publisher

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To Innovate, *Get Nervous*

BY BRICE YOCUM, JD, CSME, CCE

When you find success, a lot of people are going to want the results you've had, but the question will be: "Are they willing to do what you've done?" I didn't realize how prescient this question was, but coming from someone with as much experience as Dennis Dollar (*dollarassociates.com*), I should have known.

In the just under six years that we've been a team, $320 million Tucoemas Credit Union, Visalia, California, has experienced the best period in its nearly 75-year history. In 2016, we were—like many credit unions today—struggling to get our trend lines going in the right direction. Income was down, yield was down, engagement was down, morale was … well, you get the picture. As one former credit union leader was leaving the building for the last time, she whispered to a colleague, "Don't worry, the NCUA will take over this place in six months, and you'll be fine." Needless to say, we weren't fine.

Since that time, our newly formed leadership team has made many hard decisions. We've given up things, eliminated things, paid for better things, focused on things, worked on hard things, implemented things, built and remodeled things, and even fired a few things. You can find the complete list in my forthcoming book, "Things That Almost Got Me Fired," but to summarize, let me use two of our core values: We decided to Stop Doing Stupid Things so that we could Be Awesome.

Here are a few of our accomplishments:

- We earned Juntos Avanzamos certification from Inclusiv.
- We earned CDFI certification.
- We achieved MDI certification.
- We added $3 million in grants into our community.
- We grew our financial education program (Pathways) by 12 times in two years.
- We won Large Business of the Year from the Visalia Chamber of Commerce
- We received a CUNA Diamond award for our brand refresh.
- We achieved Great Place to Work certification.
- We delivered the best financial returns the credit union has seen in its nearly 75-year history (even with the mini-recession and pandemic thrown in for fun).

As our friends and neighbors have started to take notice of our trends on the rise, another thing has been on the rise: the number of conversations I'm having. There are two groups, those who "were just wondering" about … well, you name it, and those who "have been so impressed with what you're doing and thought we might talk to you about partnering."

We are always excited to share our experiences. But I've noticed another trend. The farther we get into these conversations, the more I recognize how valid Mr. Dollar's words are: Most want the results we've had, but few are willing to do what we've done. I've come to realize that innovation is hard. It's one of those things people like to talk about, but when all is said and done, a lot is said, and little is done.

So if your organization is genuinely interested in being innovative, and if, like us, you really need to improve, here are four things you should be willing to do:

1. BE HUMBLE

I had no credit union experience when I started as CEO. A lot of folks thought that was a real knock. Most of us believe that industry experience is crucial for success. But research shows this has little to no bearing on a person's ability to succeed. And in many ways, it's a hindrance.

When I started, I had no "we've never done it like that before" opinions. I knew my team had a better understanding of credit unions than I did. I was willing to learn from everyone. I was confident in my leadership skills but happy to listen and entertain new ideas. Most of my colleagues have spent a long, long time in credit unions. The problem is, when you've seen it and done it all, you often think you know it all, and that's not helpful when it comes to innovation (or marriages. See my other forthcoming book, "It's Better to Be Liked Than Right: A Know-It-All's Guide to Relationships.")

2. BE HONEST …

… not just about your lack of understanding about Ethereum or crypto-markets, but about your willingness to do new things. It starts with admitting you have a problem. Most of us believe that success will continue, especially when we've had some success. But like lobsters arguing over whether the pot *is* actually getting warmer, complacency comes for us all. That's a problem. We have to be honest with ourselves and with our team; we have to admit that what got us here won't get us there and that we will have to try new things. If we keep doing the same things over and over, expecting a new result … well, we all know where that leads.

3. BE UNCOMFORTABLE

It's comfortable being mediocre. Most of us wouldn't like to think of ourselves that way, but look at your trends. Callahan's Peer-to-Peer Analyzer (*callahan.com/peer-to-peer*) is a tremendous tool for telling you if you're too comfortable. Run a merger analysis with another credit union if you want to light a fire under your seat. Did that improve or harm your trends? If it improved them, don't get too excited. That means you're the "other one" in this scenario.

Innovation means we have to do hard things, and I don't mean long division. We have to look at our products and services, our buildings and logos, our people and our performance. If you start down that path and have a "Yes, we've struggled, but it's just the pandemic" answer for everything, you're too comfortable. When

I tell people that we had a candid and open conversation with our board about term limits and being insiders, they all agree it's a much-needed conversation for the industry. When I ask about their board, they say, "Well, to be honest, our board is unique." It's probably not; they're just too comfortable.

4. BE WILLING TO TAKE RISKS

If you feel terrific about every new thing you're doing, you're not taking a risk. When I first started, we had peer-leading numbers. No one had a lower charge-off or delinquency ratio than we did. We were taking no risk and, in turn, helping nobody. The "good" news was we weren't losing any money. The bad news was we weren't making any either. Risk-based pricing took us several tries to get right. But today, we help more people than ever before, and we are more profitable doing it. What we were afraid to do in the past is precisely what we needed to do—and what our community needed.

Innovation is the fruit of a lot of failed attempts. The telephone wasn't an overnight innovation; it was the result of the can-o-phone and the yell-o-phone and the write-o-phone that all failed before it. If you're not doing at least one thing that makes you nervous, you're not being innovative, and you won't see the rewards.

Let me finish by saying these are just my opinions. Sure, they are opinions based on education and experience and seeing the results of following these principles, but opinions nevertheless. And remember, I'm new here, so I could be wrong. I'd never run a credit union before 2016 or been through a recession (yes, some people actually think that matters, but I'm working on a book about recessions, so watch this space). But what I can tell you is that it worked for us. We needed to change, to improve and to innovate. We believed in our team and really wanted to see our credit union thrive for ourselves and for our community. We not only recognized that we *needed* to do something, but we were also *willing* to do the something that was needed. We were willing to be innovative. What about you?

CUES member **Brice A. Yocum, JD, CSME, CCE,** *is CEO at $320 million Tucoemas Federal Credit Union (*tucoemas.org*), Visalia, California. In his free time, he enjoys writing books but struggles to make it past the title page.*

CUES Resource *Library*

Visit the CUES Resource Library (*hub.cues.org*) for free downloadable content, including whitepapers, webinars, product guides, case studies, industry analysis and much more, provided by experts and vendors within the credit union industry. Following is a list of recent resources posted there.

The Benefits of Outsourcing ATM and Branch Cash Management: As American consumers transition to post-pandemic life, they will continue to need and expect access to cash. Yet many banks and credit unions struggle to optimally manage their ATM and branch cash programs. The ideal cash-managed services provider will offer remedies for all four program headaches: forecasting and cash sourcing, vendor management, resource allocation and dispute resolution. Download this whitepaper to see if outsourcing ATM and branch cash management is in your institution's best interest. Find it: *tinyurl.com/prmu2aps*.

How to Improve Retention with Employee Benefits: The Great Resignation has been especially tough for credit unions and at a time when credit unions need to lean on their employees to help drive member satisfaction. This whitepaper uncovers how some credit unions are leveraging their strengths to increase employee retention and recruit more effectively. Find it: *tinyurl.com/2p8edxd9*.

Three Factors to Consider When Building Your Credit Card Product Strategy: Credit unions have often agonized over where to focus first: their products or their brand.

Why not do both? Learn how to create an indistinguishable brand and create raving fans within your community in this whitepaper. Find it: *tinyurl.com/46x3t6ps*.

The C-Suite's Guide to Enhancing Employee Benefits and Reducing Cost: Learn how credit union executives can leverage claims data, cost containment strategies and advocacy programs to drive down healthcare costs and give employees the benefits they deserve. Find it: *tinyurl.com/f76kpjcu*.

For more information on posting content in the Resource Library, visit *hub.cues.org/resource/cues-contact-us*.

AI Becomes *Productive*

THE PROMISE IS PAYING OFF FOR CUs USING AI TO FIGHT FRAUD, COMMUNICATE WITH MEMBERS, MAKE CREDIT DECISIONS AND ANALYZE BEHAVIOR.

BY RICHARD H. GAMBLE

The use of artificial intelligence at credit unions has advanced from promising to productive in four particular niches. That's where the relevant data are widely available, reports Vasilios Roussos, managing director of the DCU FinTech Innovation Center (*dcufintech.org*), Boston, a nonprofit fintech accelerator launched by Digital Credit Union (*dcu.org*). Those niches are:

- fraud detection and prevention;
- contact center communication by chatbot;
- automatic credit decision engines; and
- marketing based on behavioral analysis and prediction.

The first two, he says, are seeing the most rapid adoption.

With plenty of data, AI is no longer experimental for defined activities like robotic call center conversations, fraud detection and indirect auto loan decisions, Roussos explains. These are becoming front-line systems that are paying off for early adopters. Activities like financial health and wellness counseling are currently less successful because key data may not be available. And for large, complex, interdisciplinary activities, AI is still in the testing stage, he adds.

AI thrives on data, agrees CUES member Benjamin Maxim, VP/digital strategy and innovation at $6.7 billion Michigan State University Federal Credit Union (*msufcu.org*), East Lansing. "You can only get so far with internal data," he says. But "when you can see all of a member's cards and accounts, you can offer debt consolidation and financial education."

$1.1 billion University Credit Union (*ucu.org*), Los Angeles, is fast becoming an AI shop, using applications in the contact center, loan applications, online banking and, soon, "financial coaching," reports President/CEO David Tuyo, CCE, CIE, a CUES member. Since the migration started in July 2020, the CU has realized a net benefit of $2.8 million, of which $1.85 million is new revenue, he reports.

"AI makes it easier to invest in growth and innovation without taking on comparable expenses," Tuyo observes. "We were able to cross the $1-billion-in-assets line with fewer than 100 employees."

AI TACKLES FRAUD

The arrival of synthetic identity fraud has increased the risk and spurred the use of machine learning and AI to try to prevent these clever assaults. "The fraudsters have gained an advantage," reports Roussos. "They can outgun traditional fraud-prevention programs. It takes AI to effectively thwart these attacks." Industry losses could be as high as $5 billion, he adds.

Companies like Boston-based FiVerity (*fiverity.com*) represent the best defense against synthetic identity fraud, Roussos explains. In these cases, sophisticated fraud rings have hacked systems or scraped the dark web for personal information from multiple people and combined the information to open accounts with fabricated identities. For months, fraudsters use each account exactly like a legitimate member would to establish a reassuring pattern and increase their credit limit. Then they take out a large loan and disappear.

So how can a sophisticated system built to identify fraud defeat a sophisticated system built to avoid fraud detection without creating a mass of false positives? The answer, explains Greg Woolf, founder/CEO of FiVerity, is that the fraudsters are mass-producing attacks through an automated engine that uses the same algorithm over and over. It plugs in unique data for the fake member, but the algorithm is identifiable almost like a fingerprint. Spot that fingerprint, and you can stop the fraud. As fraudsters change the detected algorithm, defenders have to find and stop the new one.

$10 billion Digital CU, Marlborough, Massachusetts, turned to software from FiVerity that models the pattern synthetic identity fraudsters use to gain trust and uses that pattern to identify suspicious accounts, Roussos says. Feedback loops allow a fraud attack at one credit union to be shared with other financial institutions using the same vendor.

Tested by DCU, the software in its first year stopped the credit union from making $1.8 million in fraudulent loans, Woolf says. That was a return on investment of 10 times, he adds.

FiVerity's fraud analytics platform, developed with help from DCU and the DCU FinTech Innovation Center, replicates the detection process a top fraud analyst would use. Then it scales it up with automation and keeps it current with machine learning. "We start with human intelligence and expand it," Woolf says.

FiVerity is relatively new (founded in 2017) and still relatively small—with 10 credit union clients as of press time—but is on an accelerated sales model, Woolf reports. "It's an easy add-on for a credit union."

CHATBOTS

Thanks to improvements in natural language understanding, speaking chatbots have hit the point where they are really productive, Roussos reports. "The slope of the adoption curve is established," he says. "It's steep and rapid, but CUs are still in the early adoption phase."

As technology improves and chatbot programs prove their value, more and more CUs, like $600 million Dover Federal Credit Union (*doverfcu.com*), Dover, Delaware, are introducing them. In just 30 days last March and April, a bot touched between 16,000 and 20,000 calls—all incoming calls are routed through the intelligent virtual assistant bot, explains CUES member Tyler H. Kuhn, VP/marketing and digital experience.

By May 1, 40% of the incoming calls were being answered in a fully automated way. The system could handle 20 caller intentions, with balances and funds transfers being the most common, Kuhn reports, followed by card activation, loan payoffs and stop payments.

> **"Our staffing resources fell by 75% in one month. Ordinarily, that would have put us in dire straits, but the technology kicked in and helped tremendously."**
>
> – David Tuyo, CCE, CIE

Early adopters will recognize contact center results. "The Great Resignation and impacts from COVID hit us hard," says Tuyo of University CU. "Our staffing resources fell by 75% in one month. Ordinarily, that would have put us in dire straits, but the technology kicked in and helped tremendously." Now 40% of incoming calls are handled automatically by a bot named Royce (for Royce Hall, a revered name in UCLA history), with no manual intervention, up from 24% a year ago. "We expect to be at 60% by the end of the year," he says.

Conversational AI is starting to boom in both voice and text versions, with text still dominating, reports Bill Schwaab, VP/North American sales for Boost.ai (*boost.ai*), Los Angeles. Many CUs are prioritizing text for their digital channel build-out. Others are going with voice first to cope with overload in their contact centers.

Voice has to be converted to text with natural language technology, so that's one more step and one more point at which a misunderstanding can occur if you don't have the right solution, he notes.

A text conversation goes nowhere until the user presses "send." However, voice inputs can trigger interaction, Schwaab notes. "Members can interrupt when they aren't getting what they asked for or when they've heard enough," he points out. "Or the bot can interrupt when it needs to clarify the member's intent. Clients decide when they want the bot to be able to 'barge in.'"

Behind all the questions and requests are intents, Schwaab explains. AI sorts through various words and phrases to discover particular intents and then address them. Not long ago, a conversational AI platform could process tens of intents, perhaps hundreds. Now the number has exploded. "We have one client with over 6,000 intents managed by a virtual agent," he says.

MARKETING

Since AI can now support behavioral analytics and predictive modeling, the value for marketing is clear. What credit union wouldn't want to know what actions members are likely to take? Providing such intelligence is the business of EmpowerFi (*empowerfi.org*), Langhorne, Pennsylvania. "We expedite growth strategies," explains CEO Hilary Reed. "We take CU data and use it to predict which members are most likely to buy which products and which ones are most likely to leave so that a credit union can head that off."

Recognizing *Intentions*

Members contact their credit union for a reason, and different members will choose different words to convey their intentions. The value of a chatbot depends on how well it can process words to determine intent and then respond appropriately.

Based on recognized intents, $6.7 billion Michigan State University Federal Credit Union (*msufcu.org*), East Lansing, is a clear winner. When launched in 2019, its chatbot, called Fran, could only recognize 250 different intents, reports CUES member Benjamin Maxim, VP/digital strategy and innovation. It can now handle over 1,200 intents and their variations. And it's not just things like a routing number, he says, but tips for how to buy a car or how to claim money left by an uncle in Germany. "We're still on the front end," he observes, "but we're definitely moving towards more meaningful interactions."

MSUFCU is committed to making AI pay off wherever possible, Maxim says, and COVID-19 has helped to jump-start some of the CU's initiatives. When branch transactions fell by 69% during the first three month of the pandemic (February through April 2020), calls to the call center jumped 19%, and live chat sessions exploded by 82%.

Fortunately, the credit union had already launched Fran—first with Active.ai in October 2019 and then in switching to Boost.ai (*boost.ai)* in fall of 2021. From launch date in September 2021 through February of this year, over 97% of the 52,584 messages channeled to the bot were answered successfully by the bot, Maxim reports. Most of the questions dealt with money transfers, account status, card activity, online services, loans and general credit union information.

To provide employees with easier access to the MSUFCU internal knowledge base, the CU tested an internal chatbot with Boost.ai and, after a successful pilot, rolled it out to all MSUFCU employees in January 2021. "Over 26,000 messages from staff were answered 95.7% of the time automatically by the internal bot," Maxim says.

"We've been able to offload a lot of volume," he notes. Everything so far has been by text, but voice is coming in 2023 after a conversion of call center systems. Having a bot available 24/7 is a big advantage, he adds. The credit union's interactive voice response system still receives about 10,000 calls a month.

With so much transactional data to digest, it is now feasible to predict which members are likely to overdraw their accounts, she notes. It's also easy to identify members who use their debit cards 12 times or more a month and then identify a similar group that uses them 10 or 11 times and might be prospects for using them more, she adds.

Data gleaned from loan applications are particularly valuable, Reed reports. To build a predictive model, EmpowerFi takes a CU's membership file (minus any personally identifiable information like Social Security or account numbers), then uses name, email and address data to match a member with larger commercial databases and find additional data points for them. "Our secret sauce," she says, "is the algorithm built by the Faraday data scientists (*faraday.ai*). CUs can use the product without having their own experts in-house."

The challenge with AI, Reed explains, is not building it out to provide power; it's deciding what to do with the power that's already there. "AI achieves incredible accuracy," she explains, "but will never be 100% exact because it relies on assumptions."

MSUFCU is engaged in a proof-of-concept AI and machine learning project with Exagens (*exagens.com*), a behavioral banking fintech. Historical behavioral data of an opted-in member will be used to see how predictive behavioral modeling would work, starting with employees, Maxim explains. "We'd be looking for insights into spend patterns," he says, "and when a member might benefit from something like a rewards card."

CREDIT DECISIONS

Nothing is more critical to a CU's success than making smart credit decisions quickly, and AI can do that, the experts say.

$3.4 billion Numerica Credit Union (*numericacu.com)* in Spokane, Washington, was five months into using Scienaptic's credit scoring engine (*scienaptic.ai,* New York) when we talked in May. Like many CUs, Numerica sees AI as potentially revolutionary but is testing it gradually—initially on indirect auto loan opportunities, explains CUES member Ryan Bernard, VP/credit administration.

Greater data is the key to better decisions, he says. A delinquency on a credit report might normally disqualify an applicant, but proxy data might show a long history of paying utility bills on time. "That's the kind of situation where we like to step in and approve credit or counsel the member about how refinancing an asset or finding a cosigner might help them."

Bernard thinks that Scienaptic's algorithm usually will duplicate Numerica CU's human underwriters, though "the decisioning engine has given us a thumbs-up on a few applications we probably would have turned down and turned down a few we would have made," he estimates.

There's a big competitive advantage to being able to make indirect auto loans faster, Bernard points out. Are the decisions any different? Yes and no, he admits. "We're still tweaking the models. Our numbers are up a little, but it's too soon to say how much difference the AI is making."

The AI difference is the quantity of data AI can marshal almost instantly and apply to a credit decision. "We take all the raw data from the credit bureaus," reports Kathryn Bonesteel, Scienaptic's VP/partnerships. "We run it alongside all the internal data the credit union has, and we pull in data from third parties like LexisNexis (*lexisnexis.com*). Then we recommend a credit decision based on the CU's underwriting standards and

"The fraudsters have gained an advantage. They can outgun traditional fraud-prevention programs. It takes AI to effectively thwart these attacks."

– Vasilios Roussos

risk appetite." Information from social media is still off-limits, she adds.

Scienaptic's algorithmic decisions and recommendations are also based on trends. "The direction of a person's creditworthiness can be more revealing than a snapshot," Bonesteel observes. "Someone moving from 610 to 680 is altogether different than someone going from 680 to 610."

The point is to make better decisions quicker and say "yes" more often to subprime and thin-file borrowers without involving manual review.

While Scienaptic's algorithm can work on any consumer lending decision except mortgages, Bonesteel says, the production volume is highest in auto lending. "Because our clients are focused on reducing the time spent on loan decisioning, we're focused on loan products that can be instant-decisioned," she explains.

Bernard thinks AI will be particularly useful where Numerica CU competes for small business members. "That market is so competitive now that it's hard to succeed with the time it takes for traditional underwriting to work. We need to make faster decisions carefully, and that's where AI can come in."

It's not just automated credit decisions but expedited applications that pay off. While University CU is big on chatbots, staffing and contact center efficiencies are not where its biggest AI-driven revenue gains have come from, Tuyo notes. "Cost savings can be squishy numbers because you keep and redeploy some of the people. The real revenue gains are in loan applications, where we were able to improve our look-to-book ratio by 13%. That adds up to important revenue."

Members get stalled, he explains, when the application asks for information they don't know. When the bot recognizes this and scans the internal and external databases, it can often provide that information. It can also answer questions they ask and prompt them if they missed a required field.

PUTTING IT ALL TOGETHER

Though credit unions like University CU are applying AI across functional areas, the initiatives aren't always connected.

Schwaab of Boost.ai says that AI has created specialized applications at credit unions that some might consider silos. But integration could happen in the basic IT infrastructure. For example, Boost is a conversational AI platform. Credit decisioning would be another platform.

"We could take a credit application through a chatbot," Schwaab says, "and push it to the backend system where a credit-decisioning engine is running, possibly in real-time."

Some financial institutions consider conversational AI technology to be limited, but Schwaab disagrees. "The technology can do virtually everything a human can do," he says. "It's more a question of how much a user wants the technology to do. We can, for example, make beneficiary changes with entity extraction. Not every CU wants us to do that. If a credit union member wants to stop a payment, we can get the amount and date from a caller and push the request into the dispute resolution system, just like a person would."

While EmpowerFi doesn't get into call center automation or credit decisioning, it can predict likelihood of delinquencies and recoveries, Reed explains. "A credit union might use different AI solutions for different activities, but we can work with any core system." If a CU is introducing multiple AI solutions, it should gauge every vendor for crossover potential, she recommends.

Predictive behavior analysis, fraud control and call center efficiency come together, Maxim notes, when the system can anticipate member calls about suspect card activity. "Often members will forget they authorized payments like an Amazon Prime charge that posts once a year," he says, "so they'll call the center to question the charge. If we alert them and identify the charge ahead of time, that's one call the center or the bot doesn't have to answer."

Technology has invented the tools, Roussos concludes. "It's how you use them and put them together that can make them powerful—able to mimic people, only smarter, faster and cheaper."

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

MORE ON AI

Tech Time: Is Integrating Conversational AI Into Your MX Flow Worth It? (*cumanagement.com/0622techtime*)

Conversational Artificial Intelligence Primed to Redefine Member Experience in 2022 (*cumanagement.com/0322convoai*)

Artificial Intelligence-Powered Chatbot Delivers Outstanding Member Experience (*cumanagement.com/081821skybox*)

2021: A Bot Odyssey (*cumanagement.com/0721odyssey*)

Robots That Speak and Listen (*cumanagement.com/0721listen*)

CUSO Posh Poised to Produce Better Bots for Credit Unions (*cumanagement.com/0621posh*)

HR Answers: Leveraging AI to Its Full Potential (*cumanagement.com/1120hranswers*)

The Cryptocurrency *Challenge*

CREDIT UNIONS TAKE FIRST STEPS INTO THE CRYPTO WORLD TO PROVIDE SERVICES MEMBERS HAVE BEEN GETTING ELSEWHERE.

BY ART CHAMBERLAIN

Heeding the common adage to follow the money, several credit unions have dipped their toes into the wild world of cryptocurrency in recent months.

The money they've been following is their members'. Many credit unions have watched over the last few years as members have withdrawn deposits and redirected the money to crypto investments through other companies such as Coinbase (*coinbase.com*).

"When we talk to credit union executives, their starting point is that they have looked at deposit withdrawals going to crypto institutions," says Rahm McDaniel, head of banking solutions for NYDIG (*nydig.com*), a bitcoin services provider for several credit unions. "They see the trend from 2019, 2020, 2021 and 2022. The numbers tell them there is a service their members want that they are not providing."

McDaniel says it's estimated that 20% to 25% of Americans currently own bitcoin (*bitcoin.com*). "I don't think there is another example of a financial service that is that popular that credit unions don't touch in some form or fashion."

NYDIG's research also shows that 80% of those who own bitcoin would rather keep it with their credit union if they could.

Last November, the National Credit Union Administration (*ncua.gov*) said that was an option when it told credit unions it was OK for them to get involved in the purchase and sale of cryptocurrency through third parties—but not to hold it on their own balance sheets. This regulatory clarity opened the door, and some credit unions have entered, while many more are taking a closer look at their options.

"Credit unions have been watching endless outflows of cash to crypto exchanges, and many people would rather use their primary financial institution for their first foray into crypto investing," said NCUA Vice Chair Kyle Hauptman (*tinyurl.com/1221coindesknc ua*). "[The] guidance helps both concerns and gives a new revenue stream to credit unions [that] want to try it out. Financial services has always been 'adapt or die.' I don't want credit unions to go the way of Blockbuster Video because we, the regulators, prevented innovation."

OPPORTUNITIES AND RISKS

Larry Pruss, crypto advisory services practice lead at CUESolutions provider SRM (Strategic Resource Management, *srmcorp.com*), Memphis, Tennessee, has been telling credit unions for the past few years that they need to take a close look at cryptocurrencies for opportunities and that they need to consider the eventual impact blockchain and distributed finance may have on their business. There had been growing interest in the message, but NCUA's letter about its regulatory policy opened the floodgates.

Pruss now heads a separate advisory group at SRM set up last November that is focused on cryptocurrency, and the group is working with a growing number of credit unions. SRM also recently produced a whitepaper on the subject: *Cryptocurrency 2022: Converting a Threat into an Opportunity* (*cumanagement.com/0422srmcryptowhitepaper*).

"Credit union executives need to start looking at this and talking to their various suppliers and get straight from their own perspective what they're going to need to do to put it all together," Pruss says.

But the last couple months have been a tough time for investors in bitcoin, the oldest and best-known cryptocurrency. Over the past year it has swung from $33,000 on July 1, to $67,000 on Nov. 9, to $28,000 on May 12, a pattern that has reinforced the skeptics' view that cryptocurrencies are a dangerous investment that will never be useful as a payments tool. But McDaniel says most bitcoin investors are holding for the long term and have already seen it drop and then bounce back higher.

In May, the crypto world was rocked by the decline of several stablecoins—cryptocurrencies designed to hold a stable price, which are in theory tied in value or "pegged" to actual currency such as the U.S. dollar, making them better choices for payment transactions. The collapse of TerraUSD and Luna (*tinyurl.com/0522wsjterraluna*), two of the estimated 19,000 cryptocurrencies, also sideswiped Tether (*tether.to*), the most popular stablecoin and a key player in crypto trading, temporarily knocking it below its $1 peg.

This prompted regulators in Europe to warn crypto investors to be more careful. Consumers risk losing all their money invested in crypto assets, the European Union's securities, banking and insurance watchdogs said in a joint statement (*tinyurl.com/0322ebacryptowarning*).

"Consumers should be alert to the risks of misleading advertisements, including via social media and influencers," the authorities said. "Consumers should be particularly wary of promised fast or high returns, especially those that look too good to be true."

In early March, President Biden signed an executive order calling on the government to examine the risks and benefits of crypto, highlighting his interest in ensuring that consumers are protected while innovation is encouraged.

EDUCATION AND TRUSTED SERVICE

The European warning highlights an opportunity for credit unions: the chance to provide unbiased educational information on cryptocurrencies to help members find their way.

For example, Quinn DuPont (*iqdupont.com*), founder of Crypto Research Consulting, and author of a report for Filene Research Institute, *The Path Forward for Crypto: What Credit Unions Need to Know (tinyurl.com/filenecryptopath),* says, "Credit unions may be well positioned to enter the crypto market by alleviating consumer concerns about security and safety." But first they will need to educate their staff and executives.

DuPont found that many credit union executives had a fear of missing out on activity in the crypto area and felt that they should have acted earlier and started to educate themselves and their staff sooner. "One of the risks identified in the report is the difficulty around hiring and not being able to acquire talent to develop these kinds of systems," he says.

"Credit unions should also start investing in high-quality crypto education for their leaders, staff, and members," he wrote in the Filene report. "Since education, training, and workforce development for crypto remains underdeveloped across the industry, credit unions may want to make direct investments in education or encourage policy makers to develop industry-validated standards, credentials, and other workforce development enhancements."

A report by CUES Supplier member Fiserv (*fiserv.com*), Brookfield, Wisconsin, makes a similar suggestion. According to the report, *Three Cryptocurrency Actions for Financial Institutions: Navigating the Innovative Cryptocurrency Venture as It Gains Popularity* (*tinyurl.com/fiservcryptoreport*), "Providing educational materials to help consumers learn about cryptocurrency and explore ways to buy, hold and sell cryptocurrency are two ways financial institutions can signal to consumers that their financial institution is committed to meeting their needs in this new space."

Idaho Central Credit Union (*iccu.com*), based in Chubbuck, has been one of the early providers of bitcoin services, partnering with NYDIG, which actually handles the cryptocurrency end of things and holds the currency in a secure facility and on its books.

CUES member Mark Willden, CCE, chief information officer at $8.7 billion Idaho Central CU, says the credit union is working with several fintechs in various areas. Its goal is to partner with new companies that can help it provide members with online functionality that allows self-service. People want instant decisions about such products as loans and the ability to get instant access to their money, he notes, something fintechs are able to help provide.

Idaho Central CU launched its cryptocurrency service last November internally, then opened it to all members in January 2022. It worked with NYDIG and the state financial regulator to ensure everything was in place.

Willden says the launch has created a buzz among members, and many have indicated they are pleasantly surprised that the credit union has ventured into this area. He expects users will talk to their friends about the service. The credit union has not promoted the service in a major way, but already about 11,000 members "have jumped in and started looking at it with us."

The credit union is also seeing interest in bitcoin across all age groups. "It's not just a young group," but interest does decline in the over-50 segments, he reports.

"We're providing the tool for our members, and we disclose carefully with them that this is a relationship with NYDIG and there is some volatility in the market, so you need to know what you're getting into," Willden explains. "Those who are taking advantage like the convenience of doing transactions through Idaho Central."

The CU uses the transaction fees it receives from NYDIG to cover the cost of offering this service to members. "It's really about providing a service for our members, and it becomes another reason to stay with Idaho Central," he says. Already, members who use the service are using the CU's banking app more often to check on their transactions and monitor the value of their bitcoins.

Idaho Central CU would like to offer a crypto rewards option with its credit cards and is also interested in allowing holders of

> **"Two years ago, if ... somebody said, 'What are you going to do about crypto?' I think, 'I don't know' was a perfectly acceptable answer. I do not think that is an acceptable answer in 2022."**
>
> – Rahm McDaniel

bitcoin to use it as collateral for loans in the future.

McDaniel of NYDIG says many of the credit union executives he talks to want similar features. The credit unions have many members with large bitcoin holdings that they don't want to sell but would like to use as collateral.

"I think the more options that the member has is going to create more buzz, more interest and more investment opportunities," Willden says. "Our longer-term strategy is to provide more investment options to our members."

SETTING A STRATEGY

Brian McHenry, SVP/principal with c. myers (*cmyers.com*), Phoenix, says almost every credit union planning session in which his firm is involved now includes a conversation about cryptocurrency. "A lot of places right now are in the understanding, research and awareness-building phase. Some have gotten into it, but some are trying to first decide how they want to position themselves when it comes to cryptocurrency."

McHenry says credit union leaders need to clearly understand their own biases and how they affect their decisions. Some executives are biased towards cryptocurrencies, while others lean the other way.

"Even if you don't believe in it, it is still worthwhile to research and talk about crypto and determine your position as an organization," he advises. "It's like any other trend in consumer behavior—you may ultimately decide not to do anything right now, but you need to understand it."

McHenry says c. myers is working with many credit unions that are taking the first step of analyzing their cash flows to track money that is going to organizations that help members buy cryptocurrencies. "They are seeing how many members are actually doing this and then breaking it down demographically to understand if there are segments of their membership that are really interested in this, or is it more broad-based."

Many credit unions are surprised to see how many members are clearly interested in crypto and are already investing in it, he notes.

McHenry says that while until now the main interest among members has been in investing in cryptocurrency, there is growing interest in using crypto currencies, especially stablecoins, for payments. This is another area credit unions need to monitor because of the heightened potential for disruption.

"CUs should consider their basic approach to cryptocurrency: Is it more defensive; something they are going to offer but not highlight? Or is it more offensive as part of their value proposition and one of their differentiators in the market?" he says.

DuPont notes that the crypto world is changing rapidly, and it can be difficult to keep up. During his conversations with credit union executives, he hasn't found any experts, but most were well-informed and learning more.

McDaniel says that shift is essential: "Two years ago, if you were a credit union CEO and somebody said, 'What are you going to do about crypto?' I think, 'I don't know' was a perfectly acceptable answer. I do not think that is an acceptable answer in 2022.

"I think there are credit union executives who are going to come up with perfectly acceptable reasons not to offer a particular crypto service, but I think they'll have a reason."

McDaniel notes the 2022 *What's Going on in Banking* study (*tinyurl.com/crnrstone2022banking*) from CUES Supplier member Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, found that just under 25% of banks and credit unions plan to offer crypto services by the end of next year, suggesting it could rapidly become a mainstream service.

All the experts interviewed also said credit unions need to start thinking about the challenges and benefits offered by distributed ledger technology and blockchain. (Blockchain is a key component of cryptocurrency transactions but has other uses as well.) Such related developments as smart contracts could alter real estate practices, cut out third parties, and save time and money. (See recent NCUA guidance on DLT at *tinyurl.com/0522ncuadistledger*.)

It's clear credit union executives will need to keep learning and evaluating how such innovations will impact their services.

Art Chamberlain *is a writer who specializes in stories about the credit union system.*

MORE ON CRYPTOCURRENCY

Cryptocurrency 2022 (*cumanagement.com/0422srmcryptowhitepaper*)

Preparing for the Rise of Cryptocurrency (*cumanagement.com/051822skybox*)

The Strategic Cryptocurrency Opportunity for Credit Unions (*cumanagement.com/0522crypto*)

Cryptocurrency Situation in Canada Has Lessons For All Credit Unions (*cumanagement.com/0821cryptocanada*)

Fintech for the Win (*cumanagement.com/0622fintech*)

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Effective *Horizon Scanning*

HOW TRACKING A VARIETY OF TRENDS CAN BOLSTER YOUR STRATEGIC PLANNING

BY FELICIA HUDSON HANNAFAN

Horizon scanning can be a valuable complement to strategic planning. Tracking emerging trends in financial services and other industries often helps leaders get out of their comfort zones and think about opportunities and threats that would not normally be on their radar. With the results of horizon scanning in hand, leaders can be better equipped to go through a planning process and define a direction for meeting organizational objectives.

For this article, we talked with three experts about what credit unions should be considering when they scan the horizon, plus how to best link their horizon scanning and strategic planning efforts.

HORIZON-SCANNING SPECIFICS

So, what are some specific trends and industries credit union leaders would benefit from tracking?

Denver-based business strategy consultant Kirk Leverington (*tinyurl.com/lileverington*), MBA, CMC, says CU leaders should be looking at Web 3.0—a new iteration of the World Wide Web based on blockchain technology that would incorporate both decentralization of decision-making and token-based economics. Once they learn about this trend, they need to ask themselves, "What will Web 3.0 mean for credit unions, and how might our credit union capitalize on the opportunities that this new technology could facilitate?"

"While combining fully autonomous artificial intelligence and augmented reality seems very sci-fi right now, it won't for long," he says. "Many companies are going to create incredible concurrent customer experience and cost advantages with these areas in the next couple of years."

International change expert Jeff Skipper of Jeff Skipper Consulting (*jeffskipperconsulting.com*), Calgary, Canada, acknowledges that while fintech and cryptocurrency are among the obvious trends, credit unions should also be looking outside of North America to become knowledgeable about what is happening with fintech and crypto in other economies.

"My five future forces are regulatory, the economy, competition, member needs and technology. For each of those, what will be changing over the next two to three years? And what do we need to do to position ourselves?"

— Joseph Cady, CMC

"We now have nations that are talking about creating their own cryptocurrency; I'm confident that the U.S. is one of them." Skipper says. "So where is that going to go? What does it mean that Facebook was on the road to creating a cryptocurrency and then ditched those plans? What are the learnings from that?"

Skipper also suggests looking to industries that impact members' lives, such as healthcare and manufacturing, and considering the implications of changes in those areas. He urges leaders to explore additional industries and companies that they consider innovative.

"I'm interested in what airlines are doing to woo people back," Skipper says. "There is really interesting stuff happening with loyalty programs. How could that be leveraged by members of a credit union? I was just in IKEA (*ikea.com*), and they are constantly innovating in their showrooms. So how do they guide people through the store to see everything? They cross-promote products in different ways. These examples are all around us. What are the companies that we put on a pedestal doing strategically that makes them aware?"

Skipper says he encourages leaders to look outside of their usual experiences. CEOs can get so wrapped up in what's happening in the organization and may feel that their plates are too full to look beyond the organization's borders, he says. He recommends reading a wide variety of news and is a big proponent of McKinsey research (*mckinsey.com*) because much of it can be accessed for free.

"There's so much innovation happening in healthcare, the internet of things and even politics," he says. "All of these things have a bearing on what our future looks like and what strategy needs to be in place to adapt accordingly."

ACKNOWLEDGE DIFFERENT TIME HORIZONS

Naturally, it's important to have a process for horizon scanning and strategic planning, not just a list of trends to track.

Joseph Cady, CMC, managing partner, CS Consulting Group LLC (*csconsultinggroup.com*), Lake Arrowhead, California, recommends credit union leaders look for trends in each of his "five future forces."

"My five future forces are regulatory, the economy, competition, member needs and technology," he explains. "For each of those, what will be changing over the next two to three years? And what do we need to do to position ourselves? What are the opportunities and threats?"

Skipper offers time as a consideration when he is helping leaders do horizon scanning, asking them to think about what might impact the organization this week, this month, this year, next year, in three years or in five years, for example.

"I draw a visual to get their arms around the fact that strategy has different horizon timelines," he says. "When you're talking about operations, it's the shortest timeline. What are the tasks that we do daily or weekly?" In contrast, strategic planning needs to consider a longer time horizon.

Skipper says thinking about different time horizons can help boards and senior staff leaders understand whether they are doing operational (short-term) or strategic (longer-term) thinking. To keep the focus on strategy, Skipper recommends focusing on the one-year mark or beyond.

STAY IN STRATEGIC THINKING MODE

Leverington emphasizes that a perpetual challenge of disciplined strategy work is maintaining management's focus on issues that are critically important in the long term but not urgent in the short term.

"People are motivated by both urgency (fear) and cognitive dissonance (vision), but unless you have a really clear strategy and a strong, passionate leader, it's difficult to establish dissonance," Leverington says. "Hence, short-term urgency tends to win out, which always bolsters the culture of focusing on operations. This is unfortunate because dissonance releases tremendous energy. Jim Collins did some great work in this field, and it's worth reading his chapters on big hairy audacious goals,'" in the book *Built to Last: Successful Habits of Visionary Companies* (*tinyurl.com/bsbuilt2last*).

Cady says when CU leaders do operational thinking when they mean to be doing strategic thinking, they may miss key opportunities on the horizon.

"There were a number of opportunities coming out of this ... pandemic for credit unions to reposition themselves," he explains, such as hybrid offices. "I don't think most of them took advantage of that. When I was talking to CEOs, the mentality was, 'Well, we don't have time right now for projects or planning.' That was a wrong-minded approach to the whole scenario."

Cady says he can understand leaders being overwhelmed and focusing on keeping operations running during the pandemic. Still, in his view, many CUs regularly focus on tactics instead of strategy.

"Financial institutions, in general, really are very resistant to change," Cady says. "We've had a lot of change thrown at us with fintech, digital delivery and things of that nature. The pandemic afforded us an opportunity to embrace change. Unfortunately, that just really didn't happen in most institutions."

There's still opportunity related to the pandemic, Cady says. In the future, he recommends, CUs should consider the possibility of widespread illness when they do the horizon scanning that should accompany their strategic planning efforts.

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

"There's so much innovation happening in healthcare, the internet of things and even politics. All of these things have a bearing on what our future looks like and what strategy needs to be in place to adapt accordingly."

— Jeff Skipper

MORE ON STRATEGIC PLANNING

USF FCU's Strategic Planning Process Promotes Alignment (*cumanagement.com/0622alignment*)

How to Warm Up for Strategic Planning (*cumanagement.com/100421skybox*)

Volatility and Disruption: The Perfect State for Credit Unions (*cumanagement.com/050922skybox*)

Elevations CU Pursues Audacious Goals (*cumanagement.com/1221audacious*)

CEO Institute I: Strategic Planning (*cues.org/institutes*)

5 Success Tips for *Horizon Scans*

BY KIRK LEVERINGTON, MBA, CMC

Horizon scanning, also known as environmental scanning, enables organizations to spot trends and prepare for emerging changes or threats that will shape their futures. Follow these five tips to strengthen your strategic planning process

1. Link your scan to the strategy. Focus your research on areas most likely to derail your plans. This tends to produce more relevant and productive discussions. Too often, research teams are relegated to building massive reports that no one fully absorbs because there's no strategic focal point. The more specificity that exists in your articulation of the strategy, the easier it is for the rest of your organization to anchor to it.

2. Use multiple frameworks. Each framework you use will force you to think differently and to analyze problems from more perspectives. A simple example: Doing a strengths/weaknesses/opportunities/threats analysis gives you a simple but useful perspective on your business today. However, if you first build a cone of uncertainty (a term often used in project management to describe how project unknowns decrease over time) and complete a Porter's five forces analysis (*tinyurl.com/port5force*), it creates a clearer collective image of what is ahead and what that could mean to your business.

3. Look for outlier data. Bias has a profound effect on our interpretation of data—and we all tend to look for information that supports what we believe. The job of senior leaders is to position facts in specific ways. However, recognize that this can cause teams to ignore data that doesn't support the story you're working to communicate. Make sure that you don't dismiss data that conflict because they present a critical opportunity to eliminate strategic risk that others are ignoring or hiding.

4. Build your culture around blunt honesty. When finding the next barrier is celebrated, people will find the next barrier. And the opposite is true as well. This is linked to point 3.

5. Make your strategic assumption explicit. One of the most powerful strategic exercises is to establish a list of the assumptions on which you've built your plan. Just like with financials, the assumptions are one of the most important parts of a plan because they explain what underpins your choices and allow it to be questioned and improved. While it's not often talked about, the validity of your underlying assumptions is always in flux. In many cases, if a single assumption changes, so will your risks and opportunities.

The methods we use to scan for future risks and opportunities are very important. But nothing is more important than your strategic agility, which is your capacity to change and execute. So don't just focus on the process; also focus on how effective your organization is at executing in terms of leadership, pace, culture, engagement and outcomes.

Kirk Leverington MBA, CMC, (tinyurl.com/lileverington)*, is a Denver-based business strategy consultant.*

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Increased Focus on *Succession Planning*

NCUA'S PROPOSED RULE HIGHLIGHTS THE NEED FOR SEVERAL KINDS OF PLANS.

BY DIANE FRANKLIN

Just how important is succession planning to the long-term success of credit unions? It's so important that the National Credit Union Administration (*ncua.gov*) has turned its regulatory eye toward it, giving notice of a proposed rule that would require the boards of federal credit unions to establish and adhere to processes for succession planning.

"The succession plans would help ensure that the credit union has strategies in place to fill key positions, such as officers of the board and key management officials, to provide continuity of operations," said NCUA Chairman Todd Harper in a prepared statement coinciding with the Jan. 27 notice (*tinyurl.com/ncuasuccplnrule*). "Although the proposed rule would apply only to federal credit unions, the purpose of this rulemaking is to encourage and strengthen succession planning for all credit unions."

It was timely for the top credit union regulator in the United States to weigh in on the question of succession planning, given the massive changes occurring in today's workforce. In some cases, not having a succession plan with specific leadership development strategies has made it difficult for credit unions to survive and forced boards' hands in terms of choosing to merge.

"One of the issues we've seen is that many small institutions are citing a lack of CEO successors as a reason for merger necessity," says Brandi Stankovic, Ed.D., COO/chief strategy officer for CU Solutions Group (*cusolutionsgroup.com*), a credit union service organization based in Livonia, Michigan, that offers products in the areas of technology, marketing, HR performance and strategic advice. "Now that the NCUA is examining increasing the requirements for succession planning, every credit union will need to bring this topic to the forefront and engage in a more deliberate process at both the executive and board level."

DILIGENCE REQUIRED

External forces have increased the need for credit unions to become more diligent about succession planning. "Because of various factors happening in our country today, such as the aging of baby boomers, the Great Resignation and the difficulty companies are having recruiting new employees, it has become imperative to develop internal staff and create bench strength in our organizations. This includes all levels of management, from the CEO down to mid-management," says Yvonne Evers, founder/CEO of SUCCESSIONapp LLC (*successionapp.com*), a CUES Supplier member based in Madison, Wisconsin, that provides an online app designed to assist boards and executives have smooth and successful succession planning efforts.

Credit unions should make succession planning an organizational priority, advises Deedee Myers, Ph.D., MSC, PCC, CEO of CUESolutions Provider DDJ Myers Ltd. (*ddjmyers.com*), Phoenix, whose specialties include board governance and transformative organizational change.

"Succession planning needs to be deliberate and systematic, supported by senior leaders of the organization, and organized to recruit, develop and retain individuals with a range of leadership characteristics and competencies that can be interwoven to lead the current and future organization," she says.

Myers cautions credit unions against treating succession planning like an episodic recruitment event. "Instead, succession planning needs to be strategic, featuring an ongoing strategic initiative aligned with the evolution of the organization and its strategic trajectory," she explains. "Unfortunately, many credit unions still see succession planning as job replacement, and we need to be systematic in recruiting our younger leaders and continuously developing and challenging them through their careers."

To meet the challenges of a competitive workforce, many credit unions may need to put greater resources and effort behind succession planning than they have in the past. "While nearly all organizations acknowledge the critical importance of succession planning activities, most are not engaged in creating the consistent organizational 'muscle' to feel confident about their approach and plan," says Garrick Throckmorton, SHRM-CP, CSME, chief product and services officer for TalentTelligent (*talenttelligent.com*), a talent management publisher and consultancy based in Winston-Salem, North Carolina.

As an example, Throckmorton cites *The State of CU Training & Development 2021* (*cues.org/TDReport*), which found that the "knowing-doing" gap on building sufficient bench strength and developing future leaders increased by 14% from 2020.

"Simply put, we know we need to have stronger succession plans, but we are not doing much about it," Throckmorton says. "The risk in our competitive environment is not to be ignored."

CEO SUCCESSION

When evaluating succession planning, many credit unions think first of the CEO position. "The board is responsible and accountable for the CEO succession," notes Myers, enumerating such duties as deciding on the competencies and characteristics of the next CEO, assigning development responsibilities of internal candidates to the CEO, and requesting frequent and periodic feedback.

"Situations where the CEO retires within five years necessitate at least an annual update to the board of directors from the CEO and their external succession consultant," if there is one, she suggests. "Situations in which the CEO retires within two years require a quarterly update, and retirement within 12 months, a monthly update."

The board chair may assign the logistics of the CEO succession project to a committee, Myers adds.

"The committee manages the relationship with the external consultant and completes the first rounds of presented candidates," she says. "However, the full board needs to be involved in the early conversation of establishing the future vision of the next CEO and included, at a minimum, with the final interviews. A choice point in the process is to interview the internal candidates first and then decide if an external search should take place or assume both internal and external candidates will be included."

As a consultant, DDJ Myers uses a variety of assessments in the CEO succession planning process. While assessments are helpful, Myers offers these words of caution: "Be sure the assessment is contextually relevant to the level of aspired succession. For example, the same assessment used to evaluate entry-level employees is not valuable for executive succession."

Evers sees the board and CEO as each having a role in the CEO succession process.

"The CEO should be in charge of the CEO succession plan," she says. "However, I do think that the board should be involved in picking the competencies needed for a future CEO. The CEO would then identify the potential successors, determine competency gaps and create development plans."

The CEO succession plan does not have to identify potential candidates for the job, either by name or position. However, Stankovic observes, "Ideally all organizations would have an

> **"While nearly all organizations acknowledge the critical importance of succession planning activities, most are not engaged in creating the consistent organizational 'muscle' to feel confident about their approach and plan."**
>
> — Garrick Throckmorton, SHRM-CP, CSME

accomplished leader who can transition into the CEO role and fill those shoes. That is a challenge that we should put out to all credit unions—groom leaders and have a constant focus on bench strength relevant to the times so the credit union has someone who could potentially step in not only from an emergency perspective but truly as a strategic leader for the future."

MANAGEMENT TEAM SUCCESSION

Many CUs may want a succession strategy for roles beyond the CEO.

"Credit unions have had a long history of promoting from within whenever possible," Evers says. "Therefore, if they have a retirement or resignation at the CEO or executive level, it causes a domino effect. Right now, with it becoming increasingly difficult to find new employees, building bench strength by having good succession plans is extremely important."

A way to improve succession planning is to have current leaders identify potential candidates who could move into their positions.

"In that respect, everyone is accountable for their own replacement," says Stankovic. "Make sure there is somebody who understands what it is that you do and how you are contributing to the overall organization."

Evers concurs that there should be shared responsibility. "Common practice is for HR to be the 'administrator' of succession planning, but with each leader owning their own plan," she says.

In the context of management team succession, Throckmorton points to the benefit of developing vertical succession plans, as opposed to traditional horizontal succession plans.

"Horizontal succession plans are created when a leader presents their bench strength one or two levels down but does not have true line of sight much further than that," he explains. "... The CEO does not know about the high-potential talent that may be coming in on the front line or through internship programs. ... Research shows that it takes 20 to 30 years of intentional care and nurturing to develop your next senior leader(s)."

A key advantage of vertical succession planning is that it helps organizations quickly identify gaps in the talent pipeline, Throckmorton adds.

"These gaps must be assessed for risk and a determination made as to if the organization will develop talent internally over time to 'shore up' the bench or if external recruitment is needed (which is riskier)," he says. Regardless, "creating a success profile for these levels allows for a consistent portfolio of knowledge, skills and attributes to be developed or recruited against."

BOARD SUCCESSION

Credit unions also need to address the issue of board succession.

"A board succession policy should include examining the current board skillset, identifying gaps (technical, diverse representation,

Making a Succession *Announcement*

Oftentimes succession planning occurs without any fanfare. However, a major transition—such as the appointment of a new CEO following the retirement of a long-term CEO—could be a perfect opportunity for a credit union to honor the achievements of the outgoing chief executive while heralding the arrival of the incoming one.

"In an ideal situation, the CEO has groomed their successor in accordance with board-desired leadership qualities, and an orderly transition is planned and executed within six months of the CEO retirement or change," says Brandi Stankovic, Ed.D., COO/chief strategy officer for CU Solutions Group (*cusolutions group.com*), Livonia, Michigan. "The board chair can then make an announcement of the process followed, the due diligence conducted and the board's strategic positioning of the credit union for the future."

The credit union typically can make the announcement not only internally through emails, website announcements and social media postings but also by issuing a press release.

"Recently, there have been numerous press releases regarding CEO succession," says Deedee Myers, Ph.D., MSC, PCC, CEO of CUESolutions Provider DDJ Myers Ltd. (*ddjmyers.com*) in Phoenix. "Some press releases announce that a CEO has declared retirement, and a search begins. Others identify an internal successor and communicate a time frame of transition. Finally, other press releases are (issued) after the CEO selection decision and indicate either an internal promotion or an external candidate accepting the offer to be CEO."

Stankovic cautions against making the announcement too soon. "The last thing you'd want to do from a reputational risk standpoint is to announce something prematurely before the contract has been finalized."

Before the announcement is made, It is also important before to make sure that the internal team is ready for the transition. "Especially if there is a long-time CEO who is departing," Stankovic says, "then recognizing the CEO's dedication is recommended as part of a detailed plan to transfer relationships and goodwill to the new person, facilitating their success."

Most of the success comes down to communication—ensuring that the CU's staff is informed of the upcoming transition before any external announcement is made.

"Just make sure the internal team is prepared and understands what is happening so that they get a chance to know their new leader before the public does," Stankovic advises.

"The board should be involved in picking the competencies needed for a future CEO."

— Yvonne Evers

membership engagement), creating a candidate profile, professional recruitment, candidate assessment, the election and appointment process, and it should also conform with all applicable bylaws, policies and regulations," Stankovic says.

She adds that the goal is having the right board for seeing to the wellbeing of the credit union for the long term. "Preserving the focus on governance is key, while also making sure that you are achieving continuity within the board. Certainly, you want to recruit new directors, but you want to balance that fresh perspective with the competency, experience, and historical and institutional knowledge provided by continuing directors."

Throckmorton observes that the succession process for the boad can be more straightforward when a credit union uses term limits.

"This provides an ongoing beacon of when a board member will be departing, and a view of the skillset/expertise that needs to be replaced," he says. "In a similar manner, it is important for the nominating/governance committee, in partnership with the CEO, to consistently be reviewing the future available board seats, build and utilize a consistent set of criteria for future members, and use that criteria to build broad and wide networks in the community for future placement."

Evers notes that it's usually a committee—such as board governance, board development, nominating or executive—that is placed in charge of a board succession plan. Like Throckmorton, she thinks that having a board succession plan can be an important tool for recruiting future directors.

"One of the biggest issues I hear from credit union boards is that they are having difficulties finding new board members," Evers says. "A well-devised board succession plan will help boards anticipate when directors may be leaving the board, determine current/future competency and diversity gaps, set a recruitment plan, and create a board leadership strategy."

EMERGENCY SUCCESSION PLANS

Myers advises that each credit union, at minimum, have a contingency or interim succession plan, which indicates who would step in for the CEO in the event of the top executive's unexpected departure.

Having an emergency plan in place assures the continued operation of the credit union and eases the stress when an unanticipated event occurs, Throckmorton observes.

"No matter the strength of the plan, there will always be emergencies that occur in succession planning for a variety of reasons," Throckmorton says. "However, with a strong plan in place, those emergencies can be mitigated and the anxiety that is normally encountered reduced."

Emergency succession plans should not be a separate document, Evers adds.

"An emergency or interim plan can be one page in the overall succession document, outlining what would occur to avoid a major disruption if a key leader were to leave the organization," she explains.

Stankovic contends that credit unions can best prepare for an emergency succession situation by making a strong commitment to internal talent development and individual employee growth.

"It's the philosophy of 'fixing the roof before it rains,'" she says. "I believe that the first step in creating an effective leadership succession plan is to become forward-thinking—anticipating what will be needed in the future—and create opportunities for career growth. Credit unions are often looking to avoid risk when instead they should be proactively investing in human capital."

A COMMITMENT TO SUCCESSION

Myers also stresses the importance of proactively providing talent development and employee and board support throughout the entire succession planning process.

"Succession planning is a continual event going much further than an annual episodic review of progress," she says. "Rigorous feedback on development is needed and wanted. Developing the talents of midlevel contributors and managers to become strategic players in their organizations needs to be a top priority."

For all types of succession plans, it's important to move forward. Now.

"Our call to action for credit unions is simply this: Do not wait," says Throckmorton. "It takes years of intentional development to ensure your talent is ready for the next level, and for board relationships to form."

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

MORE ON SUCCESSION PLANNING

Video: Succession Planning Is Critical and Multifaceted (*cumanagement.com/video0522*)

Why Succession Planning? (*cumanagement.com/0422succession*)

Closing the Knowing-Doing Gap for Succession Planning (*cumanagement.com/020122video*)

If You're Ready to Be CEO, It Will Show, Plus a Lot More on CEO Succession for Both Boards and Candidates (*cumanagement.com/podcast106*)

Download a free board renewal policy (*content.cues.org/board-renewal-policy-download*)

2022 MEMBER APPRECIATION AND AWARDS EVENT

FREE MEMBER EVENT
OCTOBER 20, 2022
2:00 P.M. CST

cues.org/MAE
#CUESAwards

Hear from **Claude Kelly**, an American singer, songwriter and music producer.

CHEERS FOR YOUR PEERS

Open to CUES members only, this year's program will feature speaker Claude Kelly, a four-time Grammy Award nominee, having written songs for Michael Jackson, Whitney Houston, and more. Claude will discuss his humble beginnings, obstacles he overcame, and how he stayed true to his own development to become who he wanted to be. He'll also take questions from the audience in an interactive Q&A session.

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CUES AWARDS RECOGNITION

OUTSTANDING CHIEF EXECUTIVE

This award recognizes outstanding leaders at the CEO level who display professional achievement, support employee motivation, and are dedicated to their community.

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Non-chief executive officers who are current CUES members are eligible to apply for this award, which acknowledges decision-makers for their ambition, participation, and devotion to their credit union and the movement.

DEI CATALYST FOR CHANGE

This award celebrates the diversity, equity, and inclusion support and advancement efforts of credit unions bringing forth positive change within the industry, their workplace, and/or their community.

EMERGING LEADER

CUES Emerge is a new emerging leader program that combines online learning, peer collaboration and an exciting competition component. The ultimate CUES Emerging Leader is determined from the final 5 business cases by a judging panel of credit union CEOs.

DISTINGUISHED DIRECTOR

This honor is presented to a credit union board or committee member whose achievements have strengthened their credit union.

HALL OF FAME

Inductees are nominated by the CUES board of directors for lifetime achievement and contributions to the credit union movement.

Register now at **cues.org/MAE**.

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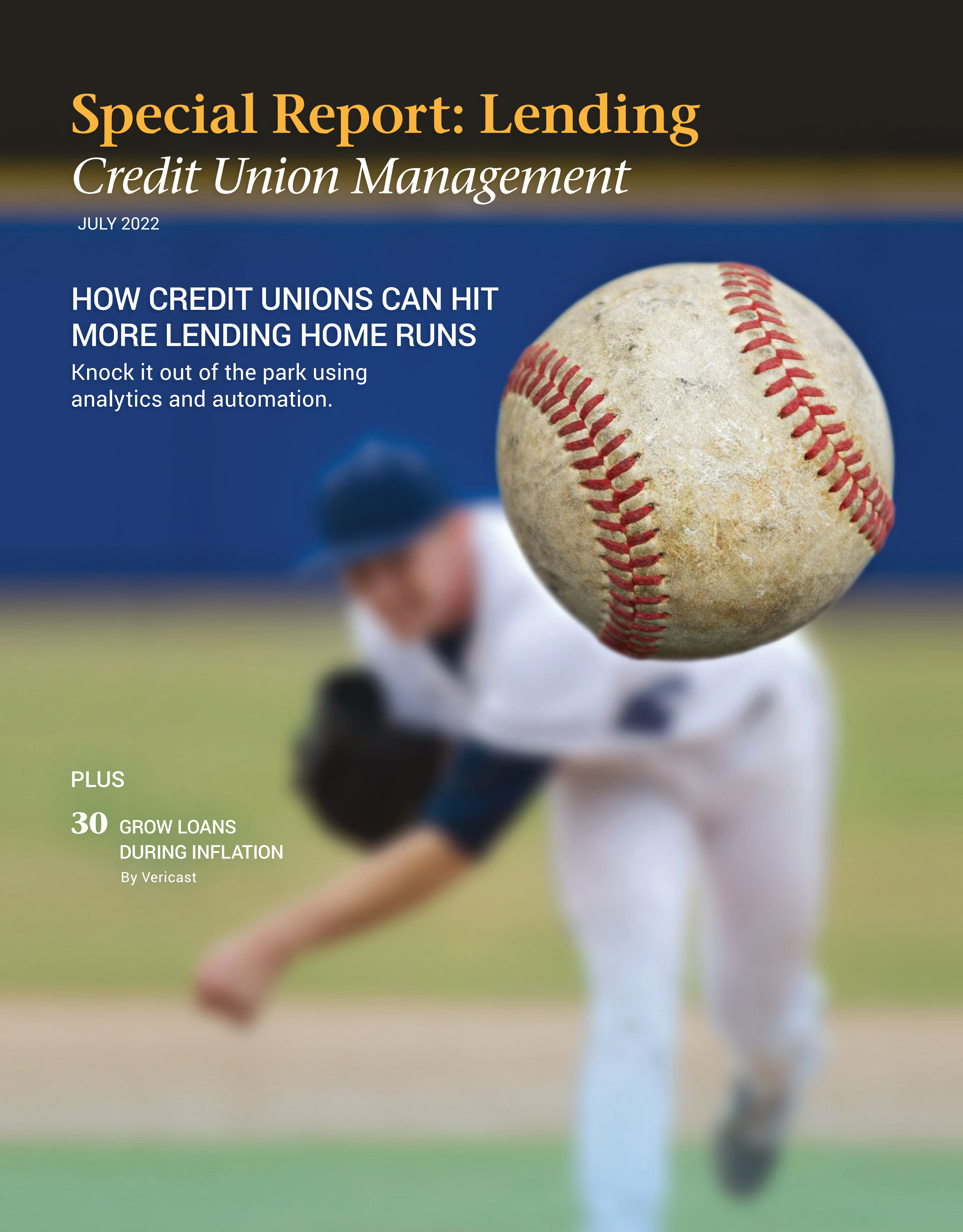
Special Report: Lending

Credit Union Management

JULY 2022



HOW CREDIT UNIONS CAN HIT MORE LENDING HOME RUNS

Knock it out of the park using analytics and automation.

PLUS

30 GROW LOANS DURING INFLATION
By Vericast

How Credit Unions Can Hit More Lending *Home Runs*

TWO INDUSTRY LEADERS SHARE HOW TO KNOCK IT OUT OF THE PARK USING AUTOMATION AND ANALYTICS.

BY CELIA SHATZMAN

Hitting a home run requires a lot more than luck. For a baseball team, hitting it out of the park means honing strategy and regular practice. For credit union lenders, getting a homer means fine-tuning the vision, plus implementing best practices in both analytics and lending automation to improve the borrower experience. In our special report, two industry leaders share key strategies and smart tactics that can help CUs score.

GO SMART YET SIMPLE

Lending has evolved greatly over the years. But the data analysis CUs can now do is what has changed the game the most.

"The analytics are really allowing financial institutions to gain efficiency in their process," says Stephenie Williams, VP/financial institutions product & strategy for CUES Supplier member Vericast (*vericast.com*), San Antonio, Texas. "When you think about application pipelines, they're able to approve more deals, and at the same time, analytics is also allowing financial institutions, and credit unions in particular, to make more relevant offers to their customers and members."

The most recent changes in analytics are the new services from credit bureaus and analytics companies in the market, according to Williams. One example is Zest AI (*zest.ai*), which works with financial institutions to fully understand their risk tolerance and map that tolerance back to credit data. In many cases, multiple credit attributes are consolidated to identify solid opportunities, allowing the CU to increase its volume of approvals or preapprovals.

"Beyond that, ... with the addition of non-bureau data factors—such as utility payments and rent payments—they (lenders) are using those as data points to give consumers more credit access. Customers who have been credit invisible—as many as 3 million consumers—are now able to obtain entry-level loans as financial institutions begin using additional data to make credit decisions.

Advancements in analytics also allow CUs to improve their lending services and offerings. Beyond

> **“Meet people where they want to be. They may not want to go to a lawyer’s office—maybe they would love to close at a Starbucks.”**
>
> — Steve Hewins

saying yes to more applicants, analytics can be used to provide more value to members.

“For instance, look at your members’ credit bureau data and analyze outstanding revolving debt,” Williams says. “Using the results, make an offer to consolidate into a single term loan. When you depict a payment savings, that can be a big value to that member. The same can be done for auto loan refinancing, making recommendations depicting the payment savings for members.”

CUs can use analytics to gain an edge over banks when it comes to lending. “What is going to give them an advantage is really making the process simpler,” Williams says. Some banks are doing it, but they’re not doing it very quickly. Credit unions are nimble, and using that nimbleness will prove a real asset. Partnering with a fintech if they don’t have the resources is a great way to organically grow some of these analytic practices and automations.”

The way CUs market their loan services affects whether they get a base hit or a home run. To score, Williams recommends thinking like a member and making borrowing easy to understand by using terms like “debt consolidation” or “tuition loans.”

“Use that plain language to put proactive offers in front of your members on a regular basis,” she advises.

It’s also crucial for CUs to keep up with the times. For example, the old-fashioned way was to offer a home equity promotion in the fall and an auto promotion in the spring, but now these deals need to be more continuous, because the buyers are making these purchases year-round, notes Williams.

“When you’re putting those offers in front of members, you’re getting the chance as their financial partner to get the first consideration, because they’re going to be familiar with the fact that you’re ready to lend,” she says. “But don’t think the fact that you’re being proactive with them is going to get all their loan business as a credit union; you still need to monitor and look out for your members. You can do that with credit monitoring.”

DIG INTO DATA AND YOUR PROCESS

One of the best things about lending is that it provides CUs a great opportunity to work with their members. A mortgage application is perhaps the perfect combination of gathering member data and having a personal interaction with them.

“The mortgage application is probably the most complete data set; you have a financial picture of the entire household,” says Steve Hewins, SVP of CUESolutions provider CU Members Mortgage (*cumembers.com*), Fort Worth, Texas. “The mortgage application covers everything from who lives in the house, all of their assets, their income, their debts, the number of children, the age of the children, education and so on. … If you have the right ability and aptitude to think about it, you can plug that in” as you look for future opportunities.

If a child on a mortgage application is 10 years old, for example, they’ll be of driving age in five or six years, making that a perfect time to send the family information about car loans, Hewins explains. You can also use mortgage application data to calculate when they’ll be paying off student debts or looking for a refinancing solution.

It’s also important to look at the analytics related to measuring how well your loan process is working, Hewins says. “Look at an application and the experience that users have: How quickly do they move through the application? Are there pages that they get stuck on or drop off?” he asks. “Then use those analytics to go back and improve the user experience to hopefully get more complete applications and less dropped submissions.”

Currently, the biggest change in lending analytics is the number of players coming into the space to offer assistance, according to Hewins. “The biggest game-changer is probably finding the right partner because most credit unions are not going to have the ability to staff those kinds of positions,” he says.

Hewins also thinks that learning to interpret the goldmine of data in a mortgage application can give CUs an advantage over banks when it comes to lending.

“If you’re using data to be predictive of your members and what their needs are, you can cut off competition,” Hewins says. “But everyone has the same idea of using big data to do predictive modeling to win them over, so it’s becoming table stakes. If you’re not looking at data, if you’re not making these decisions, then you’re being left out of the game.”

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

MORE ON LENDING

Lending Perspectives: When It Comes to Utilizing Data, You Must Have a Plan! (*cumanagement.com/0322lendingperspectives*)

Move Over Models, Successful Lending Starts With Strategy (*cumanagement.com/121521skybox*)

Disruption Opportunities in Mortgage Lending (*cumanagement.com/podcast124*)

Grow Loans *During Inflation*

SIX THINGS TO CONSIDER IN THIS UPRATE ENVIRONMENT

BY STEPHENIE WILLIAMS

Seventy-two percent of financial institutions identified acquisition as a primary driver of revenue this year. They'll face a significant uphill battle doing so as 86% of consumers surveyed in Vericast's 2022 Financial Services TrendWatch (*tinyurl.com/vericasttrendwatch*) are not inclined to make a switch.

But there is one critical product where consumers are open to working with a different financial institution: loans. As home values have risen and continued inflation looms, home equity loans and lines, as well as nonsecured lending such as credit cards, will see an influx of interest and applications.

This all presents a prime opportunity to both get your foot in the door by presenting an attractive loan offer to prospects and to deepen relationships with current members. It also presents an occasion for you to be front and center when your members need you most—during economic unrest.

6 KEY CONSIDERATIONS

Here are six things to consider for your lending strategy and marketing:

1. Talk up your lines of credit. Since housing prices have risen, it's a great time for homeowners who have already refinanced their mortgages to take out home equity lines of credit for home improvement expenses. If they received a low fixed-rate mortgage to start, they can now tap into their growing equity.

2. Highlight your lower-interest cards for those with revolving balances. Credit cards get a bad rap during inflationary times, as rates and monthly payments creep up for those who carry a balance. However, managed wisely, they can be favorable when used for balance transfers and rewards on everyday purchases like groceries and gas.

3. Communicate your rates in your messaging. Interest rates are expected to rise this year. These rate hikes, coupled with very tight mortgage and auto markets, will mean increased competition for loans. Make sure consumers are aware of your competitive rates by highlighting them in your marketing.

4. Target "in-market" consumers. If a credit union intends to be competitive in this tight loan acquisition market, the key lies in striking while the iron is hot. You must reach prospects with your best offer precisely when they're in the market for a loan, and anticipate the needs of your current members, keeping your preapproved offers top of mind so they know you stand ready to serve them.

5. Offer multi-loan preapprovals. People lack confidence in their ability to be approved for a loan. Eliminate that concern by using preapprovals. Then, when they are in the market, they will think of you first. And with multichannel, multi-loan preapprovals, members can access, review and accept multiple prescreened loan offers at every touchpoint, driving loyalty and revenue.

6. Make it easy. "Simple" and "uncomplicated" are appealing. If the application involves too many steps, requests too much information or takes too long, people will abandon the process. Take a cue from fintechs that have gained favor by making the loan application process easy.

KEEP MARKETING 'TURNED ON'

In this uprate environment, consumers are much more rate aware and discerning of loan terms, so they're more likely to shop around for a favorable loan package. You must make your loan marketing preemptive and your offers easily actionable.

It's also the time to be steady in your messaging and presence. During times of unrest, it's important to keep your marketing "turned on." During the pandemic, a lot of companies placed their marketing on hold, which made it harder for them to regain their place in the minds of members and prospects once the world regained its footing. To stay top of mind, take heed and stay the course.

Also remember, data is a key factor in lending success. With the right data, you can lend smartly and reach the right prospects for your credit union.

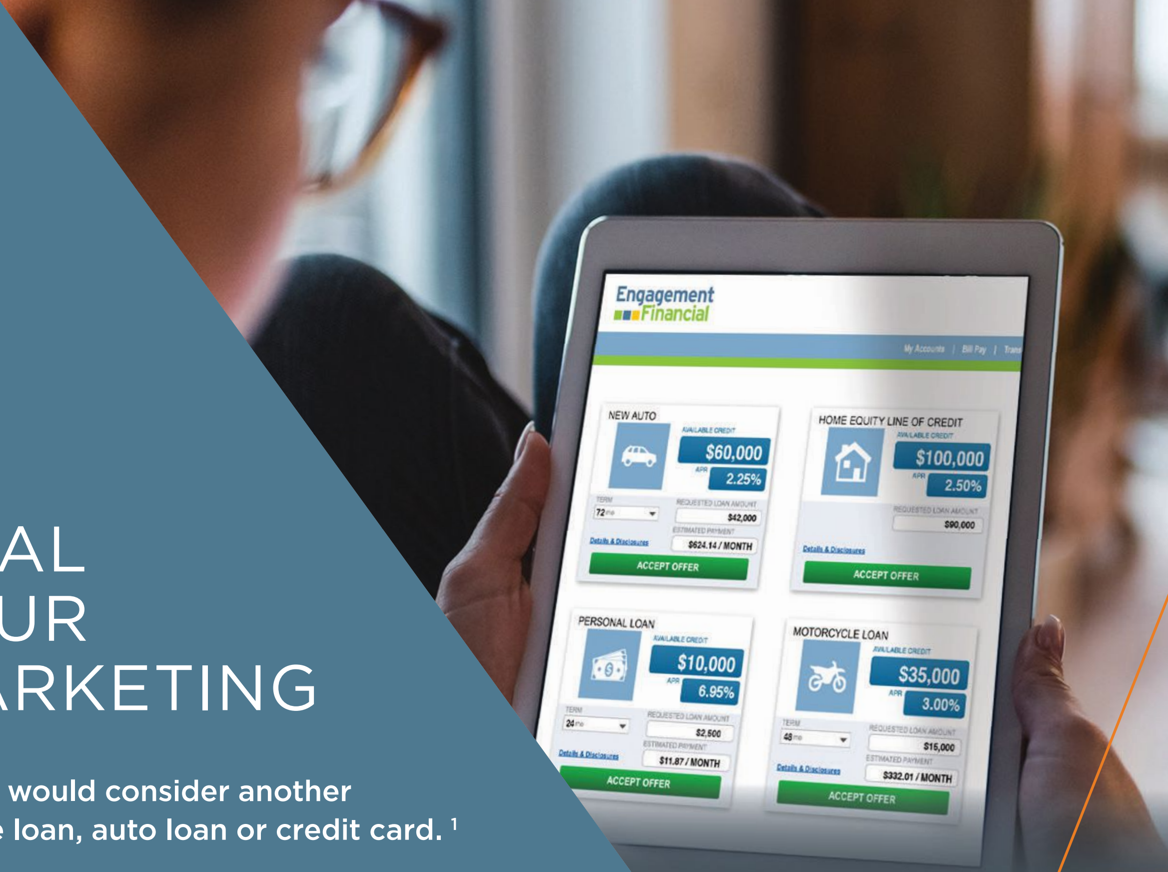
Stephenie Williams *is VP/financial services marketing product and strategy for Vericast* (vericast.com/acquisition)*, a CUES Supplier member. Learn more about Vericast's strategic, data-driven loan marketing programs by calling* 800.351.3843.

MORE FROM VERICAST

Video: Why Instant Issue Should Be a Cornerstone of Your Cards Programs (*cumanagement.com/video052622*)

Streaming Entertainment Delivers New Account Acquisition Tools (*cumanagement.com/0422streaming*)

How to Better Engage Members at the Critical Moment of Account Opening (*cumanagement.com/podcast122*)



GO DIGITAL WITH YOUR LOAN MARKETING

Nearly 60% of people would consider another lender for a mortgage loan, auto loan or credit card. [1]

Deepen relationships with members and stay top of mind with always-on, multichannel loan offers at their fingertips. Be in front of your members consistently by providing:

> Single-loan preapprovals
> Multi-loan preapprovals
> Trigger-based offers

Combining proprietary consumer data and timely alerts from multiple credit bureaus offers the best opportunity for acquiring new loans.

60% of loan shoppers will commit to a loan within a week of a credit bureau inquiry.[2]

[1] Vericast 2022 Financial Services TrendWatch
[2] Vericast client data

For additional lending insight, download the 2022 Financial Services TrendWatch report.
vericast.com/FinancialTrendWatch

Learn how we can help you expand for your lending portfolio at **vericast.com/Acquisition**

1.800.351.3843   contactHC@harlandclarke.com

VERICAST

CEO Institute I: Strategic Planning
Available Online in August

CEO Institute I: Strategic Planning will be offered in an online format again this year, Aug. 8-12. CEO Institute is a challenging academic and leadership program tailored specifically for CU executives, held in partnership with three top business schools.

"We first offered CEO Institute online in 2021, so credit union executives wouldn't have to put their career aspirations on hold during shutdowns caused by the pandemic," says Christopher Stevenson, CAE, CIE, SVP/chief learning officer for CUES. "Although we're back to offering all three institutes in-person, we heard from many of our members that they appreciated the opportunity to attend our flagship institute without having to travel."

"CEO Institute is highly regarded in the industry, and we've made sure all online participants will walk away with the same level of knowledge, expertise and networking opportunities as their colleagues who have attended in person," says John Pembroke, president/CEO of CUES. "We simply would not have it any other way."

"Our CEO Institute I partner, The Wharton School, University of Pennsylvania, worked diligently alongside us to convert every aspect of the program to an online offering while still maintaining the integrity of CEO Institute. The online program will offer the same access to esteemed faculty members and the same curriculum," adds Stevenson. "We are also able to offer the program at a lower price point due to cost savings on campus housing and meals that we are passing along to attendees.

"There will be an abundance of small-group work, case studies and simulations, along with other opportunities to help make it easy to get to know one another," Stevenson says.

Executives who complete all three years of the CEO Institute program and two post-segment projects earn the prestigious Certified Chief Executive designation. This highly respected title reflects the qualities of leadership strengthened throughout the three segments and is considered a valuable asset in succession planning and recruitment practices. Register at *cues.org/inst1-online*.

New HR Analytics Digital Course
From Cornell University

Human resource leaders will learn to take on and optimize data at the Human Resources Analytics Certificate Program, a digital course offered by talent development leader CUES in partnership with Cornell University.

The program guides attendees on ways to source, analyze and visualize HR data to inform decisions and recommendations on hiring top talent, engaging their workforce, managing retention and evaluating workforce diversity. Additionally, students will discover how to apply a cost-based approach to determine business impact and ROI associated with HR initiatives.

The program is made up of four self-paced courses, which happen over a two-month period. These are interspersed with two live online sessions, where attendees learn directly from John Hausknecht, professor of human resource studies at Cornell University. The combination of self-paced and live-taught lessons not only help alleviate Zoom fatigue, but will also supplement and connect all the courses in this series, highlighting the applications to the credit union system and each attendee's role at their organization.

All content and activities are customized for the unique challenges and opportunities of CUs. Participants who complete all portions of the course will earn an executive certificate from CUES and Cornell University, 18 SHRM credits and 3.2 CEUs. The Human Resources Analytics Certificate Program runs Aug. 17-Oct. 19. Register at *cues.org/ecornell-hr*.

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*.

JULY 12
CUES Virtual Roundtable: Branch Manager Community

JULY 13
Webinar: What Gets Measured Gets Done

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

AUG. 8-12
CEO Institute I: Strategic Planning

AUG. 9
CUES Virtual Roundtable: Emerging Leaders Community

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

SEPT. 15-22
Board Liaison Workshop

OCT. 11
CUES Virtual Roundtable: Board Liaison Community

OCT. 20
Member Appreciation & Awards Event

AD INDEX

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

2022 LEARNING & EVENTS **CALENDAR**

CUES
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FEATURED EVENT

Supervisory Committee Development & Director Development Seminars

Santa Barbara, CA • Sept. 19—20 & Sept. 21–23, 2022 • cues.org/SCDS & cues.org/DDS

Attend CUES Supervisory Committee Development Seminar in beautiful Santa Barbara and learn how to turn your supervisory committee into a strategic asset. Then, join us for the Director Development seminar to set up your board for success in a post-pandemic world. These programs occur back-to-back so you can easily attend both and focus on creating an exceptional board at your credit union.

FEATURED EVENT

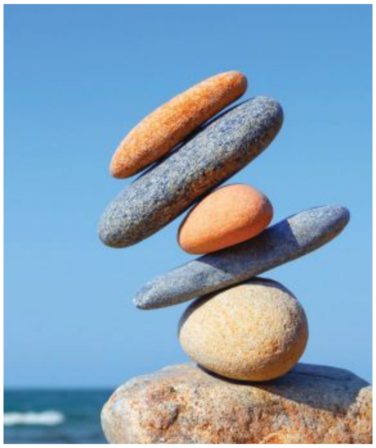
Board Liaison Workshop

Online Event • Sept. 15—22, 2022 • cues.org/BLW

As the complexity of issues facing the leadership of credit unions grows each day, the job of a board liaison is becoming more and more vital. The Board Liaison Workshop will offer advice that's practical and actionable, from outlining the unique role and responsibilities of a board liaison to developing effective board packets, meeting agendas, committee charters, board portals and more.

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			
CUES Advanced Management Program from Cornell University		**July 20, 2022– March 22, 2023**	cues.org/eCornell-CUManager
CEO Institute I		**Aug 8—12**	cues.org/INST1-Online
NEW! Human Resources Analytics Cornell Certificate Program		**Aug 17—Oct 19**	cues.org/eCornell-HR
Director Development Intensive		**Sept 13—15**	cues.org/DDI
Board Liaison Workshop		**Sept 15, 20 & 22**	cues.org/BLW
JANUARY 2023			
High Performing Board Digital Series		**Series starts Jan 2023**	cues.org/HPB
FEBRUARY 2023			
Symposium	Grand Wailea Resort Hotel & Spa Wailea, Maui, HI	**Feb 5—9**	cues.org/SYMP
MARCH 2023			
Execu/Summit®	Sun Valley Inn Sun Valley, ID	**March 5—10**	cues.org/ES

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



Volatility and Disruption: *The Perfect State for Credit Unions*

BY JEFF RENDEL, CSP

A few years ago, the *Harvard Business Review* published an article about the states of disruption (*tinyurl.com/2018hbrdisruption*) across all industries. Retail banking fell into the category of "high" levels of current disruption *and* "high" susceptibility to future disruption. The authors referred to this as a state of volatility.

Countless credit unions now offer every product once considered the exclusive domain of a specific kind of institution. That's great for member acquisition. But when a financial institution acquires a member, that means that member left, or decided against, another financial institution. Volatility is a two-way street.

Recently, a board member asked what state of disruption was right for credit unions. After thoughtful discussion, all present agreed that "volatility" was the best state for our cooperative institutions. Uncomfortable as it might be, volatility compels credit unions to constantly recognize, seek and create change for members.

Disruption has always been with us and will continue to take the form of mobile and digital banking, mobile wallets, blockchain, fintech and so on. Perhaps it's time for credit unions to actively recognize the opportunity that accompanies volatility and disruption, building this mindset shift into culture and strategy.

THE VALUE OF MONITORING THE MARKET AND YOUR STRATEGY

Many credit unions actively observe other retail services for insights into changing consumer expectations and service standards, making the adjustments expected by members. Others research new and established fintech companies that turn business intelligence into experiences and provide delivery methods that appeal to consumers, as well as use artificial intelligence and automation in operations.

Further, exploring fintech partnerships and investments (within and outside of the credit union industry) can provide new sources of value for members, revenue for your credit union, and access to technology that sets the tone for the future of financial services. And, to add more volatility to the mix: charter expansions, mergers and bank acquisitions highlight that the credit union industry is prepared to continue as a unique, but always upgrading, entrant into an established market.

Many credit unions realize that, as the industry swiftly advances, systematic monitoring and enrichment of strategy is exceptionally important. A credit union CEO recently shared with me that she considers disruption, in partnership with volatility, as an active tactic rather than an outside threat. Making the opportunity that comes with volatility a part of her credit union's culture, she assembles the executive team each month for half-day strategy sessions focused on volatility authenticated by trends, opportunities to "intentionally adjust for excellence" (her term for planned disruption), and making real-time refinements to operations. This has allowed her credit union to be nimble and always on guard for new ways to be an improved partner in members' financial lives. The results? Double-digit growth, return on assets and equity, and a net worth ratio nearly twice the industry average.

If volatility and disruption have always been with us, perhaps the committed pursuit of the duo is spot-on. It can deliver the next point of distinction that your members are counting on for you to present. Some have discovered that the ever-changing nature of our business and members' expectations are best met by consistently exploring new ways to add value for members. Volatility is the perfect state for credit unions.

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"Financial wellness is a priority for many, as the financial challenges facing members continue to compound. Credit unions have an important opportunity to deepen their relationships with members and not only help them manage their daily lives, but plan for the future as well. Providing services that promote financial wellness should continue to be top-of-mind for all financial institutions."

Mickey Goldwasser, VP/marketing/chief of staff at CUES Supplier member Payrailz (*payrailz.com*), Glastonbury, Connecticut, in "Making an Investment in Financial Wellness" on CUES Skybox: *cumanagement.com/051122skybox*


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