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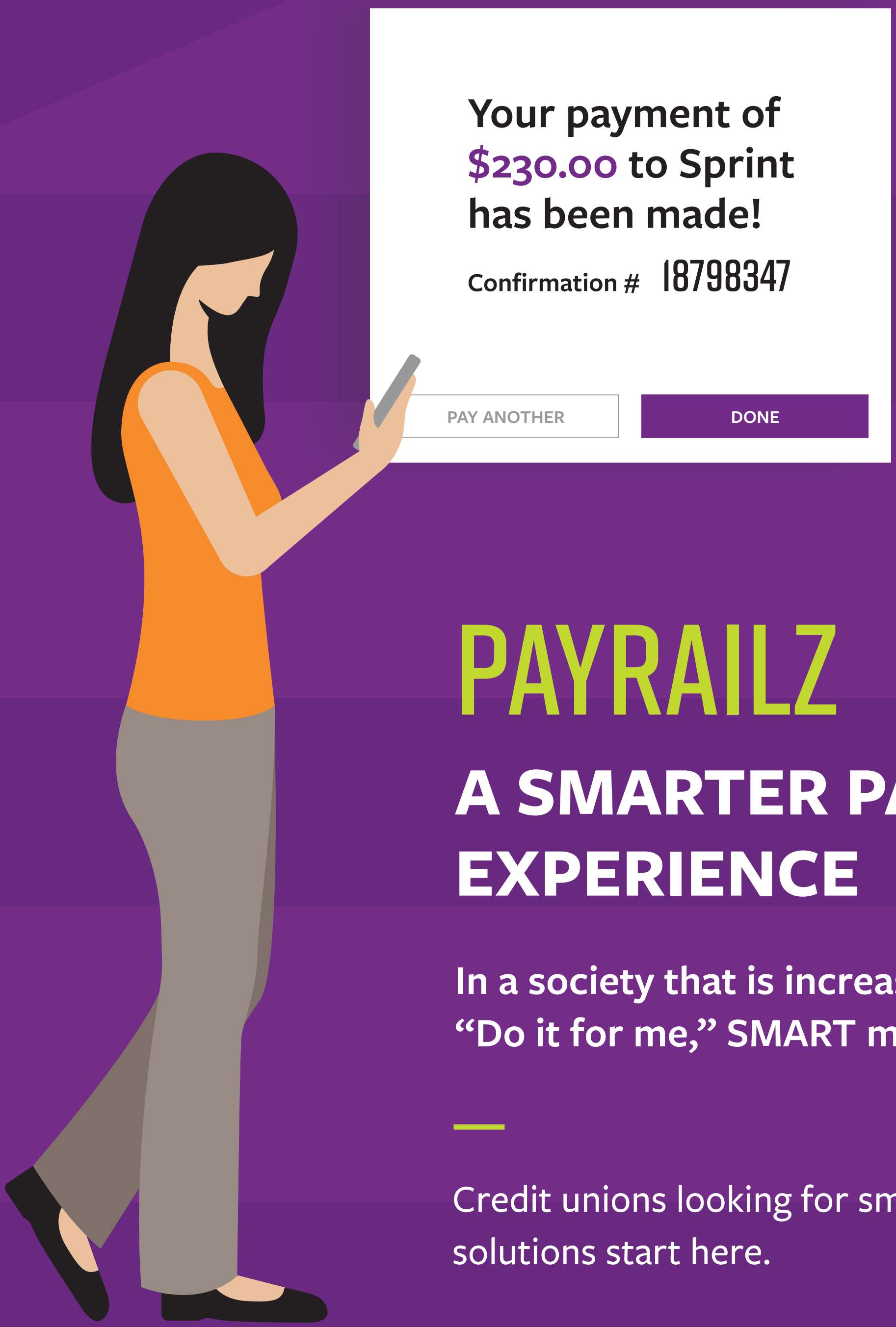

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March *by the Numbers*

We have a very full issue to share with you this month, and I love it all. So, instead of focusing on one article, I'm highlighting interesting numbers from each.

- **17:** The number of sustainable development goals established by the United Nations that UNFCU is focused on meeting.
- **$409 million:** The amount of green loans made by Self-Help CU. Read more about how credit unions are finding that what's good for the planet is also good for business on p. 22.
- **6:** The number of pitfalls to avoid in managing interest rate risks, as explained starting on p. 30. Even experienced risk managers need to watch their steps in 2022's hard-to-predict environment. Don't rely on past assumptions.
- **7:** Strategies, tools and tips to jump-start your digital marketing tune up, spelled out on p. 18. Start with your desired member experience and let that guide everything else.
- **4:** Number of board portals discussed in "Portals are Table Stakes Today." A board portal should make board meetings and management a lot easier. For example, Hudson Valley CU enjoys improved collaboration and more. Read the article on p. 14.
- **30:** Age of many core systems' database architecture and languages, which explains why some credit unions are putting their "Head in the Cloud" for their core. Read it on p. 10.
- **24:** Number of participants and mentors in the PSCU Bold Effective Leaders: A CUES Strategic Leadership Development Program. CUESolutions provider PSCU wanted a resource for its Black and African American employees who were interested in advancing their careers. Developed and facilitated by CUES Consulting (*cues.org/cuesconsulting*), this year-long program featured live online sessions led by prominent business school faculty and industry leaders, independent study modules, and virtual courses from CUES offered in partnership with Cornell and Harvard. Read more about the program and its success on p. 26.
- **92:** The number of CUES Supplier members listed in the directory on p. 34. These firms are your trusted resources for everything from ALM and card services to mergers, marketing and technology management.
- **11:** The number of CUES members we talked to forF this issue. If you want to appear in a future issue, let me know!

Theresa Witham

Theresa Witham
Managing Editor/Publisher

LET'S CONNECT

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

WHAT IS YOUR CREDIT UNION'S TOP CONCERN RIGHT NOW?

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

Head in *the Cloud*

SWITCHING TO A CLOUD CORE CAN HELP CREDIT UNIONS BE SAFER AND MORE COMPETITIVE THAN EVER.

BY CELIA SHATZMAN

No matter the era, there is always something that experts and amateurs alike will determine to be the key to the future success of credit unions. These days, that's the cloud core. As technology continues to evolve, the cloud has been at the forefront of predicted advancements and achievements in the industry. After all, being able to reliably serve members has always been a cornerstone of credit unions' success, and that is a key selling point of the cloud core.

"Cloud-based cores are going to increase a credit union's ability to truly transact from anywhere, anytime via any channel for their membership," says Amber Harsin, CUDE, CEO of CUProdigy (*cuprodigy.com*), a credit union service organization and core provider based in Salt Lake City. "The ability to access cloud environments from anywhere and build in multiple points of redundancy in operations is a powerful business continuity tool for every credit union. Software deployments are hands-off for the credit unions, hardware maintenance is obsolete, and the IT team gets to do the cool stuff of vetting technologies that serve each credit union's unique memberships." Everybody wins.

Major financial institutions, including Chase (*chase.com*) and First Horizon Bank (*firsthorizon.com*), have already moved large parts of their core systems to the public cloud, signifying a big breakthrough and a turning point in the industry. Moving to the cloud not only can improve technological capabilities for a credit union, but also help deliver a seamless digital experience and advanced tools and technologies to members.

"Credit unions have been using private and public cloud technology for some time now," says Shanon McLachlan, VP of Jack Henry & Associates Inc. (*jackhenry.com*), Monett, Missouri, and president of Symitar (*symitar.com*), a division of Jack Henry with headquarters in San Diego. "By leveraging cloud technology, credit unions can enhance their strategic and technical agility to innovate and differentiate quickly against emerging challengers and disruptors. As the lines increasingly blur between traditional, big tech and fintech providers, agility and speed-to-market are imperative to credit unions' viability and future-readiness. Applications that are architected and written for the public cloud can benefit most from that environment."

"Leveraging a cloud core improves the lives of credit union employees, which then improves the lives of members. Everyone's experience is streamlined, and it frees up employees to focus on better serving members."

– Sarah Allison

Below, experts share how the cloud core will have a role in the future success of credit unions.

IMPROVING THE CREDIT UNION EXPERIENCE

Switching to a cloud core isn't just beneficial to the credit union itself—it can bring major perks for members. "The speed of release of new features and services are the promised member benefits, while scalability and openness are the primary promised benefits to the credit union," says Brad Smith, partner at Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

For instance, switching to a cloud-based core makes the risk of downtime practically nonexistent. Preston Packer, VP/CMO of FLEX Credit Union Technology (*flexcutech.com*), Sandy, Utah, explains that ATMs, debit card networks, internet banking and mobile apps must always be on and available. "That is the expectation for all of us as consumers, not just as members of a credit union," he says. "How many times have all of us gone to a website and have it not work? That impacts our relationship with that retailer or that website. We are now dealing with the on-demand generation."

Using a cloud core can improve the overall technology infrastructure for credit unions by reducing hardware spending and maintenance. At the same time, it's crucial for credit unions to vet the security and reliability of their cloud providers.

"Physical security at a data center is constant—redundant power, cooling, fire suppression are all things that can be difficult for a credit union when it comes to the simple physical security of infrastructure environment," Harsin says. "Data security in a cloud-based core means multiple layers of encryption both in transit and at rest, automatic backups, backups to the backups, near-real-time data replication running 24/7/365. [These features] provide a level of comfort to credit unions that if an event occurs, their systems can continue running."

Removing the management and monitoring of physical backup devices frees up physical space as well as IT bandwidth, giving IT team members the opportunity to invest their time and efforts in other areas—such as focusing on new member-facing technology.

"Leveraging a cloud core improves the lives of credit union employees, which then improves the lives of members," says Sarah Allison, CFO of $205 million Sterling Federal Credit Union (*sterlingcreditunion.org*), Sterling, Colorado. "Everyone's experience is streamlined, and it frees up employees to focus on better serving members."

A cloud platform also helps foster innovation and growth for credit unions because it increases market agility, allows the faster building of technology ecosystems, and provides the ability to better leverage data and artificial intelligence/machine learning services to deliver personalized services and products. And utilizing the cloud means that data is always accessible. "From a business perspective, credit unions may benefit from scalability, enhanced security, operational efficiency and lower total cost of ownership through reduced physical hardware and software license expense," McLachlan notes.

PRIVATE VERSUS PUBLIC CLOUD

Smith breaks down the difference between the various cloud models: "Traditionally, core systems have been deployed in a private cloud environment, managed by either the credit union in an in-house model, or the core vendor or their designated partner, such as a CUSO, as a hosted model. A private cloud environment typically places responsibility for functions—such as system operations, infrastructure upgrades and disaster recovery—in the hands of the client or the core vendor or their designated partner(s).

"In a public cloud environment, such as AWS (Amazon Web Services, *aws.amazon.com*) or Azure (*azure.microsoft.com*), the cloud provider provides the infrastructure, leaving system operations the responsibility of the credit union," Smith continues. "This may then give credit unions greater control over deployment of releases, job scheduling, file imports/exports and system configuration/customization that they would enjoy in a hosted environment while placing the onus of hardware management, load balancing and infrastructure upgrades in the hands of the cloud provider. There may also be financial benefits to a model that allows the institution to pay only for the processing it consumes, as well as licensing and amortizing the software, versus paying the core vendor a per-account fee.

"There are also hybrid models in which the credit union connects its server environment to a public cloud provider while running the core in-house. This alternative may allow credit unions to split workloads between in-house servers and the public cloud to gain greater efficiency—using proprietary servers for host-sensitive workloads and processes and [running] those requiring greater server resources on the public cloud."

From a cost perspective, it would be very expensive for a credit union to build out its own private data center and move its infrastructure to the cloud. Harsin notes that public clouds like AWS and Azure are going to be far more affordable, but there is some trade-off in terms of knowing where your data is at all times. Private clouds offered by many CUSOs can provide the economies of scale that make a cloud-based infrastructure cost-effective for credit unions.

Credit unions should consider such variables as peaks and valleys in traffic when determing which model is most efficient and best meets their needs. "I think it all depends on the type of application,

"Having a system that now can be accessed from anywhere safely ... and provide that level of accessibility to the workforce has been invaluable."

– Javier Lozano

the type of data and the environment," says CUES member Javier Lozano, VP/information services of $943 million Northern Savings Credit Union (*northsave.com*), Prince Rupert, British Columbia.

"We're still in the early stages of embracing the cloud as a whole, so we will start with the hybrid environment," Lozano explains. "Some services will remain in more of a public environment because they make sense, such as things where you don't have a lot of private data. ... But when it comes to data that is sensitive, that requires a higher degree of privacy. I think a private cloud, at least for now, is a better solution for the type of organization that we are. We have both kinds of capabilities available to us because of the need for compliance and the need to protect privacy. I think that's going to evolve and change in the future."

THE DRAG OF LEGACY SYSTEMS

If your credit union's existing core is showing its age, now is a good time to consider a cloud-based solution.

"The drag of legacy core systems refers to the older architecture and closed nature ... that produced strong, secure and reliable systems but now struggle to keep up with the needed pace of change," Smith says. "These older systems have much longer development cycles and are more difficult to communicate with by the myriad third-party vendors and fintechs that need access to credit union member information."

Upgrading certainly poses challenges, since it can be hard to integrate with and mine data from legacy systems. "When your core database architecture and languages are over 30 years old (which is *very* common), it becomes time-consuming to make old and new system languages speak to each other, which immediately increases expense," Harsin says. "These old systems were not designed to easily get data from them. They were meant to chug through postings and can do a great job at that, but pulling out MCC (merchant category) codes to see where your members use their debit card and how often? Well, that may be a custom report and X dollars of data analyst or developer time that you have to pay. It does not need to be that way. Modern architectures are designed to be open for the purpose of extracting as much data as one may want."

Older core banking systems were usually designed for reliability rather than the agility offered by open architecture. A modern cloud core allows financial institutions to be much more nimble. "With legacy systems, you can only take advantage of what they offer," says Darrin Blankenbeckler, CEO of Sterling FCU. "We leverage an open API system through MDT (Member Driven Technologies, *mdtmi.com*, Farmington Hills, Michigan), so we have access to and can seamlessly integrate with many products from other vendors."

His colleague, Allison, notes that technology is rapidly evolving. "With legacy systems, you don't have the flexibility to take advantage of new technological advances, which can lead to struggles with member retention and can be costly," she adds.

COMPETITION & DIGITAL TRANSFORMATION

"Leveraging a cloud core allows us to offer services in a cost-effective way to our members, which enables us to compete with big banks," Blankenbeckler says. Big banks have been embracing cloud cores faster than credit unions, which has allowed them to pivot faster and add new services more quickly.

"The financial services industry is fast becoming a technology-driven industry," McLachlan says. "A move to cloud-based solutions allows credit unions to leverage the most modern technologies available. Cloud cores enable community financial institutions and non-chartered fintechs to target specific niche markets with streamlined product offerings. This reduces the barrier to entry into new markets and helps level the playing field for credit unions battling for market share against big banks and other disruptors."

If adapting to a cloud core offers more equal footing, credit unions should take advantage. "We have to acknowledge that we're playing on a tilted field," Packer says. "The minute that we ... recognize that, we can do something about it. Credit unions can pivot, like a big bank can. It's David and Goliath. Credit unions need to embrace that underdog spirit and find partners that make them more efficient. We have to embrace our differences and then we have to strengthen our strengths."

Traditionally, credit unions have lagged on their technological offerings, notes Sabeh Samaha, president/CEO, Samaha & Associates Inc. (*ssamaha.com*), a financial technology consulting firm based in Miami Beach, Florida, but that is starting to change. "Technology fear is no longer the case," he says. "The big banks are throwing billions of dollars into technology. We have to really pay attention and then work closely with our partners to make sure they bring competitive functionality and competitive services."

Digital transformation initiatives are helping to trigger core migrations throughout the credit union industry. "More features,

> **"How many times have all of us gone to a website and have it not work? That impacts our relationship with that retailer or that website. We are now dealing with the on-demand generation."**
>
> – Preston Packer

improved user experience, and better systems and channel integration from digital initiatives highlight flaws in dated core systems," Smith says. "Likewise, many legacy core products are unofficially being sunset, which is triggering more credit unions to abandon their core vendor's digital offerings ahead of their likely core replacement."

Examining a credit union's technology unlocks opportunity across the board. "It is hard to think of an organization today that is not thinking about data and how to connect better with our members and our community," Lozano says. "The core banking system is that first place where we're going to start. From there, we're going to move to the online banking application, the CRM (customer relationship management) system, maybe the lending system, ... but we need to have a place where we collect most of the information. And that's basically what the core banking is, that record of history and transactions and everything that we need and making it accessible. This is something that we can connect and integrate easily with other applications and systems. We're going to mature over time and understand how to use that information better and better."

EVOLVING THE REMOTE WORKFORCE

Thanks to the pandemic, people have been turning to remote work in droves over the last two years. Moving to a cloud core has been instrumental in providing the technical capabilities needed to allow credit union employees to work from home; after all, one of the biggest perks of cloud-based cores is they can be accessed from anywhere in the world. No matter the location or the time zone, all you need is a secure VPN (virtual private network) tunnel.

"This is a significant benefit, as many credit unions plan to support remote and hybrid work environments in the long term," McLachlan says. "In addition to traditional user ID and password access, many credit unions have added additional layers of security for remote access, including both MFA (multi-factor authentication) and VPN. Both ... prevent bad actors with compromised credentials from accessing the credit union's systems.

"There are a number of affordable COTS (commercial off-the-shelf) products available for both MFA and VPN," McLachlan adds. "A strategy of layered defense has proven to be the best defense against bad actors gaining access to consumer information through the credit union's core and complementary systems."

Like many other credit unions, Lozano says the team at Northern Savings CU was worried that it would be very difficult to transition to a remote workforce, but the shift was smoother than expected. "We've been able, actually, to not just get a lot more things done in the last couple of years, but to really strengthen a lot of relationships," he says. "We are really far away from any major city, so you have to think about communities that are already separated from each other because of geographical boundaries. Having access to those communities is really difficult.

"What the technology did was to create more channels and opportunities to be in contact with each other. We know that for some people, it has been difficult to make this transition. But we feel that overall, the ability to provide that kind of flexibility to the workforce and support people the way they needed to be supported ... has been very beneficial for the organization. Having a system that now can be accessed from anywhere safely and securely and provide that level of accessibility to the workforce has been invaluable."

Ultimately, switching to a cloud-based core will keep information at the fingertips of a credit union and its employees, which is what it's all about these days. "We live in a global village," Packer says. "When and where I connect to data should not impact my ability to move with data. If access to data is limiting or slowing a remote workforce, you need a new technology partner, period. It doesn't matter where you are, where you live, work or play in relation to that data."

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

MORE ON THE CORE

Protecting Key Pathways (*cumanagement.com/1021protecting*)

Know the Basics of a Core Conversion (*cumanagement.com/0821basics*)

Tech Time: Thoughts on Outsourcing Your Core Software (*cumanagement.com/0321techtime*)

Lessons Learned From Remote Core Conversions (*cumanagement.com/0321corelessons*)

Why Convert Your Core System During A Pandemic? (*cumanagement.com/0321convert*)

Measure Twice, Convert (Your Core) Once (*cumanagement.com/0221measure*)

Portals Are *Table Stakes Today*

STILL, CREDIT UNIONS MUST SHOP CAREFULLY, KEEPING THEIR EYES ON ROI.

BY DIANE FRANKLIN

Board portals have become a common tool for sharing information and documents to credit union boards—so much so that it has become increasingly unnecessary to make a business case to justify implementing one.

"I think that having a board portal is so well-established and fills such a strong need that it's an administrative necessity at this point," says Jennie Boden, president of consulting services for CUES strategic partner Quantum Governance L3C (*quantumgovernance.net*), Herndon, Virginia. "Board portals have become an imperative and are a cost of doing business."

The dramatic rise in remote board meetings during the COVID-19 pandemic has further heightened the need for receiving, accessing and sharing documents electronically.

"Board portals have become absolutely essential," says Dottie Schindlinger, executive director of the Diligent Institute, the corporate governance research arm of Diligent Corp. (*diligent.com*), New York, parent company of the BoardEffect (*boardeffect.com*) and BoardDocs (*boarddocs.com*) portals. "It's no longer a question of, 'Should we have a board portal?' It's a question of 'Which one, and how are we going to use this technology to ensure that we have good, modern governance?'

For example, "storing your board documents in a secure location—that's table stakes at this point," Schindlinger says. "Credit unions need to explore what technology to use and how best to align it with their governance practices to take full advantage of what the technology offers."

EMERGENCE OF BOARD PORTALS

A technological shift in the last decade paved the way for increased adoption of board portals. "For many organizations, this shift first occurred when board directors began utilizing iPads in the early 2010s," observes Cris Carpluk, VP/customer engagement at OnBoard (*onboardmeetings.com*), a CUES Supplier member based in Indianapolis. "Suddenly it not only became fashionable to have new technology in the boardroom, but it also became more convenient, as digital versions of board books were

"If your board portal is not making the board ... meetings more effective, more informed and less complicated, it can create a very expensive waste of time for the business and directors."

— Cris Carpluk

as easy to use (if not easier) than their paper-based predecessors.

"Fast-forward to 2020, nearly a decade later, and there was another sea change brought on by the arrival of the global pandemic," Carpluk adds. "Overnight, every board at every organization across the world, including credit unions, had to quickly identify and implement solutions that allowed them to work safely in a remote setting; holding virtual meetings was no longer an option but absolutely mandatory for the health and safety of the board and its participants. Many organizations quickly identified newfound effectiveness in these digital settings."

Schindlinger concurs that board portals have proven particularly valuable during the pandemic. "I would say that as recently as three years ago, you had boards that were not using this technology and were still receiving their board books by email or in big paper packets," she says. "But with the pandemic, everything changed. Granted, a lot of offices have reopened to some extent, and some board meetings have gone back to being in person, but the pandemic drove home the need for flexibility. We have to have a way to stay connected with the information that we need to continue critical business functions, and I would absolutely consider board meetings a critical business function."

BUSINESS CASE—YES OR NO?

When board portals were new, credit unions may have found it necessary to justify the expenditure by presenting a business case to the board. Now that they are an established tool, Schindlinger sees the process of making a business case as far less necessary.

"Implementing a board portal is a business decision, so it really should rest with the CEO and the board liaison's office," she says. "That said, I think you'd be hard-pressed to find a CEO and a board liaison who don't involve the board in the decision in some fashion—for instance, by having a conversation with the board chair or perhaps the governance committee chair about what they want the board portal to do."

Schindlinger offers a caveat that a business case may be necessary if the CU is switching to a different board portal. "Any time you change software, you may need to describe to the board what you want to accomplish that you can't accomplish with what you already have," she concedes. "But making a business case to describe why you need a board portal at all? That should not really be necessary these days."

Offering a different perspective, Carpluk notes that some credit unions have an expectation for requiring a strong business case when adopting new technology or tools. "Board portals or board management solutions are no exception," she says.

Carpluk cites the fact that board meetings are a traditional undertaking as one reason business cases may be a requirement for implementing new board technology. "In general, new processes or technology have a hard time reaching the boardroom because it's so steeped in tradition," she explains. "On the other hand, credit unions that already have a modern board portal in place know the primary advantages: reduced administrative complexity and effort, improved documentation of board and committee outcomes, and a single source of truth for all board, director and related committee resources. For these organizations, a business case may be relatively less important. However, if these organizations are switching from one board portal or platform to another, there should be a well-defined set of advantages for adopting a brand-new tool."

WHO MAKES THE CASE?

If presenting a business case is necessary, who should be involved? "The CEO and the person who is in charge of compiling the meeting packets are the most qualified to make the case for acquiring a new board portal," suggests Kenny O'Reilly, president of MyBoardPacket (*myboardpacket.com*), a CUES Supplier member based in Arroyo Grande, California. "The CEO should be looking for how the new efficiencies of using the board portal will create a savings in time and money as well as better communications and feedback loops in working with the board members. And helping the CEO should be the person who will be the main user of the portal (the one who compiles the board packets), as this person must tell the CEO which portal solution seems to be easy enough to use from the administrative perspective as well as how easy it looks from the perspective of the board members."

O'Reilly discourages the use of committees in selecting a board portal. "All too often, a committee starts the search for a board portal and they are not intimately involved with the real processes, so their input and assessments can drive the organization to find solutions that create problems for the real users of the portal."

The most compelling business case will present key objectives for considering a board portal, O'Reilly adds. "And then show the board how the portal can meet these objectives with a hands-on free trial portal to determine if the solution meets their needs and is priced to meet their budget," he suggests.

Carpluk identifies stakeholders who could potentially be involved in creating a business case. "It all depends on the organization and its professionals," she says. That could be everyone from administrative to support staff seeking a streamlined solution that saves time and effort to directors and executives looking for a more systemic, secure and unified approach to credit union board governance.

However, Boden reiterates that she sees little reason for involving the board in the deep details of selecting a board portal. "The

“Think of it as the back office for your board, allowing them to stay informed, engage and interact with each other, no matter where they happen to be.”

— Dottie Schindlinger

MORE ON PORTALS

The Board Portal Wish List (*cumanagement.com/0222wishlist*)

Make the Most of Your Board Portal (*cumanagement.com/0222goodgovernance*)

Questions To Help You Assess a Board Portal’s Support, Training and Security Functionality (*cumanagement.com/0621questions*)

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

Quantum Governance (*cues.org/qg*)

CUES Governance Leadership Institute™ (*cues.org/gli*)

CUES Governance Leadership Institute™ II (*cues.org/gli2*)

board is responsible for strategic and fiduciary oversight. Those are their two key responsibilities,” she says. While the board might weigh in on what it needs in a portal in the big picture, “selecting a board portal doesn’t seem to fit into the scope of those two responsibilities. This is a tool that helps them do those two functions, but it’s not one of those two functions.”

WEIGHING THE COSTS

As with every capital expenditure, it’s important to do a cost-benefit analysis of the board portal. The way to judge the value of the board portal is by how well it enables directors and board liaisons to make use of the valuable time allotted to board activities, most notably the board meeting.

“Minute by minute, the board meeting is the most expensive and the most important meeting in any organization,” says Carpluk. “The board’s leadership and decision-making set the tone and pace for how the organization will strategically execute its stated goals. If your board portal is not making the board … meetings more effective, more informed and less complicated, it can create a very expensive waste of time for the business and directors.”

Doing a cost-benefit analysis doesn’t have to be complicated. “Keep it simple,” O’Reilly recommends, “and determine what the real costs would be if you need to add many new users to the portal in the future, as a good board portal should make all of your other meetings (volunteer committees, loan committees, management meetings, etc.) more productive as well.”

Schindlinger reports that Diligent’s cost structure entails an annual fee based on a multi-year contract, with two or three years being the norm. The fee depends on several factors, including the number of people using the system, the size and complexity of the institution, and the capabilities that the organization plans to use.

“So, for instance, if you want to integrate the system with your accounting package or a risk and audit package, this might affect the price,” says Schindlinger, explaining that the cost can be easily justified by the efficiencies the board can achieve. “Think of it as the back office for your board, allowing them to stay informed, engage and interact with each other, no matter where they happen to be.”

ONE CU’S EXPERIENCE

Cost was one of the considerations for $6.5 billion Hudson Valley Credit Union (*hvcu.org*), Poughkeepsie, New York, when it decided to implement a board portal in 2013.

“When we decided to switch from paper to an electronic package, we did perform a cost-benefit analysis comparing the cost of the time and materials for printing, mailing, etc., versus the cost of preparing the electronic version, including the cost of the software,” says EVP/COO Tony Rohrmeier, CSE, a CUES member.

In making this switch, the executives at Hudson Valley CU felt it important to get agreement from the board. “We formed a working group comprised of our board administrative assistant and members from the board and management,” Rohrmeier explains. “The working group developed the business case, reviewed vendor demonstrations and presented the business case along with a recommendation to the board during one of the monthly board meetings.”

Just a little over four years ago, Hudson Valley CU upgraded from its first board portal to Diligent’s BoardEffect, because executives wanted a tool that was more intuitive and easier to use.

“As with other vendor relationships, management conducted an RFP process that included several demos from various systems and reference checks,” Rohrmeier reports. “Like most credit unions, our RFPs always include consideration for pricing, service-level agreements, stability of the vendor and past performance for their other clients.”

Hudson Valley CU has realized several benefits, including improved collaboration, the ability to make last-minute changes as well as archive past meetings for reference, and its power to act as a repository for board policies and other documents. The portal proved even more important with virtual meetings. “I couldn’t imagine not having this solution in a virtual meeting environment,” Rohrmeier says.

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Digital Marketing *Tune-Up*

USE THESE SEVEN STRATEGIES, TOOLS AND TIPS TO JUMP-START YOUR CREDIT UNION'S MARKETING EFFORTS.

BY STEPHANIE SCHWENN SEBRING

The new year is well underway, the pandemic is, well, nothing new, and credit union marketers are tackling their own brand of seasonal maintenance by optimizing websites, content, ads and emails. Today's best practices all strive to keep the member at the forefront. Here are some key digital marketing strategies and tactics to deploy in 2022, according to industry experts.

1. FOCUS ON MEMBER EXPERIENCE

The member experience should guide everything from website development to content and feature enhancements to digital media and messaging when you overhaul your CU's digital presence.

"This start-to-finish approach will help credit unions focus on the member journey and drive engagement and effectiveness," explains Sally Dickter, SVP/marketing for CUES Supplier member Franklin Madison (*franklin-madison.com*), Franklin, Tennessee. "It will also require integrating the real-life member experience—what people actually see and do online, such as filling out an application—with the virtual user experience, the tools that engage and enhance online conversion."

It's also vital to align digital strategies with member expectations, which includes communicating in the ways they prefer and to which they have become accustomed, says Megan Pannier, VP/marketing digital payment solutions for CUES Supplier member Fiserv (*fiserv.com*), Brookfield, Wisconsin. "Make your website the digital hub—dynamic and engaging with minimal copy, not a repository for product brochures. Employ search engine optimization, so prospects can find you and existing members can find what they're looking for."

For greater effectiveness, integrate tools that enable an automated, seamless approach to digital marketing. Consider a content management platform for your website, advises Pannier, and a marketing automation tool to deploy targeted, dynamic content for member prospecting and to deepen existing relationships.

Keep members in mind when determining the look of your emails and website by keeping the digital design clean.

With a large variance of content, designers need to think through layouts and provide designs for numerous new scenarios to enrich the member experience, says Mark Ryan, co-founder and chief analyst officer at Finalytics.ai (*finalytics.ai*), an artificial intelligence platform provider for credit unions based in San Mateo, California. "The days of designing one to five marquee banners are go-

"Credit unions get so excited about paid efforts and larger campaigns that they overlook the easy, low-hanging fruit: Tell your story through simple posts about who you are, why you exist and how you want to help."

– Elisa Rode

ing away; designers now need to think through dozens, even hundreds of scenarios with changing displays."

Clean designs and less copy work best, agrees Chris Spicer, senior marketing manager at Jack Henry Digital (*jackhenry.com*), Monett, Missouri. "Sometimes it's easy for operations and compliance teams to add a ton of details and disclaimers, but this can distract readers from the point.

"Instead, find creative ways to appease both groups without losing the target audience's interest, Spicer continues. "For example, feature ads with your promotional message and point to a landing page where the details and lengthy disclaimers live."

An often-overlooked best practice stems from new member onboarding, whether the account is opened in-branch or online. "Create awareness and reinforce product benefits that complement a member's account, particularly digital solutions that drive loyalty (like bill-pay and person-to-person payments), which can make or break a relationship early on," suggests Pannier.

"Quickly follow-up with a new member through email with value-proposition messaging and solutions that improve their banking experience and well-being," she adds. "Equally important: Engage with longer-tenured members with product education."

2. TAKE A HOLISTIC, OMNICHANNEL APPROACH

Laurie Busby, managing partner at James & Matthew (*jamesandmatthew.com*), Shirley, Massachusetts, is a proponent of the omnichannel approach to marketing, but with a few nuances. "Start by reviewing accessible data and identifying opportunities for cross-device campaigns," says Busby. "Depending on your goals, a multi-channel campaign could target current or prospective members with OTT (over the top) video on a smart TV, or a digital ad on their favorite social channel or web searches, followed by a timely email offering product details." An example of leveraging OTT would be commercials on streaming services like YouTube or Hulu that deliver content "over the top" of existing internet service rather than using traditional broadcast or cable TV.

Avoid isolated, siloed strategies by backing up communication through members' preferred channels with reminders in other areas.

"Integrate multimedia tactics using known member preferences," says Dickter. "For example, send direct mail to members who have attributes of mail responsiveness, followed by faster, lower-cost email reminders. For members with digital preferences, schedule a sequence of emails. And for web visitors who do not make a purchase, retarget them through email and social media ads."

The key is to drive members to the digital banking app or the landing pages on your website or to encourage them to like, comment or follow your social posts, says Spicer. This pool of members represents the potential mindshare (i.e., consumer awareness) to target with cross-sell messaging within that digital channel.

"Algorithms for social post engagement can also determine the frequency and velocity of exposure to your audience's news feed," Spicer notes. "And for greater impact, involve all stakeholders; a common misstep is ignoring the potential of your network (and workforce) to boost engagement of social posts. Leverage your social media influencers on-staff by incentivizing them to engage with your posts."

Credit unions often fall victim to spreading campaigns too thin and across too many media types, acknowledges Busby, while ignoring (or underutilizing) a few well-executed channels. "It can be from trying to satisfy too many stakeholders with varying goals and potential targets. Instead, maximize results from a few select channels before adding to the media stack."

Busby advises selecting the mediums that drive measurable results in trackable key performance indicators and key performance actions. "To make the most of your marketing dollars, identify and prioritize the right KPIs for strategic objectives, and target audiences on marketing and advertising channels that deliver results."

3. UNDERSTAND AND LEVERAGE AI

Artificial intelligence, comprised of datasets and machine learning (ML), resides at the heart of digital marketing in 2022.

Preetha Pulusani, CEO of DeepTarget (*deeptarget.com*), a digital marketing company based in Huntsville, Alabama, says that a credit union not employing AI will be left behind. "[AI] can personalize and add consistency to your messages—those welcomed by the recipient in the channel they prefer, to capture interest and loyalty. It can also boost leads and conversions."

Credit unions possess massive amounts of data, which allows AI and ML models to continually learn and predict the characteristics and behaviors of individual users more accurately. "AI can reveal the propensity of a user to purchase a loan or deposit product, help personalize campaigns and target offers," Pulusani explains. "And it takes less time, potentially yielding better results rather than a human trying to determine a product-fit with limited data manually."

Predicting member behavior is also critical to proactive member retention strategies. "It can increase a credit union's competitiveness and wallet share—significant because the consumer's desire for a PFI (primary financial institution) is waning," adds Busby.

"People are moving away from using one primary financial institution, preferring to utilize products and services they need in the moment," she continues. "AI bridges this gap, allowing credit unions to be more personal and at scale."

Predicting member needs with a better understanding of what content resonates is another way AI impacts digital marketing—

even changing how content is prepared. Pannier shares that Persado (*persado.com*), a New York-based company, applies AI to marketing creative. Chase Bank has signed an agreement with Persado and found machines are outperforming humans in copywriting trials (*tinyurl.com/chasepersado*).

AI can directly enhance member service as well. "Some financial institutions are leveraging chatbots on their websites to respond to inquiries or guide users to appropriate content," notes Pannier. "For example, third-party apps integrated into web platforms can present customized content based on if the individual is a first-time or returning user, by location and more, for increased lead generation and conversions."

However, it's important to remember that AI isn't a magic tool that can immediately fix all digital marketing and service delivery problems.

"AI is, undoubtedly, exciting in terms of engagement and enhancing the user experience," reflects Elisa Rode, president of marketing consulting firm Kearley & Company (*kearley.com*), Fort Worth, Texas. "There is, however, growing concern about fundamental biases built into AI, and these could impact member groups—meaning AI cannot offer a universally positive experience for every member you have.

"As with anything, do your homework, define objectives and goals, and then test a diverse group of members before you launch anything," stresses Rode. "The last thing you want is to create pain points for your members and turn them off. Management and measurement and refining execution tactics can be a forgotten aspect of digital."

4. COUNT ON ZERO- AND FIRST-PARTY DATA

Zero-party data is a component of first-party data shared willingly and intentionally by members.

Highly reliable, zero-party data goes beyond the standard personal information and behavioral data acquired in a customer relationship management system; it includes surveys, online registrations and forms through which members proactively provide context into their product, service and communication preferences. "This data drives a more personalized, relevant marketing approach," explains Busby, "and is invaluable for deploying complex retargeting strategies, reaching high-value members or developing new, lookalike audiences."

Zero-party data will also help prepare for a life without cookies. The data privacy landscape will continue to change, and marketing plans that rely heavily on third-party data will be less effective, notes Rode.

Browsers like Apple's Safari have already implemented default settings that block third-party cookies, which track the presence of an online user across websites; Google unveiled its own plans for Chrome but subsequently delayed the end of cookies (*tinyurl.com/googlecookies*). "Apple has rolled out privacy updates, particularly Private Relay and App Tracking Transparency, which have impacted how advertisers run advertising and track performance on platforms like Facebook," notes Busby. "As a result, highly targeted ad strategies will become increasingly limited as users opt-out of tracking."

Pannier adds that conversion attribution accuracy will also decrease as marketers lose the ability to measure the impact of an ad against an intended outcome, like a page visit or form-fill, and the ability to track targeted audiences across multiple channels. "Overall, we'll see lower conversions, higher CPAs (cost per acquisition), and we'll have to establish new benchmarks to evaluate performance."

Credit unions can adjust to these changes by relying on their first-party data (and cookies) that track basic data about a website's visitors. "You can understand what a user did while visiting your site, see how often they visit and gain other basic analytics to develop or automate an effective marketing strategy," continues Pannier. "You can also mine your CRM and transaction data to target more effectively."

Searchability will remain untouched by these privacy changes, and a well-optimized web presence will help existing and prospective members find content and services across the web without cookies. A strong SEO strategy can also lead to significant organic traffic, mitigating the loss of reach.

"Spend time getting up to speed on SEO and how to build your SEO strategy—and if you don't have the resources to manage your site and site optimization in-house, ask colleagues about their preferred partners," advises Rode.

Another area commonly ignored is organic social growth. "Credit unions get so excited about paid efforts and larger campaigns that they overlook the easy, low-hanging fruit: Tell your story through simple posts about who you are, why you exist and how you want to help," Rode says.

5. OPTIMIZE DIGITAL ADS

The impending demise of third-party cookies will certainly impact the effectiveness of ad retargeting across all of a user's browsing activity. However, that doesn't mean you can't leverage zero- or first-party data to retarget users through your own channels.

"It's effective for brand and product reinforcement because it hits users that are familiar with your brand or services," says Busby. "Historically, most digital tactics relied on one data point to determine when to serve an ad. Now, predictive modeling can evaluate and weigh hundreds of data points to serve a highly targeted, personalized digital ad."

To maximize retargeting for multiple segments, Busby offers three tactics:

Web-Based Pixel: This tactic re-engages users and/or members by targeting ads based on behaviors on a credit union's website. A user's behavior is tracked by implementing a pixel or snippet of code onto the website. Targeting can be based on general web visits or users who have visited specific product pages on the site.

List-Based: This tactic utilizes existing CRM data to target ads precisely. Lists can be segmented based on specific products and services with ads tailored to a member's needs.

Both web-based and list-based approaches are omnichannel and can be used across many platforms and media channels. Examples include digital audio, connected TV/OTT, online video and YouTube, display advertising, social media and even search.

Ad Engagement-Based: This tactic builds upon previous campaign efforts by serving ads to members and prospective members previously exposed to an ad. Depending on the campaign's objective, the target audience could have watched a video to completion or engaged with ad content.

One example of a cross-platform tactic is serving OTT video ads to a broader audience, then retargeting those who viewed the video with a direct response digital ad. This results in traffic to the site and pro-

> **"It's critical not to deploy the same email tactics you used 10 years ago."**
> – Megan Pannier

vides information for subsequent KPAs. Engagement-based ads are an excellent tactic to reinforce messaging and support awareness-based channels.

"Additional ad strategies include testing contextual advertising and predictive modeling across omnichannel campaigns," Busby says. "Test tactics against cookie- and device ID-based campaigns; set benchmarks to understand campaign performance. This will provide insight into how performance may evolve."

Increasing conversion rates must also become a priority. Ryan notes that most credit union websites have less than a 2% overall conversion rate. "This low rate can be debilitating for digital initiatives (such as ad campaigns) because it doesn't make sense to send traffic to a website that can't convert well. As credit unions update their digital strategies, creating a highly relevant and satisfying website that converts should be step number one."

6. TAKE EMAIL TO THE NEXT LEVEL

The use of embedded media, compelling visuals and animation is becoming the norm in email marketing, as is the use of AI to improve targeting, content and delivery timeliness.

"It's critical not to deploy the same email tactics you used 10 years ago," Pannier explains. "Leverage a best-in-class email service provider or marketing automation platform to deliver contextually relevant content geared towards different member segments."

Sophisticated platforms offer capabilities like predictive analytics and lead scoring for ongoing testing for subject lines, visuals and calls to action. They can also support automated trigger campaigns to reach members with the right content.

But don't forget the lower-tech best practice that applies to all marketing content: Keep content pithy.

"Credit unions can't afford to push lengthy messages, especially if most are reading emails on their smartphones," says Spicer. "Subject lines should not be repeated in the body of the message, and the first two lines (of your promotional message) should be straightforward, giving the recipient a reason to click through to the promotion. Move the longer message, campaign details and disclaimers to a landing page."

Follow up, but don't overcommunicate, agrees Pannier. "Don't craft messages to be viewed on desktop—always create for mobile-first viewing." (Get more advice about successful email tactics from Pannier, Spicer and other indstry experts at *cumanagement.com/0222insidemarketing*.)

7. OWN THE RELATIONSHIP

Despite the growing adoption of predictive analytics, some FIs today are moving away from the next-best-product marketing approach. Barry Kirby, SVP of CuneXus (*cunexusonline.com*), a technology company based in Santa Rosa, California, believes CUs should continually offer solutions instead and condition members to shop with the credit union first, rather than go elsewhere.

"The 'next-best' product isn't necessarily the best thing for your member," says Kirby. "Often, it's a product the credit union is eager to promote. For example, if a member has a checking account elsewhere, they probably don't need another checking account with your CU. Instead, focus on providing members with options that are accessible to them and allow them to make their own educated decisions, much like a retail experience."

Also consider shifting from the use of third-party applications to hosting more services in-house. "A CU's data should always reside within the credit union and not released to a central repository," Kirby explains. "Don't let another company represent your brand—whether it's a call center, student loan product, mortgage, car site or something else. You'd be giving away the keys to the kingdom. It's imperative for CUs to refocus themselves on owning the relationship with their members. Too many credit unions are redirecting the eyeballs of their members to different platforms, ultimately diminishing their own relevance."

Kirby suggests that a common mistake CUs make is trying to meet too many demands outside their branded environment: "If you can't do it better than other vendors out there, don't do it at all."

Dickter says not leveraging the power of the credit union brand is a common misstep. "Branding should center on the credit union's name and logo as a source of engagement and credibility that gets attention and purchases," she explains. "The tone and visuals of digital marketing must also speak to what members emotionally feel and rationally need."

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

MORE ON DIGITAL MARKETING

Inside Marketing: The Secrets of Successful Email Campaigns (*cumanagement.com/0222insidemarketing*)

Digital Marketing Success Stories (*cumanagement.com/0222digitalstories*)

Inside Marketing: Improving Video SEO (*cumanagement.com/1221insidemarketing*)

Inside Marketing: Maximizing ROI With Digital Branding (*cumanagement.com/1121insidemarketing*)

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

Good for Business *and the Planet*

CREDIT UNIONS FIND THEIR VALUES ALIGN WITH INTERNAL AND EXTERNAL SUSTAINABILITY EFFORTS.

BY ART CHAMBERLAIN

Every business has always wanted to be sustainable in the sense of making enough money to pay its bills, employees and owners—so it can stay open and remain viable.

But now many businesses, including credit unions, want to be sustainable in the sense of behaving in ways that will make it possible for our society to keep going. Their focus is external, to ensure they are not part of the problem.

Sustainable actions that CUs can take range from reducing energy use in branches and installing solar panels on their roofs to making loans that help members buy e-bikes to offering investments that don't include fossil-fuel companies in their portfolios.

Many credit unions find their sustainability efforts are a natural fit with their values-based approach and include their diversity, equity, and inclusion efforts as well.

WHAT'S DRIVING THE MINDSET SHIFT

At this point, the impetus for change is coming from CUs and their members, but increasingly regulators are looking at the potential transformation of our economy from one based on fossil fuels to one driven by electricity generated from renewable sources. Regulators are starting to quantify the risks this shift will pose to financial institutions. Some are considering insisting financial institutions hold more capital so they can handle any risks.

While there are climate-change skeptics and critics of specific proposals, most people think our environment is getting warmer due to human activity. The number of people in the U.S. who think global warming is happening outnumbers those who don't by a ratio of more than 6 to 1 (76% versus 12%), according to a September 2021 report (*tinyurl.com/yaleclimatere port*) by the Yale Program on Climate Change Communication.

In October, the Financial Stability Oversight Council (*tinyurl.com/treasfsoc*), of which the National Credit Union Administration is one of 10 voting members, identified climate change as an emerging and increasing threat to U.S. financial stability (*tinyurl.com/fsocreport*).

"Some of the largest participants within the

> **“We found that every sustainable decision we’ve made has had a positive impact on the bottom line, and it’s resonated well with our membership.”**
>
> — Pamela Agnone

financial services industry have begun adjusting their business plans and have committed to achieving net-zero carbon emissions in their activities,” NCUA Chairman Todd Harper said in November. “The NCUA board recognizes that this is a business decision for companies of all types and sizes to make, including credit unions. For that reason, the agency will not micromanage auto lending, mortgage lending or member business lending for climate financial risk. This includes lending to family farms and others in the agricultural sector, as well as businesses tied to the fossil fuel industry.”

In Canada, the guidance may soon be more direct. The Bank of Canada (*bankofcanada.ca*) and the Office of the Superintendent of Financial Institutions (*osfi-bsif.gc.ca*), which regulates the growing number of federal CUs, reported (*tinyurl.com/bocosfireport*) in January that, “meeting climate targets will lead to significant structural changes for the Canadian and global economies, and ... this transition will be more challenging in countries like Canada that have large carbon-intensive sectors.”

There is also international pressure coming from the Task Force on Climate-related Financial Disclosures (*fsb-tcfd.org*) created by the Financial Stability Board (*fsb.org*), Basel, Switzerland, a network of central bankers from around the world, to improve and increase reporting of climate-related financial information. Some CUs have already adopted the task force’s reporting approach.

UNITED IN SUSTAINABILITY

A leader in the sustainability movement is $7.4 billion United Nations Federal Credit Union (*unfcu.org*), which has had climate-neutral operations since 2016. UNFCU leads the United in Sustainability network and has organized four annual sustainability summits that brought together CUs across North America, the last two co-hosted with $287 million OAS Federal Credit Union (*oasfcu.org*).

“We found that every sustainable decision we’ve made has had a positive impact on the bottom line, and it’s resonated well with our membership,” says CUES member Pamela Agnone, EVP of UNFCU and an executive sponsor of its Global Sustainability Program.

“When we got to a certain point in our journey, we turned our attention to the credit union industry,” says CUES member Tom Kurian, VP/enterprise information security and program manager/industry, UNFCU GSP.

UNFCU’s United in Sustainability website (*uisnetwork.org*) “contains a lot of resources and tools for credit unions and associations that are interested in in this topic no matter where they are on their journey,” says Kurian.

Given its field of membership, it’s perhaps not surprising that UNFCU has focused on meeting the 17 sustainable development goals (*sdgs.un.org/goals*) established by the United Nations. Agnone says pursuing the SDGs “seems like a natural extension of the way we would conduct our business” for members.

The United in Sustainability website maps out five phases that CUs and other organizations pass through as they implement sustainable activities: 1) awareness, 2) consideration, 3) engagement, 4) integration and 5) advocacy.

STARTING SMALL IS POSSIBLE

$1.6 billion Self-Help Credit Union (*self-help.org*), Durham, North Carolina, first got involved with sustainability about 20 years ago when a few environmentally conscious employees started recycling and pushing for other improvements, says Melissa Malkin-Weber, sustainability director at Self-Help CU, a family of organizations that includes two CUs—Self-Help CU on the East Coast and $1.8 billion Self-Help Federal Credit Union (*self-helpfcu.org*) in the West and Midwest—plus an advocacy group and a nonprofit loan fund.

Over time, Self-Help CU’s initial effort has turned into an organizational imperative. The CU’s goal is to provide services to low-income families and underserved areas, which is especially important since they are hardest hit by climate change and the least able to financially cope with it.

Malkin-Weber says that when she joined the CU 11 years ago, there was a reluctance to discuss climate change with members because it was controversial, so the focus was on talking about the cost-saving benefits of environmental changes. But now “it’s become clearer and clearer that climate change isn’t something that’s an if or when. It’s a here and it’s a now.”

She said Self-Help CU promotes the fact that it offers members “the opportunity to bank with an institution that doesn’t finance fossil fuels and that invests in sustainable energy projects and building more sustainable communities.”

Now, the organization is working toward setting ambitious goals for reducing its carbon footprint by analyzing and sharing data on its current footprint.

“We have published our first public carbon footprint report (*tinyurl.com/selfhelpfootprint*) both for operations and for our loan portfolio,” Malkin-Weber says. “So, we shared our baseline, and now what I’m going to be working mightily on is figuring out how we can then reduce that footprint.”

The report outlines the direct footprint of Self-Help CU’s operations in 2020 and measures the footprint of its commercial loans. That footprint is many times the impact of the organization’s direct emissions, which highlights the opportunity for all financial institutions to work with their borrowers.

For example, $27 million Clean Energy Federal Credit Union (*cleanenergycu.org*) is providing loans for solar panels, geothermal heat pumps, electric vehicles and e-bikes. Also, Inclusiv (*inclusiv.org*), based in New York, is working with a network of community development CUs to train lenders so they can provide loans for solar power systems.

MORE ON SUSTAINABILITY

Ideas for Environmental, Social & Governance Action (*cumanagement.com/0921esg*)

Canadian Credit Unions Join the Battle Against Climate Change (*cumanagement.com/0621canadian*)

What Is ESG and Why Should Your Board Care? (*cumanagement.com/1020esg*)

Sustainable Business Practices for Today's Credit Unions (*cumanagement.com/0620sustainable*)

Lending a Hand to Green Projects (*cumanagement.com/0520lending*)

CFO Focus: Investing for Environmental and Social Impact (*cumanagement.com/0421cfofocus*)

"[Our] board approved a new strategic plan to make our core values the center of our business strategy. Making those values explicit really gave us license to push it to the next level."

— Paul Herendeen

Self-Help CU also encourages members to adopt simple home energy efficiency habits (*tinyurl.com/selfhelphelps*) as a way of aligning their habits and their values, as well as saving money.

The report notes that Self-Help CU is starting out from a greener baseline than many other financial institutions because it does not finance fossil fuels.

The CU's policy of not financing fossil fuel projects is well known, so it rarely gets approached for plans that don't fit its requirements. Still, a few years ago it did turn down the chance to underwrite solar arrays at a natural gas exploration site.

Instead, "we attracted projects that were not getting a hearing from the big banks," says Malkin-Weber, "such as a land trust that needed a bridge loan so it could get a state grant or a biofuel company that needed a truck. We've tallied up ... over $409 million of green loans over the years through a mix of opportunistic and intentional targeting."

CARBON ACCOUNTING FINANCIALS

Another leader in the sustainability movement is $855 million Clearwater Credit Union (*clearwatercreditunion.org*), based in Missoula, Montana.

A few years ago, as part of a renaming and expansion program, Clearwater CU's "board approved a new strategic plan to make our core values the center of our business strategy," says Paul Herendeen, director of impact market development. "Making those values explicit really gave us license to push it to the next level."

Clearwater CU is a member of the Global Alliance for Banking on Values (*gabv.org*) and has worked with a small group of like-minded institutions, including Self-Help CU, to adapt the Partnership for Carbon Accounting Financials (*carbonaccountingfinancials.com*) benchmarking initiative, developed in the Netherlands, to meet North American requirements. The program aims to allow financial institutions to assess and disclose the greenhouse gas emissions of their loans and investments.

Clearwater CU has recently completed its first assessment under the program, and its board is considering how to proceed.

"Climate change is an issue that we care a lot about, and we don't mind being public about it," Herendeen says. "We're always ready to finance any kind of energy efficiency or renewable energy work. We got to carbon neutrality by financing energy efficiency at a local affordable housing project, and we would really like to finance more of this work."

ESG, VENDORS AND STAFF

$12.5 billion First West Credit Union (*firstwestcu.ca*), based in Langley, British Columbia, decided last year that it needed to include an outside assessment of its environmental, social and governance efforts in its strategic planning.

It turned to Sustainalytics (*sustainalytics.com*), an independent ESG-rating firm, which found First West CU was at low risk of experiencing financial impacts from any of these areas. It ranked well below most other financial institutions.

"As a values-based organization, we've always had environmental, social and governance issues at the forefront of what we do," says Megan Long, director/strategy. "But we've never really formally measured it. That first official rating marks the beginning of our official journey to become a more sustainable organization."

Now, First West CU's leadership team is defining its path forward and considering ways to engage members "to make sure we are taking them along on this journey as well," Long says.

Don't forget your vendors, adds Kurian, because where you spend money shows your true values. He urges CUs to try the UN Global Compact's free, confidential and comprehensive self-assessment tool (*globalcompactselfassessment.org*).

Sustainability efforts also can help you attract young staffers who want an employer that matches their values, says CUES member Prasad Surapaneni, CIE, SVP/CIO at UNFCU and an executive sponsor of its Global Sustainability Program.

Based in Campbellford, Ontario, **Art Chamberlain** *focuses his writing on issues important to the credit union system.*

Franklin Donahoe

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Website: LynxTechnologyPartners.com

What makes Lynx Technology Partners unique?
We don't use security jargon to instill fear, uncertainty and doubt in our clients. Security is not about just technology, but how technology and employee awareness work together to protect CUES members and other credit unions. We use our Lynx Risk Manager software and Lynx 360° Security Framework to develop, manage and monitor CU security programs beyond compliance to ensure the protection of member systems and people assets. When it comes to cybersecurity, compliance isn't enough. It's about integration, visibility and communication.

How can credit unions be more successful?
Instead of taking a proactive, risk-based cybersecurity approach, many security programs take a compliance-only approach. CUs should develop and integrate risk intelligence and compliance automation with traditional security protection technologies. Since skilled hackers exploit security "best practices," defending your members takes relentless risk management, layered defenses and continuous monitoring. In Lynx's 13-year history, we have excelled at helping our customers understand why security is important to their business objectives. Aligning security to business value is foundational.

What are the top issues for CUs today?
The financial industry is undergoing a lot of change. Fintech and CU partnerships, crypto adoption, aging and unsupported technology platforms, autonomous banking, and the growing volume of data needed to better understand and serve members are all challenges and opportunities driving technology innovation and adoption, privacy concerns and growing opportunities for hackers. To keep pace with the growing market challenges, many CUs are using third-party services and providers. Third parties can introduce vulnerabilities that are outside your control but impact your members just the same. It is estimated that 60% of all data breaches happen via third-party vendors, making CU business ecosystems vulnerable to cybersecurity attacks.

Building Bold, Effective *Black Leadership*

2021-2022 PSCU Bold Effective Leaders: A CUES Strategic Leadership Development Program participants in alphabetical order: Madeir Boothe, manager/contact center; Vincent Chisolm, manager/operational services; Michael Dove, VP/center process excellence; Sonya Jackson, senior learning architect; Robin Kinsey, manager/IT strategic business liaison; Norma Parker, manager/settlement; Sheila Porter, VP/enterprise program management; Rosa Richardson, manager/contact center; Brenton Rodgers, EPMO program manager; Leeann Sullivan, manager/billing operations; and Marvin York, VP/contact center member engagement

CUES SUPPORTS PSCU IN FILLING ITS PIPELINE WITH DIVERSE TALENT TO MOVE THE CUSO—AND THE INDUSTRY—FORWARD.

BY FELICIA HUDSON HANNAFAN

According to a recent report (*tinyurl.com/blackcorpamer*), one in five Black professionals feels that someone of their race or ethnicity would never achieve a top job at their company, despite often being more ambitious than their white counterparts. The report by Coqual (*coqual.org*, formerly the Center for Talent Innovation), a workplace think tank in New York, also cites the lack of access to senior leadership and opportunities to forge relationships with key decision-makers as a reason that Black employees struggle to advance in their organizations.

To ensure Black and African American professionals are given opportunities to advance in the credit union industry, CUES recently created a customized, year-long leadership development program for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. Launched in January 2021, PSCU Bold Effective Leaders: A CUES Strategic Leadership Development Program provided intensive leadership development designed to build PSCU's leadership pipeline by preparing participants for senior leadership positions. The program also reinforced PSCU's already strong foundation for its ongoing diversity, equity and inclusion efforts.

Developed and facilitated by CUES Consulting (*cues.org/cuesconsulting*), the year-long program featured live online sessions led by prominent business school faculty and industry leaders, independent study modules, and virtual courses from CUES offered in partnership with Cornell and Harvard. CUES Consulting facilitators supported participants' progress through the program and internal discussions at PSCU to create a learning experience customized to be as effective as possible.

"The collaboration was to provide our Black and African American leaders a chance to enhance their skills, their expertise, and really get them ready for roles that will position them to move our company and our industry forward," says Chuck Fagan, president/CEO of PSCU and a CUES member.

"The ultimate goal is to pave the way for future

"The collaboration was really to provide our Black and African American leaders a chance to enhance their skills, their expertise, and really get them ready for roles that will position them to move our company and our industry forward."

— Chuck Fagan

DEI initiatives," Fagan says. He adds that PSCU's investment in the Commitment to Change initiative (*aacuc.org/commitment-to-change-1*) with the African-American Credit Union Coalition (*aacuc.org*) also supports this vision.

"There have just been a number of things that pulled it together—certainly my relationship with and passion for CUES, my relationship with John Pembroke (president/CEO of CUES) in particular, and just the two teams collaborating," he says. "We wanted to be a leader in the space, and I know CUES is already a leader in the space. We will continue to invest in our people. We will grow our leadership team and move them through all the different levels of leadership. This program is a great example of that."

The CUES-PSCU collaboration was suggested by CUES member Marvin York, PSCU's VP/contact center member engagement, who was struck with the idea when looking at offerings on the CUES website. "Once I started reviewing the prestigious CUES programs online, I thought this would be a great opportunity to develop programs specifically for our African American professionals who are career-focused," says York. "Education is key, and this was a way to provide access to the materials needed to be successful."

York adds that it was the interaction with others in Sankofa, PSCU's African American business resource group (at *pscu.com/diversity-equity-inclusion*, see the Sankofa tab under "PSCU Business Resource Groups"), that exposed the need for more in-depth support for those interested in advancing their careers. After York founded the group, one of its first actions was to send a group of key leaders to PSCU's different campuses to share their journey on how they advanced into leadership roles.

"Sankofa helped shape the business model for developing mentees and mentors," says York. "In order to close the opportunity gap for employees of color, PSCU needed to provide greater access to leadership education. This new development program prepares African American leaders for advanced roles so that when next-level positions become available, they are ready to take on those roles."

Jen Scheib, professional development coordinator for CUES, says that when York reached out to her to explore partnering to create a custom leadership development program for this select group of high-performing PSCU employees, the goal he expressed was "to help these individuals with their own professional growth and development while also supporting and enhancing the DEI initiatives" at PSCU. "We were grateful to be approached by Marvin and PSCU and to be a part of that for them," she says.

Program participant Sheila Porter says that in her 30-plus years in the credit union industry, she's never had such a great leadership development opportunity. "You have the individual courses that your company offers—their leadership courses—but nothing as in-depth as this," says Porter, VP/enterprise program management at PSCU and a CUES member. "The speakers, opportunities and breakdown of the classes were just phenomenal."

The program included 12 leaders and 12 executive mentors/coaches. York and Porter were both program participants and mentors/coaches. This allowed them to experience the program from both perspectives, ensuring that it was in alignment with York's initial goals.

ELEMENTS OF SUCCESS

So what made this program so successful?

PSCU participants cited the high level of engagement with their CUES representative, Jen Scheib, as well as the discussions and engagement with the PSCU executive suite.

CUES member Mike Dove found the regular check-ins with Scheib to be very effective. VP/center process excellence at PSCU, Dove says he appreciated her reminding participants what they had already done and what they would do next. "I'm a checklist guy, so that was wonderful for me and a huge tieback to the class," he says.

Scheib is humbled by the praise and found the experience as the CUES program facilitator to be phenomenal. "They were really engaged and just had so much drive and initiative from the beginning and throughout," she says.

"Unexpectedly," she adds, "what came out of that was just how inspiring it was for me to be part of it. We had so many wonderful conversations, both in the large group and individually with the participants, that really affected me in a positive way. They helped me learn a great deal also."

Porter says that in addition to the speakers, support from members of the executive suite and SVPs at PSCU and facilitation from CUES, the support of other participants was probably the most important driver of the program's success.

"The cohort's commitment to helping one another succeed—from having one member schedule all the courses on our calendars for visibility to meeting with our accountability partner to discuss the coursework and apply the knowledge"—was critical, she says. "And all of this worked in a remote environment which allowed participation from our various sites."

Dove expresses a similar sentiment. "I think building the cohort

MORE ON BLACK LEADERSHIP & DEI

Simply Increasing Staff Diversity Doesn't Equal More Top Black Leaders (*cumanagement.com/0222increasing*)

Transforming Workplace Culture Through Diversity, Equity and Inclusion (*cumanagement.com/092221transforming*)

Diversity Insight: The Domino Effect of Leadership Training for Inclusion (*cumanagement.com/0421domino*)

Diversity Insight: Committing to a Diverse Talent Pipeline (*cumanagement.com/0221diversityinsight*)

How to Pave the Way for Black Male Leadership (*cumanagement.com/011821pave*)

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

"[The goal was] to help these individuals with their own professional growth and development while also supporting and enhancing the DEI initiatives that they have at PSCU."

—Jen Scheib

relationship in the beginning was very important," he says. "You're going in together, and you're leaving together."

TOP TAKEAWAYS

Dove and Porter identify top program takeaways.

"I was impressed with what CUES put together," says Dove. "I wasn't aware of the opportunities for this type of training and development." One of the highlights for him was learning how to align his strategic goals and targets with improved communication style and skills, in addition to gaining an understanding of how to influence through communication.

"I was shocked to see that one of the modules was 'communication and leadership influence,'" Dove adds. "The course itself was exactly what I've been trying to figure out. I was really deep into that part of the program—tying it together with strategy, some of the nonoperational practical skills and also learning about heuristics (quick problem-solving) and human behavior." He adds that it stressed to him that the human skill of influential communication is just as important as job-specific knowledge.

Porter says a top takeaway for her was learning about the career journeys of senior leaders at PSCU and what inspired them. "It really has helped me to clarify my own journey and also look at possibilities for others' journeys," she says. She also enjoyed Pembroke's session on diversity and transformation.

"We had a session ... where we just asked him questions about challenges that we were facing as African American leaders and challenges he faced," Porter details. "He said, 'In order for something to be new or created, something has to die. And you have to learn how to prepare people for that death.'

"It was a very interesting concept because DEI is new for a lot of folks and uncomfortable for a lot of folks," she adds. "So, you really have to think about how you transform thinking. ... You have to take people along that path for a full transformation."

KEEPING IT GOING

The PSCU Bold Effective Leaders program concluded with the implementation of each participant's final project. The projects and timelines will be assessed to determine how the leaders used the new skills they learned. "Then we make sure that we stay on that track," says York. He adds that PSCU's learning and organizational development department will be collaborating with CUES to build additional programs over time.

Scheib wants to ensure that participants' learning is carried forward.

"For example, we are offering ways they can participate in the CUES community by providing a platform for them to share their experiences and ideas as leaders." Scheib adds that she is looking forward to seeing the impact the participants make at PSCU and in the industry—and that she hopes CUES Consulting can adapt this program for implementation with credit unions and other industry groups.

NEXT STEPS

Fagan doesn't see this program as a one-and-done event either.

"We're always looking for what that next development avenue is going to be for our employees," he says. "The fact that we had high engagement and very positive feedback on the program hopefully generates interest in what that next program will be.

"We've really encouraged each individual to own their career direction path and to engage in ongoing development, which when employee-driven and manager-supported all come together," Fagan adds. "That's what this program really established."

York says he would welcome the opportunity to partner with CUES again.

"This was our first effort at building a training curriculum, and I do believe there are others that would like to take the course," he says. "We will identify the next candidates—those employees for whom the sky is the limit. They are very capable, and our job is to make sure the opportunities are there for them."

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

6 Pitfalls to Avoid in *Managing Interest Rates*

EVEN VETERAN RISK MANAGERS ARE WATCHING THEIR STEPS IN 2022'S HARD-TO-PREDICT TERRAIN.

BY RICHARD H. GAMBLE

Interest rates are cyclical. Everybody knows that. Experienced credit unions managers have been through cycles before. They've got this.

Or maybe it's not quite that simple.

Seasoned CU managers and experts in the field warn that tectonic financial shifts have occurred since the last cycle and that relying on experience could lead to serious mistakes.

"Some past solutions no longer make sense," warns Dave Loftus, VP at c. myers corp. (*cmyers.com*), Phoenix. "Your old concentration and risk limits may be outdated. Revisit them."

The pros identify six potential mistakes that alert CU managers need to recognize and avoid right now. We cover three of them here. You can get three more in the unabridged version of this article at *cumanagement.com/0322interestrates*.

DON'T RELY ON FORECASTS

Forecasts are a two-edged sword, warns Kevin P. Chiappetta, CFA, SVP/investment services at $2.1 billion Corporate Central Credit Union (*corpcu.com*), Muskego, Wisconsin. They are unreliable in today's world of evolving pandemics, disrupted supply chains, political disfunction and erratic employment trends. In 2017-2018, for example, "many CUs prepared for a forecasted increase by adding asset sensitivity with things like floaters," a debt instrument whose interest rate is tied to a benchmark index, Chiappetta notes. "If they moved 30% to 50% of their assets to floating, they were betting on an increase and trying to get ahead of it. When rates went down, they were exposed, and some are still suffering from that misplaced bet."

Be careful how you use rate forecasting models, warns Joe Kennerson, managing director of CUES Supplier member Darling Consulting Group (*darlingconsulting.com*), Newburyport, Massachusetts. Worst-case and best-case scenarios are just that—unlikely extremes, he explains. "Too much focus on shocks can get you in trouble," he cautions.

In contrast, Dave Wicklund says CUs need budget forecasts to dictate spending and monitor operational results, but interest-rate models and their forecasts still play a useful role. Director of advisory services for Plansmith Corp. (*plansmith.com*), a CUES Supplier member based in Schaumburg, Illinois, Wicklund explains that in his view budget forecasts address high-probability, low-impact possibilities while interest-rate risk models and scenarios address a range of low-probability, high-impact possibilities and provide stress testing.

"They make planners think about what could happen in best- and worst-case scenarios," he says, "and how could the CU prosper or survive."

DON'T RELY ON AN OUTDATED TOOLKIT

Managing interest-rate risk may seem like a core skill, notes David Koch, director of advisory services for Abrigo (*abrigo.com*), Austin, Texas, but there are new tools and techniques that credit unions may not currently use. For example, the Federal Home Loan Banks (*fhlbanks.com*) offer such innovative instruments and approaches as amortizing advances, options to prepay advances, building in structure and options that work in the CU's favor, even in some cases forward-starting advances or advances that can increase in size at current rates.

Don't overlook wholesale funding, even with high liquidity, Koch preaches. "There's a perception in many credit unions that borrowing funds is a sign of weakness, but it's not. If rates rise, the cost of core deposit funding could erode loan margins, while borrowed funds could be used to lock in spreads." There's a time for borrowing.

CUs also need to understand the opportunities they now have under the derivatives rules issued by the National Credit Union Administration (*tinyurl.com/ncuafinalderiv*) last May, asserts Alec Hollis, managing director of ALM First LLC (*almfirst.com*), a CUES Supplier member based in Dallas.

"NCUA modernized the tools CUs have for managing risk," he says. Before, CUs had to change exposures by changing the assets and liabilities themselves, he notes. Now they have another way.

For example, Hollis continues, CUs holding a lot of low-coupon fixed-rate mortgages have a likelihood of extended duration and a real risk if rates go up. In the past, that could be addressed by selling such mortgages or participations. Now it can also be addressed by adding an interest rate swap (a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount) to offset the impact of a rate increase. "You can use a swap to desensitize the balance sheet," he explains.

$17.4 billion Servus Credit Union (*servus.ca*), Edmonton, Alberta, took decisive action in 2019 to protect against falling rates, a move that paid off when rates did fall in 2020, reports CFO Ryan Gobolos. The CU is not taking similar action to protect against rising rates, he explains. "We put on fixed-rate swaps out as far as 2024 to protect against flat or falling rates, so our book is extensively hedged for low rates. We'll probably let them run off now and reposition our book for a rising-rate environment."

Its downside protection means that Servus CU would benefit less from a rate increase, Gobolos notes. "Our hedges will be a drag on earnings when rates go up, but we're okay with that. They gave us downside protection, and they are still making a real contribution to margin until an increase occurs."

Does getting into derivatives require expertise? A CU with a qualified treasurer or CFO can deploy a simple hedging strategy with a little training, Hollis says. But even sticking to plain-vanilla swaps still takes some knowledge. Large CUs have been creating a senior position for a chief risk officer, he reports. Those CROs, he adds, often have capital markets experience.

Derivatives caused a lot of damage in the Great Recession, but Hollis applauds NCUA for "modernizing the rules and helping the industry grow. We're seeing the next generation of balance-sheet management."

Wicklund is more skeptical. Swaps only become efficient above a theoretical threshold that most CUs don't meet, he says. So swaps as CUs use them often don't qualify for the most favorable accounting treatment.

DON'T WAIT FOR LIQUIDITY TO SUBSIDE

Liquidity risk now is front and center, Kennerson notes. "There's still a lot of parked cash," he emphasizes. As an industry, CUs now hold 18% of assets in short-term investments, he points out. "They're sitting on a lot of dry powder that carries a huge opportunity cost. Should they extend durations now? That's a tough question."

As investment portfolios rapidly grew, CU managers began to think opportunistically about how to use that money. Some turned to brokers, who are incentivized to push certain products, Hollis points out. Some hired in-house expertise. One CU asked a third party to run the portfolio for nine months while staff trained to take it over, he says. Some used the money to prefund employee benefit obligations.

The surge in deposits caught most CUs by surprise, Wicklund observes. Not many CUs responded by building sophisticated investment portfolios, he adds. Some stretched maturities to pick up yield to offset net interest income compression. The CU managers sometimes listened to their brokers, who often pushed longer maturities.

That didn't work well for the most part. There wasn't much yield on the securities they were permitted to buy, even with longer maturities, and most of the yield pick-up came from selling call options, Wicklund reports, which may prove short-sighted. "If rates fall," he points out, "the securities will be called, and you lose the better rate. If rates rise, you're stuck with the lower rate.

"There's still a lot of parked cash." CUs now hold 18% of assets in short-term investments. "They're sitting on a lot of dry powder that carries a huge opportunity cost. Should they extend durations now? That's a tough question."

— Joe Kennerson

MORE ON ASSET/LIABILITY MANAGEMENT

CFO Focus: Not the Dreaded 'D' Word (*cumanagement.com/0122cfofocus*)

Video: Ideas for Asset/Liability Committees Dealing With Margin Pressure (*cumanagement.com/video102521*)

Recent NCUA Derivatives Ruling Is a Game-Changer for Many Credit Unions (*cumanagement.com/0621derivatives*)

"If your goal is to outperform your peers with better investment portfolio yields, you're making a mistake."

— Kevin P. Chiapetta

You only win if rates stay the same and you pick up income from selling the call, which goes unused," he reasons.

Having a stand-alone investment strategy is misguided, according to Chiappetta. "If your goal is to outperform your peers with better investment portfolio yields, you're making a mistake," he insists. It should function as a buffer to absorb some of the shocks that could hit the loans or deposits, he says, not be judged by how well it performs on its own.

Liquidity isn't just about dollars. It's also about the people who keep money in the credit union. CUs have experienced about five years of normal growth in less than two years, so knowing depositors has become critical during this time of deposit surge, Kennerson says. Questions to answer about your deposits and depositors include: "How stable are they? How much comes from new members and how much from existing members keeping larger balances? If you keep deposits rates low, will you lose excess liquidity or will you lose members?"

In the last tightening cycle, loan-to-share ratios had been growing at a good clip, Kennerson says. This time, they've been down for some time—more than 10%. Ebbs and flows could be unusual this time. CU planners need to watch the data. "It's worth investing in a deposit study to understand how core and sticky these surge deposits will be." This knowledge, he says, will help CUs decide whether to add longer-term assets.

"There's a fear now of extending asset durations," he points out. "Some of it is warranted. Some of it is not. The greater risk is not that rates will rise but that they won't."

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

As Long or as Short *as Needed*

$1.25 billion Firstmark Credit Union (*firstmarkcu.org*), San Antonio, responded to the financial distortions of the pandemic by extending asset durations, particularly in its investment portfolio, which gained $200 million in the liquidity surge and now constitutes 46% of earnings assets.

"We moved to protect our net interest income with longer asset durations," explains CFO Michael Grundon, CIE, a CUES member. "We're in the NCUA's low bucket for net interest income and net economic value risk metrics. We needed yield and bought longer-term, mortgage-related securities in our investment portfolio."

Does that put Firstmark CU at risk if interest rates rise? Not necessarily, Grundon says. He has a new tool for that. His board has approved the use of interest-rate-related derivatives. "Plain-vanilla interest-rate swaps can hedge our exposure at any time," he says. "We can be as long or as short as we need to be. We haven't used swaps yet, but we're ready. If we need short-term money, we can borrow it and currently do have outstanding positions."

So Grundon is confident with this array of instruments to manage interest-rate risk. "We have the tools, and I have the [capital markets] experience to know which levers to pull and when to pull them."

Even with his long investment positions, Grundon is hoping to see a rate increase.

"I'd like rising market interest rates. This situation would expand our margins." The credit union's loan duration has decreased recently. "We haven't seen mortgage growth in our loan portfolio," he explains. "We lost $90 million in mortgage-related loans during the pandemic."

Falling rates "would hurt us," he adds. "We couldn't expand our net interest margin and would in fact compress. We'd have to use service-related fees or find new sources of revenue to support our business model."

2022 CUES Supplier Member Directory

Your Trusted Resource

ACT Advisors

521 College St
Asheville, NC 28801
Phone: 828.398.2802
Website: act-advisors.com

Agent IQ

795 Folsom St, 1st Fl
San Francisco, CA 94107
Phone: 844.243.6847
Website: agentiq.com

Alacriti

1551 S Washington Ave #130
Piscataway, NJ 08854
Phone: 908.791.2916
Website: alacriti.com

Allied Solutions

350 Veterans Way
Carmel, IN 46032
Phone: 972.447.3723
Website: alliedsolutions.net

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ALM First Financial Advisors

3800 Maple Ave #600
Dallas, TX 75219
Phone: 214.451.3930
Website: almfirst.com

Alogent

35 Technology Pkwy S #200
Peachtree Corners, GA 30092
Phone: 678.966.0844
Website: alogent.com

Aon Human Capital Solutions

5600 West 83rd St
8200 Tower #1100
Minneapolis, MN 55437
Phone: 952.886.8247
Website: mclagan.aon.com

Bancography

1827 1st Ave N #200
Birmingham, AL 35203
Phone: 205.251.3227
Website: bancography.com

Business Compensation Consulting

1700 Alma Dr #100
Plano, TX 75075
Phone: 800.781.2099
Website: bcc-business.com

Callahan & Associates

1001 Connecticut Ave NW Fl10
Washington, DC 20036
Phone: 800.446.7453
Website: Callahan.com

Capital Performance Group

1233 20th St NW #450
Washington, DC 20036
Phone: 202.337.7872
Website: capitalperform.com

CobbleStone Software

100 Overlook Center Fl 2
Princeton, NJ 08540
Phone: 866.330.0056
Website: cobblestonesoftware.com

CO-OP Financial Services

9692 Haven Ave
Rancho Cucamonga, CA 91730
Phone: 800.782.9042
Website: coop.org

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Content Guru

900 E Hamilton Ave #500
Campbell, CA 95008
Website: contentguru.com

CUES PREMIER SUPPLIER MEMBER

CUESolutions Provider

Cornerstone Advisors

7272 E Indian School Rd #400
Scottsdale, AZ 85251
Phone: 480.425.5203
Website: crnrstone.com

Corporate America CU

4365 Crescent Rd
Irondale, AL 35210
Phone: 800.292.6242
Website: corpam.org

CourseMark

1005 Blairs Ferry Rd NE
Cedar Rapids, IA 52402
Phone: 469.956.3110
Website: coursemark.com

CUES PREMIER SUPPLIER MEMBER

CUES

2601 Crossroads Dr #105
Madison, WI 53718
Phone: 800.252.2664
Website: cues.org

CUInsight

1808 James Redman Pkwy #265
Plant City, FL 33565
Phone: 317.690.2084
Website: cuinsight.com

CUES PREMIER SUPPLIER MEMBER

CU Members Mortgage

14901 Quorum Dr #800
Dallas, TX 75254
Phone: 800.607.3474
Website: cumembers.com

CUES PREMIER SUPPLIER MEMBER

CUESolutions Provider

CUNA Mutual Group

5910 Mineral Point Rd
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Phone: 800.356.2644
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CUES PREMIER SUPPLIER MEMBER

CUESolutions Provider

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CUES Strategic Partners have joined with CUES to bring credit union-specific services to the movement's leaders.

CUES PREMIER SUPPLIER MEMBER

Premier Supplier Members have joined CUES at the highest level.

CUESolutions Provider

CUESolutions is a CUES program designed to easily connect credit unions with thought-leading suppliers that have the products and services they need to evolve and elevate their success. CUESolutions providers are companies CUES has identified as industry experts and has partnered with to showcase their thought leadership to our membership.

CUNA Mutual Group is a Platinum CUESolutions provider for its executive benefits program and CUNA Mutual Retirement Solutions.

CUNA Mutual Group, Fintech Solutions is a Platinum CUESolutions provider for its data analytics offerings.

Content Guru is a Silver CUESolutions provider for call center technologies.

DDJ Myers is a Silver CUESolutions provider for succession planning and board development.

Experian is a Silver CUESolutions provider for its credit data and fraud solutions.

CU Members Mortgage is a Bronze CUESolutions provider for its mortgage lending solutions.

PSCU is a Bronze CUESolutions provider for payments.

State National Companies is a Bronze CUESolutions provider for portfolio protection and insurance tracking,

Strategic Resource Management (SRM) is a Bronze CUESolutions provider for contract management and negotiations.

To learn more about **CUESolutions**, contact Kari Sweeney, VP/supplier solutions for CUES, at **608.288.5326 or email** *kari@cues.org*.

Fintech Solutions

CUNA MUTUAL GROUP

CUNA Mutual Group, Fintech Solutions

5910 Mineral Point Rd
Madison, WI 53705
Phone: 888.258.0011
Website: advantedge.digital

CUES PREMIER SUPPLIER MEMBER

CUESolutions Provider

Currency Marketing

12-8465 Harvard Pl
Chilliwack BC V2P 7Z5
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Phone: 604.793.8976
Website: currencymarketing.ca

CU Solutions Group

17250 Newburgh Rd
Livonia, MI 48152
Phone: 800.262.6285
Website: cusolutionsgroup.com

Darling Consulting Group

260 Merrimac St
Newburyport, MA 01950
Phone: 978.463.0400
Website: darlingconsulting.com

DDJ Myers
Advancing Leadership Success

DDJ Myers

4340 E Indian School Rd, 21-472
Phoenix,AZ 85018
Phone: 800.574.8877
Website: ddjmyers.com

CUES PREMIER SUPPLIER MEMBER

CUESolutions Provider

Dell Technologies

1 Dell Way
Round Rock, TX 78664
Phone: 737.285.4458
Website: dell.com/en-us

Doeren Mayhew

305 W Big Beaver Rd #200
Troy, MI 48084
Phone: 888.433.4839
Website: doeren.com

ECM Companies

3784 SW 56th Rd
Gainesville, FL 32608
Phone: 866.409.3147
Website: ecmcompanies.com

edge

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CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 24—29**	cues.org/INST1
MAY 2022			
TalentNEXT	Austin, TX	**May 15—17**	cues.org/TalentNEXT
CEO Institute II: *Organizational Effectiveness*	*Samuel Curtis Johnson School of Management* Cornell University	**May 15—20**	cues.org/INST2
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**May 15—20**	cues.org/INST3
JUNE 2022			
Governance Leadership Institute™ I	*Rotman School of Management* University of Toronto	**June 5—8**	cues.org/GLI
Governance Leadership Institute™ II	*Rotman School of Management* University of Toronto	**June 8—10**	cues.org/GLI2
AUGUST 2022			
Execu/Net™	Jackson Hole, WY	**Aug 28—31**	cues.org/EN
SEPTEMBER 2022			
Supervisory Committee Development Seminar	Santa Barbara, CA	**Sept 19—20**	cues.org/SCDS
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DECEMBER 2022			
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2022 ONLINE PROGRAMS		
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CUES Advanced Management Program from Cornell University	**July 20—** **March 22, 2023**	cues.org/eCornell-CUManager
High Performing Board Digital Series	**New class starts July**	cues.org/HPB
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Director Development Intensive	**Dates TBD**	cues.org/DDI
Board Liaison Workshop	**Dates TBD**	cues.org/BLW

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

What's Your Definition *of Primary Financial Institution?*

BY LISA HOCHGRAF

Putting your focus on becoming your members' primary financial institution begs the question, "How do you define a PFI?"

CUES member Dan Clarke, SVP/member experience with $5 billion Service Credit Union (*servicecu.org*), Portsmouth, New Hampshire, posed this question to the CUESNet member community (*cuesnet.cues.org*) in December. (CUESNet is a benefit of CUES membership.)

"To get the ball rolling, I'll go first," Clarke wrote. "We currently define PFI as a member with a savings and checking account along with direct deposit and a loan. When we do surveys, we have found that members consider us their PFI but have no loans with us—either by choice (no debt) or because even though they don't use us for loans we're still their go-to financial institution (which is a little bit of a bummer for me—after all, we have loans!).

"This is one of those metrics that seem to widely vary between financial institutions. (Products per member, anyone?)," he added, inviting other CUES members into the discussion.

Several other CUES members jumped in, among them Scott Heit, digital marketing specialist with $621 million Leaders Credit Union (*leaderscu.org*), Jackson, Tennessee. He explained his CU's tiered levels of PFI, which are based on products per member.

Leaders CU's "pro" PFI level includes members with four or more products, including a checking account, a scheduled ACH transaction, at least 10 debits, online statements and an internet banking relationship. These members are more than 16 years old and are not indirect members.

The CU's "intermediate" PFI level is the same, but members have at least three products instead of four and an internet banking relationship but no ACH relationship. At the CU's "beginner" PFI level, members have at least three products but no ACH, online statement nor online banking relationship.

CUES member Brian Wilcox said he takes a very basic view of PFI, defining it as when a member has a checking account with direct deposits into it.

"This indicates the checking account is active," wrote Wilcox, chief marketing officer for $1.9 billion APG Federal Credit Union (*apgfcu.com*), Aberdeen, Maryland. "When you start tying additional products and services, the waters can get muddied. Some members are borrowers, and some are savers. Loans get paid off and deposit balances fluctuate."

Wilcox said his credit union also considers whether members indicate the credit union as their PFI on the annual member survey. "However, that goes to only a sampling of members and is only done every other year," he noted. "Still, it is another good metric to monitor, which can be benchmarked against peers."

CUES member Kelcey Stevens, ACC, agreed that metrics like wallet share and products per member have long been the go-to metrics for defining PFI. Organizational learning and leadership adviser for $1.7 billion Sharonview Federal Credit Union (*sharonview.org*), Fort Mill, South Carolina, Stevens added a few questions to consider that may give additional insight into a CU's definition of PFI.

- How are you defining PFI across generations, as it may be different for each?
- How are your members defining PFI?
- What consideration have you given to leveraging such data as digital penetration, usage and service concentration to help define PFI?
- How are you identifying members' behavior, financial life stage and next best possible action?

Lisa Hochgraf *is senior editor for CUES.*

Leave a comment and let us know how you define PFI at cumanagement.com/011922skybox.

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Laura Lynch, products and services manager for CUES, in "Scam Victims Are Getting Younger" on CUES Skybox: *cumanagement.com/012422skybox*

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