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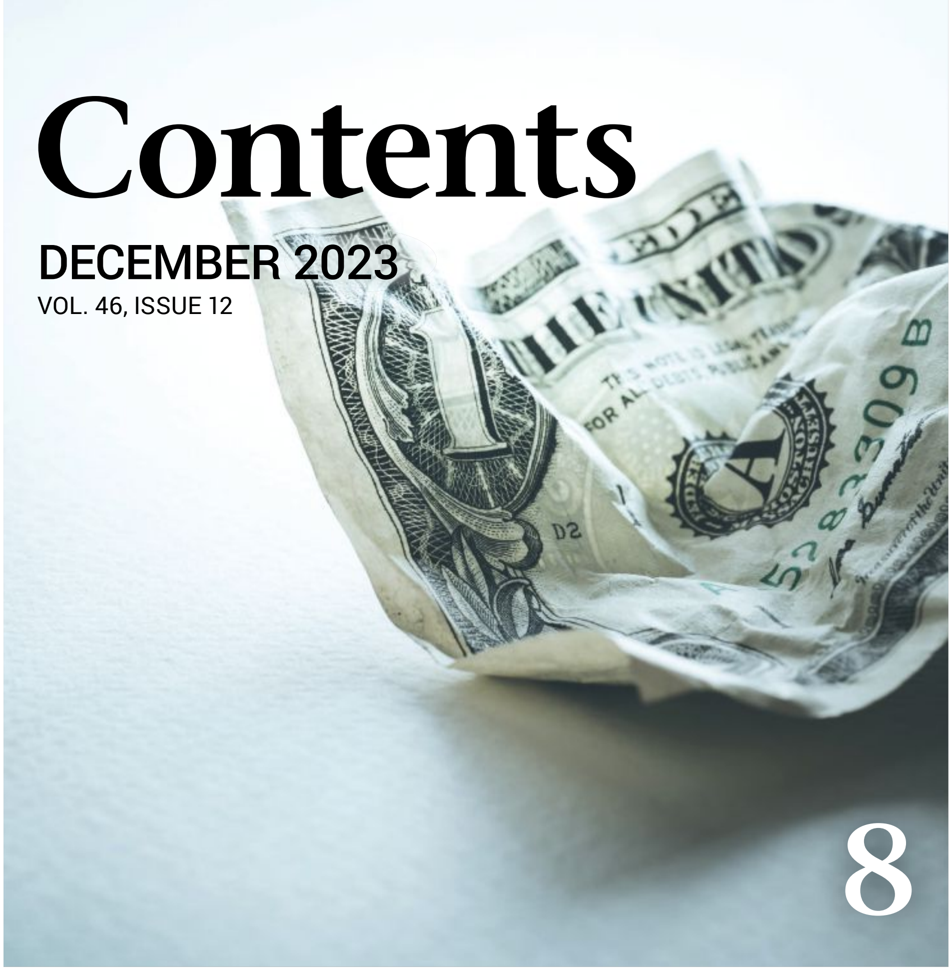

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Online Bonus

An Opportunity for Debit Card Rewards

Credit unions can capture card market share—especially among members of younger generations who are turning away from credit toward debit—by offering more impactful programs.

cumanagement.com/1223debitrewards

CUES Video

The Value of a Professional Pause

Laurie Maddalena, founder/CEO of CUES Supplier member Envision Excellence, details three reasons why you and your team will benefit if you include pauses in your workflow.

cumanagement.com/video100223

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Scan the QR code to find all of the content on this page and more in the December digital edition of the magazine on CUmanagement.com!

CUES Podcast

Executives and CUs Can Win the Financial Game Together

Chris Jones, senior benefits consultant and partner in PARC Street Partners, discusses how his team helps CUs create succession plans and attract, retain and compensate key executives so that everyone benefits.

cumanagement.com/podcast153

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LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.
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A Credit Union Year *in Review*

As we look back on 2023, a few trends and key events stand out. We saw bank failures, heard a lot of talk about digital transformation and worried more and more about fraud. Curious if my recollections matched your info-consumption preferences, I peeked at our most-read content. In 2023, we published more than 400 pieces of content. These 10 jumped to the top.

"Board Compensation Can Be a Strategic Investment": Should you pay directors? Five CUs shared their experience with compensating the board: *cumanagement.com/0423boardcomp*.

"Going for Quality, Not Quantity": The shift to digital banking is transforming the way CUs interact with members from branch to call center. New approaches put the focus on satisfied members, not just speedy responses in the call center: *cumanagement.com/0223quality*.

"New Fraud Threats Facing CUs and Members in 2023": Fake texts from the boss, fake job posts and more—Kathleen Peters, chief innovation officer at Experian Decision Analytics, discussed five fraud predictions and how CUs can combat them: *cumanagement.com/031323blog*.

"Rising to the Challenge": In this article from January, credit union and industry leaders discussed the top areas of concern that kept them up at night. Are these still your top worries? What has changed in the past year? Read it here: *cumanagement.com/0123rising*.

"Pushing Back Against the Ambition Penalty": Are women less ambitious than men, or are they simply stuck between a rock and a hard place due to gender norms? Check out this article from our online publication, *Advancing Women*: *cumanagement.com/0823ambition*.

"Three Opportunities for CUs in Today's Evolving Digital Lending Landscape": Brian Hamilton, president of CUES Supplier member Origence Lending Services, explained how to prioritize digital transformation to set up your CU for long-term growth: *cumanagement.com/0523lending*.

"Six Things You Should Stop Doing on LinkedIn Immediately": An ethics and social media expert discussed how to use this tool more effectively: *cumanagement.com/020823blog*.

"Considering the 6 Elements of Risk in the Wake of Several Bank Failures": Jim Devine, CEO of Hipereon and lead faculty for CUES School of Business Lending (*cues.org/sobl*), examined the bank failures: *cumanagement.com/0323bankfails*.

"How CEOs Can Design Organizations of the Future": In our top 2023 podcast episode, Deedee Myers, Ph.D., president of CUESolutions provider DDJ Myers, an ALM First company, explained why CEOs should go on a listening tour and talk to CU stakeholders about an organization's "three time zones": the past, the present and the future: *cumanagement.com/podcast148*.

"CFO Focus: Credit Unions Need to Improve Their Efficiency and Monitor Their Cost of Funds": Bill Handel, general manager and chief economist at Raddon, a Fiserv company, provided a data-driven look at CUs' current situation: *cumanagement.com/0123cfofocus*.

Theresa Witham

Theresa Witham
VP/Publications & Publisher

P.S. As I write this, it's only mid-November, leaving plenty of time to consume more great content before 2024 arrives. Visit *cumanagement.com* or scan the QR code to keep up with our ongoing coverage of the credit union industry.

YOUR THOUGHTS

WHAT MOMENTS FROM 2023 STAND OUT AS THE MOST IMPORTANT FOR YOUR CREDIT UNION?

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

Lending *Blahs*

CONDITIONS DON'T LOOK PROMISING FOR LOAN GROWTH IN THE YEAR AHEAD.

BY RICHARD H. GAMBLE

The lending outlook for 2024, frankly, is not exciting. Tight liquidity, slow home sales, little refinancing, cut-rate auto loans, growing delinquencies and the specter of a recession add up, at best, to modest, selective growth.

Bill Conerly, head of Conerly Consulting LLC (*conerlyconsulting.com*), Lake Oswego, Oregon, is one economist predicting a significant enough recession next year that it could impact lending.

One credit union is watching for loan losses.

"In 2021 to mid-2022, we hit a low point in loan losses," observes CUES member Bill Vogeney, chief revenue officer of $9.8 billion Ent CU (*ent.com*), Colorado Springs. He thinks that losses can only go up in the near term.

Weak loan demand may go hand in hand with a weak supply of lendable funds. CU lending in 2024 will depend on three factors, Vogeney says: "Liquidity, liquidity and liquidity." Ent CU has a loan-to-deposit ratio of almost 110%.

"Many credit union loan-to-share ratios have reached their limits," reports Jerry Reed, president/CEO of Members First Mortgage (*memberfirstmortgage.com*), a credit union service organization based in Grand Rapids, Michigan, "meaning many CUs don't have funds to spare and must sell any mortgages they originate on the secondary market, which currently is not paying much."

Not all CUs are squeezed. $293 million PAHO/WHO Federal Credit Union (*pahofcu.org*), Washington, D.C., which serves the global health and development communities, has plenty of liquidity. Its $161 million loan portfolio was down a bit in 2023, as paydowns exceeded originations. Its $100 million investment portfolio, mostly short-term floaters and share certificates, provides plenty of room for growth, but CUES member Derek Fuzzell, chief financial and strategy officer, is not expecting much in 2024.

Modest, selective growth is what's expected at $2.8 billion Vantage West Credit Union (*vantagewest.org*), Tucson, Arizona. Through summer 2023, that CU was experiencing 9% growth in consumer lending, 19% growth in business lending and forecasting that growth would slow down in 2024, according to CUES member Mark Papoccia, chief member experience officer.

"We're cautiously optimistic" for three reasons, he says.

The CU's leaders are cautious because Papoccia expects the Fed to continue raising rates. It's also cautious because liquidity is tightening.

"We have liquidity we can tap," he notes, "but it's at a premium, so we're already being selective in where we use it."

The CU also is cautious because credit quality is starting to slip. "Consumer delinquencies are creeping up," Papoccia adds. "We're watching and preparing for more."

MORTGAGE LENDING

Opportunities in mortgage lending will be limited, Vogeney predicts. CUs thrive on refinancings, and there are "virtually none expected" as long as rates remain high, he says. Many buyers are still paying cash.

It's a low-churn market, Vogeney summarizes, with a weak secondary market, and likely to remain so in 2024 unless rates come down substantially. "Lenders are chasing scarce business, and big players are cutting margins to the bone just to keep the doors open," he describes. "The gain on the sale of mortgages is the lowest I've ever seen," he adds, in more than three decades as a CU executive.

Mortgage lending in 2024 will depend a lot on inflation and what the Fed does with interest rates, Reed observes. The thinking at press time, he says, was that the Fed will apply another hike or two, but he, unlike Conerly, doesn't think there will be a significant recession. So high rates are likely to continue or edge up in 2024.

That means the continuation of a sluggish home mortgage origination market. "People are staying put," Reed points out, "except for event-driven sales like responses to a divorce, job change, marriage, death or retirement." Some 90% of homeowners already have refinanced, he points out.

"Nobody wants to let go of a 3% mortgage and trade it for 7%," Conerly observes.

Innovations will be modest. Vantage West CU has rolled out and will be promoting a 40-year mortgage. It's the CU's standard 30-year mortgage with amortization spread over 40 years to lower payments, Papoccia explains.

What's not sluggish is home building. With such low inventory, Reed observes, builders are building and finding buyers, even when it's hard for many would-be buyers to qualify. "That's where the action is," he points out.

And CUs are missing most of that action because they typically aren't plugged into the real estate community, Reed notes. "They don't necessarily know the builders and Realtors."

The outlook for 2024 is part of a bigger picture, Reed suggests. Migration is changing the U.S. economy and affecting mortgage lending, he says. Once people were leaving rural America and heading for urban corridors. Now there is an exodus from coastal areas into the South and Midwest because of lower costs, taxes and cultural issues in those regions, he reports. "Homeowners have ridden this wave, tempered by limited employment opportunities."

Generational changes will affect home values and mortgages in 2024 and beyond, a key shift most have been slow to recognize.

"Young people don't expect or want the houses they grew up in," Reed observes. "They can't afford it, and they're okay with that," he explains. "They want convenience more than space. They want one open space for activities that is practical and accommodating. They don't want formal living rooms and dining rooms."

And that means they will value a prospective home differently than most appraisers and CU mortgage lenders have realized. "They care about accepting deliveries," Reed explains. "They want smart houses, sometimes completely smart houses where the faucets, curtains and doorknobs can be controlled remotely or programmed."

Low originations have left home equity lending (a star performer in 2023) as the best hope for growth in 2024. People with low fixed-rate mortgages do not want to sell or refinance, Vogeney notes. Those who might move up to bigger homes are upgrading their current homes. People who would normally move to get better jobs are trying to work remotely and stay in their current homes, he says.

Homeowners whose equity may have doubled recently are ready to monetize some of the equity. That means strength in home equity lines of credit and second mortgages in 2024 as members remodel, take trips, buy fun vehicles or help family members, Reed says.

The bright spot for PAHO/WHO FCU, not surprisingly, is HELOCs, which were growing in 2023 and showing no delinquencies, Fuzzell reports. Overall, mortgages were the CU's least profitable asset in 2023, yielding 3.98%, compared to 4.6% on investments.

AUTO LENDING

Brace for "interesting times" in auto lending in 2024, warns Bob Child, chief operating officer of Origence (*origence.com*), a CUES Supplier member based in Irvine, California. CUs' share of new car financings has been plummeting, from 22% to 14.5% in just the second quarter of 2023. That market share is likely to keep falling and remain low for much of 2024, he reports.

The reason: Manufacturers and dealers are eager to "move metal," and instead of cutting prices or offering rebates, they're cutting the interest rate on financing to levels CUs can't profitably match. They're not offering 0% interest now, Child reports, but they're offering 2.5%, and, with a cost of funds around 4%, CUs, banks and finance companies can't compete.

This situation should continue into at least the first quarter of 2024, he predicts, given the rising inventory levels of new cars.

In the used car market, certified preowned vehicles (newer used cars) are suffering from low inventory, Child notes, as owners hang onto those vehicles and their low-rate loans.

But there is a bright spot for CUs, Child says, in the market for used vehicles under $40,000. "That's where CUs typically do well, and they're crushing it now, with good prospects in 2024," he reports. "I think we'll see more CUs move into that space in 2024."

Credit quality could become a 2024 issue. The post-COVID appetite for used cars that pushed prices up to as much as 30% above the historical book value line has been sated, and prices are almost back to normal, Vogeney notes.

Lower used car prices means that the gap between what the consumer owes and what their car is worth may be higher than ever at a time when delinquencies and repossessions are rising, Vogeney points out. "The high prices in 2021 and early 2022 meant that we could repossess a car and sell it for closer to the loan balance than we had ever experienced," he recalls. "That's unlikely in 2024."

Loan-to-share ratios will stay in the 80s, Child predicts, which will constrain auto lending and affect large CUs more than small ones. Big CUs did a lot of lending and investing in 2023. Smaller credit unions were less driven to compete and will have more headroom in 2024.

"CUs between $700 million and $1.5 billion will have a good chance to pick up market share" in the older used car space, he says.

BUSINESS LENDING

Heading into 2024, Vantage West CU is not forecasting the same level of 2023 loan growth in either commercial or consumer lending, primarily due to economic factors, including overall higher interest rates, Papoccia says.

> **"Lenders are chasing scarce business, and big players are cutting margins to the bone just to keep the doors open."**
>
> — Bill Vogeney

Two Views of Electric Vehicle *Lending Potential*

If volts are replacing gallons in the car world, does that change auto lending for credit unions?

Electric vehicles are coming on strong, says Bob Child, chief operating officer of Origence (*origence.com*), a CUES Supplier member based in Irvine, California. "The manufacturers are committed," he says. "They introduced 32 new EV models in 2023 and are slated to introduce 50 more in 2024."

Currently EVs make up just 7.2% of car sales, but that number is doubling every year, he reports. "By 2028, I can see them comprising half of the new car sales. It's changing the top of the funnel in new cars. CUs need to reposition themselves around the top of that funnel."

Past growth has depended on delivering traditional car models powered by electricity. The popular pickup truck and sport utility vehicle models will be just starting to turn electric in 2024, Child reports.

"People love pickup trucks," he notes. "In the first quarter of 2023, only 3% of the EV sales were pickups and SUVs. That will change dramatically. We know the electric Escalade and the Tesla truck are coming."

When EVs are sold direct to consumers, as many are, buyers may go to their CU to line up financing, Child explains. Or the big EV players now have a financing link on their platforms that connects buyers to one or two banks for online financing. CUs need to find a way to get into that mix, he says.

With short manufacturing track records, EV warranties have also been short, typically just three years, Child reports. Meanwhile, cars are lasting longer, an average age of over 11 years. That will help justify an uptick in 84-month car loans in 2024, he predicts. "Duration is the only real lever CUs have to bring down car payments," he says. Gas-powered cars have more than 2,000 parts; EVs have fewer than 200, Child points out, so that means fewer parts to replace over long durations.

In contrast, CUES member Bill Vogeney is skeptical that electric vehicles will sweep the market. He's the chief revenue officer of $9.8 billion Ent CU (*ent.com*), Colorado Springs. The hot market for electric vehicles has cooled off, he notes, as supply has finally outpaced demand in 2023.

"In addition, experts have questioned whether there are enough rare-earth metals to produce batteries for an EV fleet," Vogeney points out. CUs could be offered a deal to finance EVs at cut rates as a way of getting in "on the ground floor," he suggests, but they should be wary of such offers.

Insurance rates for EVs have been climbing faster than for traditional cars, Vogeney notes, because insurers are more likely to total out an EV after an accident than try to anticipate repair costs. For example, Tesla has designed its vehicles with the batteries outside the traditional frame. Even a fender-bender in an EV could cause damage that wouldn't be detected until the car is "opened up." Thus it's easier to total an EV if further damage is suspected.

CRE loans could become a problem if they reprice in 2024, warns James Devine, chair/CEO of Hipereon (*hipereon.com*), a financial training firm headquartered in Kirkland, Washington, and a faculty member for CUES School of Business Lending (*cues.org/sobl*). CRE loans currently represent more than 75% of the total commercial loan portfolios held by CUs nationwide, he reports. In some cases, the concentration is above 90%. Devine is not worried about concentration, however, because CUs have so much consumer credit. His worry is more about the lack of attention to other business lending, a missed opportunity.

Many of these loans were originated between 2017 and 2019, Devine points out, based on 20- or 30-year amortization schedules with a five-year balloon payment. Many of these loans will hit repricing dates in 2024 and 2025. If lenders reprice these loans at current market rates, they become more profitable. Technically.

However, that large increase in debt service could put the loan out of compliance with commercial loan underwriting guidelines, Devine points out. If the net operating income of the borrower is unchanged but debt payments double, there could be liquidity issues and a possibly sudden drop in the creditworthiness of the loan, as well as pressure to renegotiate.

Concentration risk is also an opportunity to diversify, Devine says. CUs have a real opportunity to expand into commercial and industrial loans—along with fee-based cash management and employee benefit and owner wealth management services—to create a rewarding package of small-business services that include business operating lines of credit backed by accounts receivable or inventory, he suggests.

Structural issues will become more important in 2024, Devine predicts. Small businesses typically need three types of credit, he explains: lines of credit for seasonal liquidity; term loans for CRE facilities; and permanent working capital financing for receivables and inventory.

Most small business credit arrangements are not structured well, Devine says. The businesses get an all-purpose line of credit. As they grow, accounts receivable and inventory expand and eat up more of the available credit until the lines are bumping up against ceilings.

"The businesses are using short-term credit for long-term financing," he points out. "Most small business lenders are not business process experts."

That should change. "You need seasoned commercial lenders," Devine insists.

Vantage West CU does offer business lines of credit secured with receivables and inventory, but these remain a small part of its portfolio, Papoccia reports. "These lines help businesses smooth over cash flow highs and lows, but we're basically a CRE shop for business loans."

With loan demand softening, Vantage West CU will be pushing business depository services. "Small businesses need a deposit suite," Papoccia points out—things like online capabilities, automated clearinghouse, payment services, merchant services and fraud-fighting tools. "We expect to lead with those solutions and maybe pick up loans in the process," he explains.

To that end, Vantage West has signed up with Numerated (*numerated.com*) to provide a digitized, self-service experience for business borrowers. "It provides what many business owners want," Papoccia notes, "with streamlined loan documentation and quicker underwriting decisions. It lets us serve those members digitally without hiring additional business bankers."

> **“Nobody wants to let go of a 3% mortgage and trade it for 7%.”**
>
> — Bill Conerly

CREDIT CARDS AND STUDENT LOANS

Credit card lending could be considered dicey as consumers radically increase their card use, but that’s a bit misleading, Vogeney thinks. “It’s true that balances have been growing by over 30% annualized in month-to-month comparisons,” he says, “but a big chunk of that usage is from cardholders racking up balances and then paying them off every cycle to get rewards points. That’s reassuring, going into 2024.”

PAHO/WHO FCU plans two pushes in 2024, Fuzzell says. One is its rewards credit cards, with an interest rate on unpaid balances of 15.25% and a ceiling of 18%. Big issuers have raised rates so “we have a chance to take away some of their cardholders,” Fuzzell notes. The other push is HELOCs.

Federal student loans were a political football in 2023, but private student loans made by CUs were stable and rewarding, according to Mike Weber, chief marketing officer of Credit Union Student Choice (*studentchoice.org*), a student loan CUSO based in San Antonio, Texas. “Students or their families continued making scheduled loan payments,” he says. He expects 2024 to be more of the same.

Theoretically, when students didn’t have to make payments on their federal loans because of COVID-19, they had more money for private loan payments. And, theoretically, when required payments resumed in late 2023, they had less money to make private loan payments. (Here’s October 2023 guidance from the National Credit Union Administration on the resumption of student loan payments: *tinyurl.com/ncuastudentloansresume*.)

However, the politically debated 2023 SAVE plan (*tinyurl.com/SAVErepaymentplan*) from the federal government “greatly reduces the risk of payments shock,” notes Jim Holt, Student Choice’s chief development officer. It effectively exempts low-income borrowers and eases higher-income borrowers back into payments, he explains.

“Students are exactly the kind of members CUs need to attract,” Holt adds. “The loans are sticky, and the borrower is a great prospect for future mortgages and car loans.”

CREDIT 2024

2024 could be a lending challenge. With loan demand soft, CU leaders will be tempted to relax credit standards a bit. “2024,” Conerly insists, “would be the wrong time to dial down credit standards. It will be a time to be cautious.”

And above all, be flexible. “Don’t hang your strategy on an economic forecast,” he cautions. “Whether or not you’re planning for a recession, have a contingency plan. Be prepared for things to turn out better than you expected or worse.”

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

MORE ON LENDING

Emergency Capital Investment Program Supports Deep Impact Lending at Credit Unions (*cumanagement.com/0923diversityinsight*)

Lending Perspectives: The Value of a Well-Timed, Financially Sound or Mission-Driven ‘No’ (*cumanagement.com/0723lendingperspectives*)

Podcast: The Value of a ‘Can-Do’ Mindset for HELOCs and Fintech (*cumanagement.com/podcast147*)

Mortgage Lending for the New Generation (*cumanagement.com/0723mortgagegen*)

CUES School of Business Lending™ (*cues.org/sobl*)

Financing *Vacation Rentals*

With the surge in vacation spending after COVID-19, the vacation rental business has boomed—the “vacation rental by owner” (*vrbo.com*) phenomenon. Some credit union members have cashed in by buying a second home, financing it with a mortgage, and renting it out part of the year, reports Bill Vogeney, chief revenue officer of $9.8 billion Ent Credit Union (*ent.com*), Colorado Springs. If that’s profitable, they may want to buy a second or third rental property in their market.

Making mortgage loans to what are essentially small businesses that rely on rental income to cover loan payments is an underwriting challenge, Vogeney cautions, given supply-and-demand uncertainty and the hard-to-predict economy.

Exchanges like VRBO have attracted both individual and corporate investors, reports Jerry Reed, president/CEO of Members First Mortgage (*memberfirstmortgage.com*), a credit union service organization based in Grand Rapids, Michigan. However, demand for financing in most tourist destinations had tapered off going into 2024, he notes, except in Florida, which remains hot.

Skyrocketing home values have attracted flippers, who are small-business borrowers that don’t usually turn to CUs for financing, Reed reports. “CUs offer standard portfolio products,” he explains. “Flippers are looking for something more flexible and usually turn to banks or independent mortgage companies.”

Embracing *His Lived Experience*

CUES BOARD CHAIR RICHARD ROMERO TAPS INTO HIS PERSONAL HISTORY TO MAKE A DIFFERENCE AT HIS CREDIT UNION AND IN THE INDUSTRY.

BY DIANE FRANKLIN

Richard Romero brings a unique perspective to his role as president/CEO of $1 billion Seattle Credit Union (*seattlecu.com*). Romero has built an impressive resume in the financial services industry over the past 35 years, but it is his experience as an immigrant, a person of color, a husband and a father that provides him with the insights he needs to further Seattle CU's commitment to serving the underserved and the underbanked.

"My lived experience has helped inform our strategy," says Romero, who leads a staff of 175 employees serving 60,000 members throughout Washington State. "We've gone through the process of becoming a CDFI (community development financial institution) and an LID (low-income designation) credit union. It's important for us to have these qualifications, but because of my background, I can also say to people, 'I know what it's like to be a person of color. I know what it's like to grow up poor. I've been through what you're going through. Let me help.'"

Romero also leverages his lived experience to help the industry. Having served on the CUES board of directors since 2020, he recently began his term as chair with the goal of having a major impact on the development of future industry leaders.

"I view being on the board as service," Romero says. "I don't do it for my career. I don't do it for status. It's about giving back, helping others, and sharing my knowledge and my skills."

AN IMMIGRANT'S JOURNEY

Romero was born in Lima, Peru. When he was just 4 years old, his family immigrated to the United States and settled in Los Angeles. He started his career as a part-time teller while going to college and worked in various branch positions before ascending to branch administration at a savings bank. "Then a little company called Washington Mutual came in and bought us out," Romero recalls.

After two years, Romero left Washington Mutual to take his first job in the credit union industry. From 2000 to 2004, he worked at a CU in Chatsworth, California, serving as director of branches and later as VP/member services. Next, he spent nearly eight years at what is now Firefighters First Credit Union (*firefightersfirstcu.org*, currently $1.9 billion in assets), Los Angeles, moving up the ladder from VP/consumer lending to COO. Concurrent with his time at Firefighters First CU, he earned a bachelor's degree in organizational leadership from the University of La Verne (*laverne.edu*).

In 2012, Romero made a major change when he moved from L.A. to Seattle with his family (his wife, Brenda, their young daughter and a son on the way) to become CEO at his current credit union. Since he had no previous CEO experience, he viewed his prospects for getting the job as a long shot. "I applied for the job with no expectations, but here I am, 11 years later," Romero says.

In those 11 years, Romero has overseen a period of strong growth during which asset size has more than doubled. The robust growth began in earnest eight years ago, when Romero led a major initiative to redefine the organization's mission, vision and overall direction.

> **"Because of my background, I can also say to people, 'I know what it's like to be a person of color. I know what it's like to grow up poor. I've been through what you're going through. Let me help.'"**
>
> – Richard Romero

"We decided to start focusing on the underbanked and underserved communities," he says. "So, we undertook a process involving a complete transformation of the credit union, from the board through the front lines."

The transformation entailed a deep dive into understanding the needs of the people in the community and creating the products that would fit those needs. "With that work came our CDFI certification and our low-income designation," Romero reports. "We got a lot of support from those credentials during the pandemic, which enabled us to take advantage of funds to fuel our efforts in serving those communities."

AN INFLECTION POINT

Romero considers this redefinition of Seattle CU's mission as an inflection point. "That's when my background started to become my biggest influence and I started feeling empowered to make a difference," he says. "I had spent my entire life assimilating—whether it was culturally or corporately—but as CEO, I realized, 'My experience is valuable to me, and I think it would be valuable to the community as well.' Before then, I mostly relied upon my professional experience as an operations expert. Now, my lived experience influences me as much as my professional experience."

By embracing his lived experience, Romero believes he can be more effective in fulfilling Seattle CU's redefined mission. "Our mission, stated in simplest terms, is we want to help everyone thrive," he says. "I firmly believe that if you control someone's finances, you control their destiny. Our focus is on helping people gain financial control so they can control their own destiny."

Becoming a CEO influenced Romero's understanding of his role in helping people accomplish their financial objectives. "I started looking at it as a responsibility," he says. "As a CEO, I had to become visionary and strategic. I needed to find the value in what I did, and that's when the connection between my background and what I do for a living became crystalized for me—that and having kids. Both of those things helped me recognize, 'I don't want to just run a credit union. I want to run an organization that is focused on doing things that will change people's lives for the better.'"

As part of Seattle CU's transformation, Romero focused on achieving greater diversity among the ranks of the board and executive staff. "We're one of the only large credit unions that has a minority CEO and minority chair, and that helps us have the credibility in these communities that see people like themselves running the organization," he says. "We take pride in the fact that we have over 50% diversity on our board, and though we face recruiting challenges due to an industry-wide lack of diversity talent, we remain focused on the diversity of our executive team."

To further emphasize its commitment to diversity, equity and inclusion, Seattle CU formed a DEIP committee. (The "P" stands for "prosperity.") Consisting of employees nominated and elected from all levels of the organization, the committee is responsible for integrating DEI principles into all aspects of the credit union's operations to support its mission.

"We compensate these employees for their time, in addition to paying their regular salary, because what they are doing goes above and beyond their normal jobs," Romero says. "We are continuing to explore different ways to fairly represent our diverse team's views on DEI as the landscape continues to develop."

Board Chair Carlos Ruiz fully supports Seattle CU's commitment to developing internal diversity. In fact, he joined the board in 2017 as part of Romero's efforts to diversify the board. "I wasn't looking for a board position," Ruiz recalls, "but I thought, 'I'll go ahead and meet with Richard,' and he blew me away with his vision for the credit union and his commitment to the community."

Ruiz, who became board chair in 2019, is impressed by how passionately Romero works on behalf of marginalized communities. "What sets Richard apart is his intentionality and how well he knows the issues that are most important to the community," Ruiz notes. "He's an exceptional listener, and I think that's what has served him so well as a community servant leader and as head of the credit union. He listens to what's needed and then leverages his extensive experience to help."

SHARING HIS TALENTS

Romero's leadership skills will make him a great chair for CUES, Ruiz says. "When he told me he would be chairing the CUES board, I could not have been more excited for him—and I also could not be more excited for CUES. It's tremendous for the organization to get someone with his professional background and lived experience."

Romero became involved with the CUES board after encouragement from the late John Pembroke, CUES' president/CEO from 2015 to 2022. "I ran into John at multiple credit union events, and we always saw eye-to-eye," Romero says. "I wasn't seeking a board position, but John approached me and said he felt I could make an impact on the direction that CUES needs to go. I remember him saying that I would bring a lot of value to the board."

Sadly, Pembroke passed away in November 2022, just two years after Romero joined the CUES board. The board undertook an extensive CEO search before naming Heather McKissick, I-CUDE, as Pembroke's successor in June 2023. As chair and CEO respectively, Romero and McKissick will work closely together.

"It will be a year of managing change for both Heather and me," Romero says. "There will need to be a great deal of collaboration

> **"What sets Richard apart is his intentionality and how well he knows the issues that are most important to the community. He's an exceptional listener, and I think that's what has served him so well as a community servant leader and as head of the credit union."**
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> – Carlos Ruiz

MORE INDUSTRY LEADERS

Authenticity Is Her Superpower, p. 18

Building a Culture of Success (*cumanagement.com/1123success*)

Taking a Leadership Role in DEI (*cumanagement.com/0223deicatalyst*)

A Commitment to Credit Unions (*cumanagement.com/0223commitment*)

A Champion for the Underrepresented (*cumanagement.com/1222champion*)

Paddling Faster Than the Currents of Change (*cumanagement.com/1120paddling*)

between us so that we can share vision, ideas, ideals and conversations with the board. Fortunately, the board had a very good strategic planning session earlier this year, and we came away with a clear direction for CUES in the coming year."

Among the organization's priorities, CUES will continue transitioning back to in-person conferences and events after the switch to virtual delivery that was required during the pandemic. "I'm proud that the CUES team was able to pivot so quickly and move its curriculum into the digital world," Romero says. "That was an incredible feat, and quite frankly, it saved the organization."

Going forward, CUES will offer a mix of in-person and virtual events to meet the individual preferences of CU professionals. "Part of the value of going to CUES events is the networking and the socializing, and you can't provide that online," Romero says. "It's important to offer the in-person option for people who can travel, but I believe there will always be a place for the digital experience. It's important to continue offering virtual events for people who can't travel post-pandemic because of everything from budgetary concerns to family reasons. By making more training options available online, we can make them accessible to people who otherwise would not have the opportunity."

Beyond his involvement in CUES, Romero has served on the board of Inclusiv (*inclusiv.org*), a New York-based organization whose mission is to help low- and moderate-income people and communities achieve financial independence through credit unions. Romero is appreciative of the valuable advice he received from Pablo DeFilippi, EVP of Inclusiv, during his time on the board. DeFilippi is among the people who influenced Romero to embrace his personal experience as a means of helping others. "I've always looked at Pablo as mentor who inspired me to do this work on behalf of the people in our communities," Romero says.

Additionally, Romero devotes time to community and civic organizations. He currently serves on the boards of the YWCA Seattle/King/Snohomish (*ywcaworks.org*) and the Seattle Colleges Foundation (*foundation.seattlecolleges.edu*). Previously he served on the boards of the United Way of King County (*uwkc.org*) and the Seattle Metropolitan Chamber of Commerce (*seattlechamber.com*).

Romero also gains inspiration from his family, who are the center of his life. He and Brenda have been married for 16 years and are devoted to their children, 14-year-old Sofia and 11-year-old Anthony. Completing the family picture are a pair of Labradors. Much of the Romeros' lives revolve around the children's sports activities. When Romero has a quiet moment, he enjoys listening to his extensive vinyl record collection.

This year brought the family even closer together. Romero required a kidney transplant, and Brenda was his donor. "It was the hardest thing either one of us has ever done, but we're grateful because the operation was a success," Romero says. "I was able to achieve normal kidney function very quickly."

BELIEVING IN CUES' MISSION

While Seattle CU has come a long way in achieving greater diversity, Romero is acutely aware that the credit union industry has a long way to go before it's considered diverse. Industry statistics indicate that the typical CU board and executive leadership team are overwhelmingly white, with less than 10% representation from people of color. However, Romero believes that CUES can make a difference by providing access to education and training to a more diverse group of leaders waiting in the wings.

"One of the reasons I'm here is that I believe in CUES' mission of developing future leaders," he says. "We want to help credit unions succeed. That's our overall goal, and the best way we can achieve that is by giving people the opportunity to develop skills so they can become our next generation of leaders."

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

Authenticity Is *Her Superpower*

2023 CUES EXCEPTIONAL LEADER MOLLIE BELL HAS SUCCEEDED BY BEING HER TRUE SELF.

BY DIANE FRANKLIN

Mollie Bell may not wear a cape, but those who work with her see her as a superhero. Bell, a CUES member, is chief development officer at Ent Credit Union (*ent.com*), based in Colorado Springs, Colorado. When she was named the 2023 CUES Exceptional Leader, the people around her were thrilled, as the award affirmed their view of Bell's extraordinary leadership qualities.

"Ent is honored that Mollie was chosen as CUES Exceptional Leader," says CUES member Chad Graves, president/CEO at the $10 billion credit union serving 50,000 members with 56 locations throughout Colorado. "She is a true selfless leader who genuinely cares for all people. Our employees relate well to her style of leadership and caring. Her enthusiasm and charisma light up the room."

Bree Shellito, CCM, senior manager of community impact, offers a long list of descriptors to characterize Bell's leadership, among them: human-centered, role model, loving, caring, strong and brave. "Mollie embodies the attributes of an exceptional leader through her superpowers of empathy and compassion," adds Shellito, also a CUES member. "She creates a safe and supportive environment where her team members feel valued, respected and that they belong, both at Ent and in the world."

Annie Snead, senior manager of community advocacy, contends that there are some leaders who might abuse their power when they get to the top. "Not Mollie," says Snead, a CUES member. "She gets the job done and uses her 'power' for good, helping build other leaders along the way. Above all, she has something that some leaders will never have: the ability to make every single person feel like they matter."

Reflecting on the honor, Bell cites several traits that have contributed to her success, starting with authenticity. "One of the things I've always believed in is knowing yourself well enough to be yourself," says Bell, who leads a team of 65 (out of a total of 1,500 employees). "I've always valued the real, the authentic and the genuine."

Being authentic means being willing to show your vulnerability, something that Bell learned from researcher and storyteller Brené Brown (*brenebrown.com/about*), among others. "That's one of the things I try to bring to my team," Bell reports. "Being vulnerable allows them to be vulnerable as well. That's how you build trust. That's how you build connections."

COMFORTABLE WITH CHANGE

Bell grew up in a family that was constantly on the move. "My dad was a fighter pilot, so we were raised on Air Force bases, mostly across the South," she says. "I had to deal with change early and often. The good side of that is it made me adaptable and gave me an ability to make friends quickly."

Bell's parents instilled in their children the importance of helping others. "My parents were keen on educating us about social issues. When we lived in Louisiana in the '70s, for example, Mama talked to us about the civil rights movement. The credit union philosophy—the idea of serving the underserved in a way that lifts them up—is compatible with the values that my parents instilled in us."

As an adult, Bell settled in Texas. She earned a bachelor's degree in business administration from Lamar University (*lamar.edu*) in Beaumont. She worked for a time as a teacher until her interest in social issues propelled her to earn a law degree from the University of Texas (*law.utexas.edu*) in Austin.

MORE CUES AWARD WINNERS

Building a Culture of Success (*cumanagement.com/1123success*)

A Champion for the Underrepresented (*cumanagement.com/1222champion*)

CUES awards (*cues.org/awards*)

"Had I led in any of this before I got here? No. But it was an opportunity for me to stretch my skillsets and use my experiences to build a culture that kept people engaged."

– Mollie Bell

"I wanted to save the world," Bell says. She was hoping to go into environmental law, but as a single mother raising a young daughter, she decided to accept her best job offer, which came from global consulting firm Accenture (*accenture.com*). Though not pursuing a career in law, she nonetheless felt proud of her work making positive societal impact as a project leader primarily implementing complex child welfare systems for state governments.

After six years at Accenture, Bell honed her leadership skills in a multifaceted career working for companies affiliated with the credit union industry. She held VP or C-suite positions at CUESolutions provider CUNA Mutual Group (now TruStage, *trustage.com*), Filene Research Institute (*filene.org*) and Credit Union National Association (*cuna.org*), all located in Madison, Wisconsin. Over those nearly dozen years, she gained experience as a thought leader and a strategic partner working closely with several credit unions.

"I met the team at Ent Credit Union and was impressed with what they were doing strategically," Bell recalls. "When they approached me and said, 'You can help write your job description,' I couldn't resist the opportunity."

STRETCHING HER SKILLSETS

December marks Bell's five-year anniversary at Ent CU. As chief development officer, she oversees a variety of functions, including human resources, training, culture, internal communications, financial education, philanthropy, and issues related to thriving and belonging.

"Had I led in any of this before I got here? No," Bell admits. "But it was an opportunity for me to stretch my skillsets and use my experiences to build a culture that kept people engaged."

Bell was excited to work with Graves, who had been CEO for about year when she arrived. "One of the reasons I took the job was because of Chad's vision," she says. "As we were going through a growth and expansion period, we talked about the need to maintain a positive culture and keep our advantage as an employer of choice, and I do believe we've done that."

Bell has monitored cultural improvements through employee engagement scores. "We use the Gallup Q12 Employee Engagement Survey (*gallup.com/q12*), which has shown our engagement rising over the last several years to an elite level. That indicates how well the team pulled together to create strategies that are helping employees thrive."

Bell and her team are focusing more these days on helping employees achieve a sense of belonging in the workplace. "We're focusing on this concept, along with the strategy of thriving," she says. "In our annual employee survey, we ask such questions as: 'Have you felt financial stress over the last six months?' Knowing the percentage of employees who are feeling that way allows us to look at what we can do to foster financial well-being within our own house, not just outside of the house with our members."

Ent CU has encouraged a sense of belonging with the launch of employee engagement groups, a variation of employee resource groups. "The purpose of these groups is to help employees feel engaged in their work and with each other," Bell reports. "People in these groups are much more engaged, based on our Gallup scores, which shows the approach is working."

Bell also oversees Ent CU's grantmaking work and community advocacy. "I love that part of my job," she says. "Being involved in community advocacy helps me better understand community needs and play a more effective role in trying to effect change."

Among the community causes that Ent CU supports are helping people overcome housing and food insecurity and improving pediatric mental health, which is especially important in Colorado where the youth suicide rate is among the highest in the nation. Bell further addresses pediatric health issues as a board member for the Children's Hospital Colorado Foundation (*supportchildrenscolorado.org*). "I am proud of our team, working as a trailblazer and an early adopter on this issue," she says.

FOSTERING LOVE

Bell's dedication to helping others extends to helping animals. She and her husband, Mike Bress, founded a nonprofit called Fostering Love Rescues (*fosteringloverescues.org*), an animal sanctuary for hooved animals, primarily horses.

"We started four years ago with 35 acres, but we quickly outgrew that space, so we moved to 99 acres in April," Bell says. "We're dedicated to this cause because these animals deserve to live in a safe, loving environment through the natural end of life."

Bell's life also is enriched by the loving support of her family. She and Bress have been married 10 years. As a fractional CFO with his own consultancy business, Bress is a great advisor to Bell on business matters. "Mike is the best executive coach a person could ask for," Bell reports. "He has amazing ideas and insights."

Together, Bell and Bress share a blended family consisting of Bell's daughter, Alex, and Bress's children, Margo and Taylor. Alex is married with a blended family of her own, giving Bell four grandchildren. Holidays are joyous occasions, with large family gatherings that include Bell's parents and sisters. "I love my family," she says. "They light up my life."

Both in her personal and professional life, Bell will continue to be authentically herself. Her career success confirms the value of sharing with others in a real and open way.

"To work with one another, we have to understand who we are," she observes. "That's what makes for exceptional leaders."

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

Reimagine Your *MX*

CONSIDER EVERY CHANNEL, VIDEO, ARTIFICIAL INTELLIGENCE AND A BRAND DRIVEN BY YOUR CULTURE.

BY KEITH KASMIRE

Why go to a restaurant when you can easily order delivery? Why see a live show, drive a convertible or choose the scenic route?

Because experience makes a difference, rapid changes in what consumers expect mean that credit unions must reimagine their member relationships, retool their delivery channels and refine their brands to keep up with what members want, experts say.

Never a one-size-fits-all proposition, your member experience—and how you differentiate it—will be a critical priority to avoid becoming just another tree in the financial services forest.

Industry experts explain there are new and significant challenges today in how you meet with members, where you meet them, when you meet them and why you meet with them. Members want to transact business on their terms, whether it be in person, on the phone, or via email, SMS or chatbot.

The experts point to the transformational adoption of video as a preferred communication medium by big companies and innovative credit unions.

They also agree that a commitment to data management and artificial intelligence is a necessity, not a fad.

While brand identity and brand differentiation have always been important, your credit union's image and the enthusiasm of your employees about your organization can become your biggest competitive advantage.

Each of these considerations has the potential to shape your member's experience in ways that deliver member loyalty and trust.

CHANNEL PROLIFERATION

Few folks remember a time before ATMs, but many of us can imagine a cash-free future where we tap a smartphone to buy goods, pay bills and even split the check for lunch. As credit unions across the country see in-person member transactions increasingly transition to mobile banking, phone apps, interactive teller machines, SMS messages and other digital channels, a logical question might be: What channels are being replaced? What system can be dropped to offset the cost of a new offering?

None of them, according to Steve Reider, president of CUES Supplier member Bancography (*bancography.com*), Birmingham, Alabama, who cites a 30% to 50% reduction in in-person transactions in the last five years. Despite this decrease, Reider contends that the industry must accommodate adding new delivery channels without any ability to retire their legacy counterpoints.

"We have never seen channel replacement in the long history of banking," Reider says.

The challenge becomes how to fund and effectively deliver every channel. Channel proliferation and the resulting need for efficiency as a strategic priority should be on every credit union's radar, he says. "I think it is imperative to find cost efficiencies

"We must be versatile and responsive for both new and existing members, not only keeping up with changes but, more importantly, educating our membership to use new technologies."

— Rich Klefsky, CCE

that are going to allow you to meet the members across any channel of preference in a way that is still affordable to the institution."

To achieve those efficiencies, Reider points to opportunities including the potential for headcount reduction by transitioning employees from specialists to universal agents that can perform a wider variety of tasks. Evolution of the branch channel may allow a physical design that can be supported with fewer employees, smaller footprints and corresponding lower operating expenses. Reider says the brick-and-mortar branch won't go away but must evolve into a compact and more efficient iteration.

Efficiency is also a focus at Content Guru (*contentguru.com*), a CUESolutions provider with U.S. headquarters in California and Virginia. President Martin Taylor predicts that 2024 will catapult efficiency as a priority for credit unions as they seek ways to pay for an expanded menu of delivery channels.

The pandemic caused a significant shift in what members expect of their financial institutions, according to Taylor, who identifies four distinct phases of change in the post-pandemic consumer landscape. Such digital customer experiences as wide acceptance of video interaction and intelligent automation were just the first of several developments that have altered today's consumer expectations.

"Next came an overhaul of the employee/agent experience and the Great Resignation," says Taylor, resulting in both staffing shortages and training gaps. The rapid changes in both delivery channels and employee interaction have prompted growing consumer expectations for what he believes is the third phase of this evolution, the "total experience," which he says combines multiple delivery channels serving the member individually or in combination.

Looking forward to 2024 and beyond, Taylor says the focus will be on efficiency and building strategies that reduce data entry and repetitive tasks, along with tech solutions to redirect the agent towards more interactive engagement and to member-facing interactions instead of clerical activities.

VIDEO

Science fiction saw this coming. In "Star Wars," Princess Leia's holographic plea to Obi-Wan for help is just one example of our collective aspiration for virtual face-to-face interaction. It should be no surprise that interactive video technology has become a reality. The forced isolation of the pandemic lockdown served as a tipping point, quickly accelerating the shift of video from novelty to daily routine.

One thing many experts agree on is the growing importance of video in commerce as a medium to convey information to consumers—and not just with interactive teller machines and live video conferencing. Airlines send videos with rebooking information for missed connections. A car dealer sends a video of the technician inspecting your vehicle on the lift. Get ready for video voicemails on your smartphone. Short streaming video to the member's personal handheld device will be the future for everything from new member orientation to late payment notices. In all, the expectations of consumers are driving a shift to video delivery.

"That's where the market is," says Charlie Peterson, SVP/strategic initiatives at Allied Solutions (*alliedsolutions.net*), Carmel, Indiana, a CUES Supplier member. Consumers don't want to wait on hold, and they don't want to see a wall of text on their mobile device.

Peterson points to credit unions that are using video to change the perception of what good service is and contends that the open rate of messages sent by video is 50% to 60%—roughly double that of email. He says the organizations getting into this arena are creating a wide range of customized videos each month to do everything from responding to account inquiries, onboarding new members and offering training to doing financial literacy education and upselling and cross-selling products and services. The shift to video delivery is not unique to financial services, says Peterson; 85% of internet traffic is now video streaming.

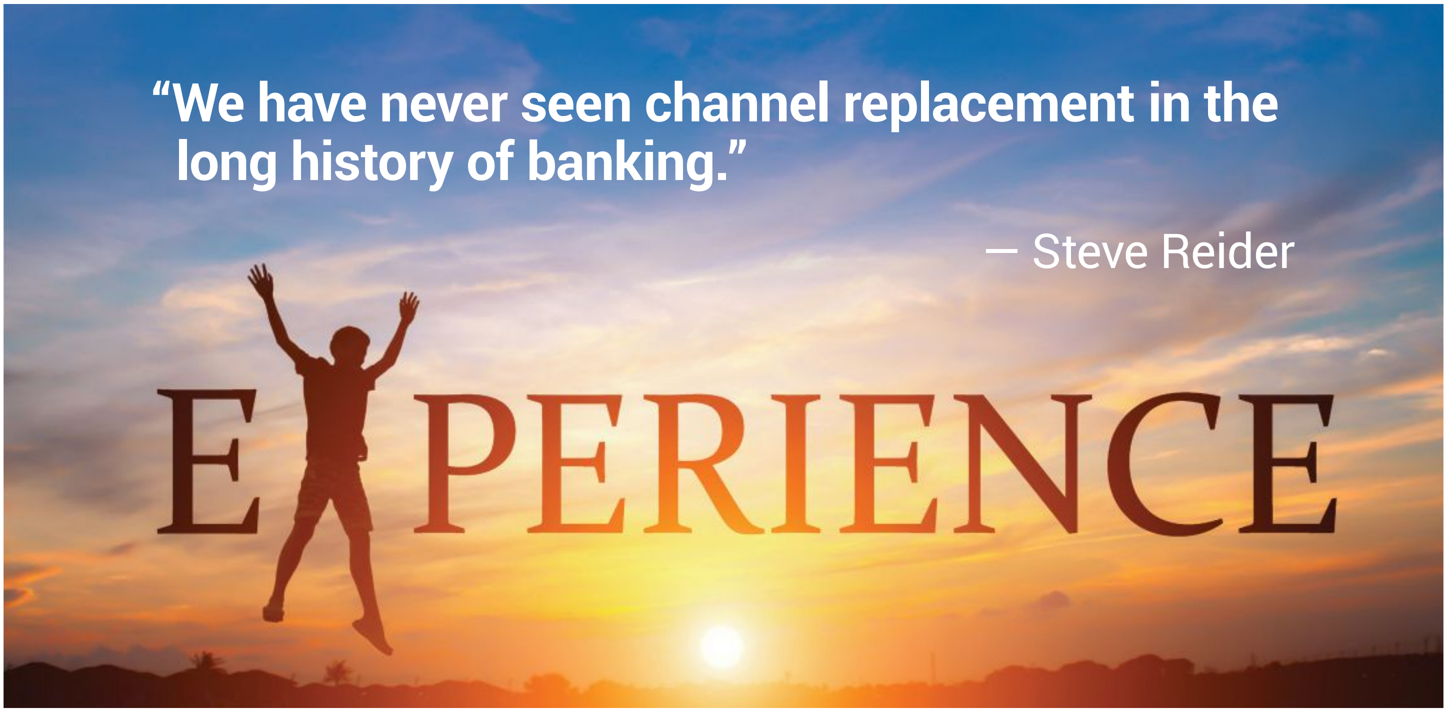
Changing consumer habits about digital transformation is a priority echoed by CUES member Rich Klefsky, CCE, VP/member experience at $1.4 billion Island Federal Credit Union (*islandfcu.org*), Hauppauge, New York. While some members are eager for new tech offerings, "it can be difficult for legacy consumers to adapt," he says.

Klefsky adds that in a quickly changing environment, "We must be versatile and responsive for both new and existing members, not only keeping up with changes but, more importantly, educating our membership to use new technologies."

ARTIFICIAL INTELLIGENCE

Want to build personal relationships, trust and rapport? Start with having your organization's most engaging and charismatic member specialists welcome new members. Your best talent will no longer be limited to serving one member at a time, won't take lunch breaks or have bad days, and will remain eager to help any time, day or night. Imagine the continuity of brand experience if most of your transactions could be handled by the same face and voice as the person you met when opening the account. A face you instantly recognize may soon pop up via a video image to your voice prompt or after tapping the credit union's app on your device.

Artificial intelligence is not a fad and will not go out of fashion anytime soon. Credit unions are already starting to see the



impact that AI will have on the future of both member-facing and operational functions. This influence will only grow. The same immediacy and personalization can be delivered to hundreds, even thousands of members simultaneously for transactional efficiency—whether they want to pay a bill, transfer funds or reimburse a friend for show tickets. But the game-changer will be individualized and personalized messages preloaded with member-specific touchpoints that convey data-driven marketing and product awareness scripts. Today's consumer has already become accustomed to viewing ads that are triggered by their online activities.

"The member expectation is that you know my needs before I come to you," says Chris Miller, senior director at CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. Artificial intelligence offers us new potential to predict those needs before the member realizes them.

"You can't just say member experience is important and not release the automated tools that actually drive member experience," Miller adds.

Experts agree that credit unions have recognized the importance of collecting and managing data but may not always be clear about how they should use the data. According to Peterson, "You have to start somewhere when new technology and new systems are brought to the table."

Smaller institutions are using technology to achieve a comparable level of options and service delivery when competing with big banks. They don't need a big on-site data warehouse or a phone room full of live agents if an AI-powered virtual agent can answer every call on the first ring 24/7. "The playing field is leveled by the cloud's ability to offer a more equitable technology landscape," Taylor says.

According to the experts included in this story, the potential for AI won't be confined to member interaction and marketing products and services. Behind the scenes, artificial intelligence will coach the inexperienced staffer to ask the right questions. It will listen in the background, capturing responses and prefilling forms. It will prompt agents to deliver scripts of needed notices, and it will document the receipt of required disclosures. AI will impact operations across all aspects of the credit union, and change is occurring fast.

BRAND

Whether it's your credit union's personal service, clever marketing, nonprofit culture, quirky mascot, community involvement or common bond, consumers choose your brand based on unpredictable factors. The psychology of brand preference is complicated, and consumers routinely make choices for subconscious and illogical reasons. As proof, look at how few car shoppers choose to buy the vehicles with the lowest operating cost or the highest efficiency, opting instead to elevate priorities including status and sex appeal. What your brand says about you and what attracts consumers to your brand is both art and science.

"The smaller side of the industry [including most credit unions] is staying competitive because they deliver that personalized service proposition not only on the consumer side but even more so on the small-business segment," Reider says. But keeping that brand experience consistent across multiple channels is a challenge.

"This is the hardest thing," Peterson says. "Your brand needs to be the same whether I walk into your branch, go to your digital branch, text you ... whatever."

Reider agrees. "One bit of advice I'd give to credit unions in this broadening, diverse channel environment is that you have to be able to deliver a consistent service experience across all channels and you have to be able to follow a service experience in any channel at any time from inception to resolution." For

"Your brand needs to be the same whether I walk into your branch, go to your digital branch, text you … whatever."

— Charlie Peterson

example, when your member comes to you with an issue, your call center needs to seamlessly pick up the ball and be able to show continuity in a problem-resolution matter that might have been originally reported at the retail branch, via email or text message.

Experts also agree that workplace culture is arguably the most important component of your credit union's brand. Klefsky says you can't talk about member experience without discussing your employee experience as well.

"The culture within the organization can help drive the member experience, both positive and negative," Klefsky says. That sentiment is echoed by Peterson, who says, "Your message is embodied by your team."

Taylor explains that changes in the employee experience were made necessary by the same hiring and retention challenges that triggered the Great Resignation. He points to offering hybrid and remote work, reducing data entry and automating repetitive tasks as opportunities to improve employee satisfaction and redefine the role of the agent beyond filling out forms and regurgitating scripts.

Feedback from members is a focus for Island Federal CU. Klefsky says the organization surveys both members and nonmembers to understand what they prefer and help develop marketing strategies that will differentiate their credit union from the competition. The credit union is not only interested in measuring performance but also in discovering consumer preferences and priorities. "We do a brand survey to nonmembers to see how recognized our brand is and what consumers are looking for in a financial institution," he says.

Of course, not all member feedback is positive, and as the saying goes, "A happy member tells a friend, but an unhappy member tells the world." Taylor notes that "the most common way that people amplify their negative comments has shifted to social media, and the key is to spot that quickly and strive to take it private.

"Less tennis over Twitter," he emphasizes. Instead, he suggests responding to the concerns in person or a nonpublic medium. "Someone who is a critic, with the right treatment, may become your most staunch supporter." He adds, "Some people say [a complaint] is a gift, which may be a bit strong, but it can certainly be a constructive thing once you address their concerns."

A failure of imagination may be the biggest challenge for credit unions trying to keep up with changing consumer expectations.

"I think it still goes up to the C-suite because they see the dollar amount attached to replacing old legacy digital banking systems but they don't see the member experience boost," Miller says.

Peterson points to the slow and deliberate process of decision-making that occurs at many institutions. "By the time we make a decision, it's irrelevant. That's how fast things are moving," he says. While he doesn't deny the importance of long-range planning, he says it's "all about strategic adjustment" and the ability to adapt as circumstances change.

Others point to generational differences in consumer preferences between the decision-makers and the target market.

Reider says, "Transactions cost us money; sales make us money." He recalls the days before widespread adoption of direct deposit when lines of members on payday meant processing transactions as quickly as possible.

"What the decline in transactions does is it gives you a broader window to spend with each member and ultimately reach that consultative trust environment that every financial institution strives for," he notes.

One thing is certain: Changes in consumer expectations are being driven by innovative and imaginative technology in nearly all aspects of commerce. Consumers continue to embrace new delivery channels. They want to see your face and voice either live or digitally animated, not a wall of text. The credit union brand remains a differentiator. What was once science fiction increasingly becomes our daily reality. Credit unions that want to stand out in a crowded financial services field need to get started now on reimagining their member experience.

Longtime credit union advocate **Keith Kasmire** *lives in Virginia.*

MORE ON MEMBER EXPERIENCE

Putting Intel Behind AI Decisions (*cumanagement.com/0823intelbehindai*)

Enhancing the Human Experience (*cumanagement.com/1023humanex*)

How Conversational Artificial Intelligence Can Improve the Member Experience (*cumanagement.com/0523convoai*)

CEO Institute: *FinTech* (*cues.org/fintech*)

Hold Onto Your *Wallets*

KEEP AN EYE ON THESE TOP PAYMENTS TECHNOLOGIES, TRENDS AND PREDICTIONS FOR 2024.

BY CELIA SHATZMAN

Credit cards are over. At least that's what Roberto Campos Neto, president of the Central Bank of Brazil, believes. He recently announced credit cards are coming to an end, thanks to a new payment method, Pix Credit, available through the central bank's Pix system (*tinyurl.com/md5bc3hn*). Though Brazil's payments infrastructure may already be considered light years ahead of the U.S. and other countries, his proclamation still sent shock waves through the global finance world. Even if you don't agree with Campos Neto, one thing is clear: Change is coming.

When will credit cards go the way of the dodo? While staggering domestic credit card debt suggests that the change won't happen tomorrow in the U.S., it is time for credit unions to start thinking about how the payments space will evolve in the near future. That's why we consulted industry experts about what trends to watch out for, including the must-do's and the maybe-don'ts for CUs in 2024.

REAL-TIME PAYMENTS

Whether you're reimbursing a friend for lunch or paying your plumber, consumers have gotten used to real-time payments. "Retail and commercial members are seeking simpler, faster and more convenient ways to pay and get paid, which has led to a higher demand for faster payment options," says Tede Forman, president/payment solutions for CUES Supplier member provider Jack Henry (*jackhenry.com*), Monett, Missouri. "We see this demand reflected in our client base, and it's only expected to increase as credit unions understand the need to prioritize these offerings to remain competitive and relevant."

Offering real-time payments can help credit unions attract and grow individual member and commercial accounts and deposits, Forman notes. Additionally, he believes it can help protect member deposits from leaving the institution for big banks and non-bank providers. "These types of payments can keep members within the credit union's digital experience, further strengthening their relationships while meeting modern expectations for money movement."

However, credit unions need to assess what real-time payment options are best for their members based on the types of use cases they expect. Brad Bendeck, SVP/strategic partnerships and corporate

> **"There are many countries that have had the equivalent of FedNow launched in their countries for 10-plus years, so there's a playbook out there. We can look at other countries and see what happened when their version of FedNow rolled out."**
>
> – Brian Scott

strategy at Co-op Solutions (*coop.org*), a CUES Supplier member based in Rancho Cucamonga, California, cautions that there are pitfalls that come with real-time payments, particularly the fact that RTP can make it easier and faster to move money away from the credit union to a competitor like a neobank.

"Credit unions have to make their own calculus as to whether they think allowing members to more easily move funds via real-time methods makes for a more sticky or less sticky customer experience," he says.

BIG-TIME FRAUD

With real-time payments also come real-time risks and fraud. "Our annual survey (*tinyurl.com/jh2023survey*) indicates 37% of banks and credit unions cite real-time payments fraud as one of the most concerning security threats," reports Forman. "While these concerns are valid, credit unions will still need to offer real-time payments to stay ahead of competitive threats. Working with providers like Jack Henry that have built robust fraud tools into their payments platform will be important. We'll see these providers continue to invest and prioritize these tools to help prevent potential exposure, eventually outpacing the fraudsters."

Bendeck points out that scams have gotten increasingly sophisticated. Person-to-person payments tools like Zelle (*zellepay.com*), for example, are particularly dangerous because such P2P transactions are irrevocable.

"Fraudsters find ways to use social engineering to ask people to do things that they think are legitimate, but in fact are not," he says. To mitigate this risk, make sure "that you're providing tools and education that can keep members abreast of what some of these social engineering scams look like and how to identify them."

The way in which you communicate that is critically important," Bendeck adds. "Make sure that you have strong communication tools, like text or push notifications, that members are likely to pay attention to."

Growing security concerns are something Sabeh Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), a CUES Supplier member based in California and Miami, worries about all day long.

"Not just the fraud," he says. "It's the fraud and disputes and how to manage them. The tools are not in place to where I would like if there were a large spike in fraud and disputes. Today, the rules of engagement are not clear. We know exactly what to do when there's a dispute with cards. There's a system in place, their staff is trained, and they know what to do. But, if the volume spikes (due to real-time payments or other emerging options), are we prepared for that? I don't think so."

To mitigate payments-related risk in 2024, security needs to be top of mind for payment processors and credit unions, says Forman. "Ensuring your credit union has a multi-layered fraud strategy is important to reducing and/or removing fraud risk.

"A multi-layered approach means not relying on just one fraud component or feature," he explains. "CUs need to attack fraud from all sides" and must have risk mitigation features "throughout the tech stack to reduce the ability for fraudsters to get in."

According to Forman, these "layers" should include each product, from the digital experience through money movement to the core platform, and member education and communication. "This helps members understand phishing and account takeovers, as well as the ways a credit union would communicate with them."

FEDNOW

Fraud worries or not, real-time payments are only getting more prevalent. Thanks to the launch of FedNow in the U.S. (*tinyurl.com/frb-fednow*), the way that people send and receive money domestically is modernizing, and Forman predicts this will eventually become international due to the use of standardized formats.

"The launch of this rail provides another faster payment option and way for credit unions to grow deposits," he says. "There are immediate opportunities for small and medium-sized businesses to leverage this rail to avoid interchange fees and improve point-of-sale experiences. Early use cases include payroll, merchant account settlement, insurance claim payments, bill-pay and more. Businesses like gig workers, property management, trucking and the title company industry can benefit."

Gig workers, for example, can get paid faster as well as easily move money from external wallets to their deposit accounts. Government agencies may also start to use these rails to help with disbursements, Forman says, adding that Jack Henry has more than 150 financial institutions signed up for FedNow, and the demand continues to increase on a weekly basis. He says half of the respondents from the Jack Henry's 2023 survey ranked FedNow as a top payment service they plan to add over the next two years.

Forman recommends implementing real-time/instant payment connectivity to the networks for receiving. "This helps drive deposits and ensure your credit union is building a longer-term payment strategy. Don't wait for payment income cannibalization!"

Meanwhile, Pix is going well in Brazil. Samaha believes that's positive foreshadowing of the role FedNow can play in the U.S.

"There's a whole slew of efforts happening internationally, which we can look to to get an idea of where we have been headed," Samaha says. Though it's early days for FedNow, he predicts that

> **"I think many credit unions are going to take a wait-and-see approach, but I won't be surprised if credit unions' adoption on FedNow surpasses that of The Clearing House's RTP network relatively quickly."**
>
> – Brad Bendeck

it will continue to grow, evolve and mature, eventually impacting many other payment platforms.

However, it's still too early to tell how many financial institutions will jump aboard FedNow. "The impact has been more around the general hype, fanfare and excitement for it than the real, observable impact in terms of changing behaviors for consumers or businesses at this early stage," Bendeck says. "I think many credit unions are going to take a wait-and-see approach, but I won't be surprised if credit unions' adoption on FedNow surpasses that of The Clearing House's RTP network (*tinyurl.com/tch-rtp*) relatively quickly."

Ultimately, FedNow's adoption has been slow, according to Brian Scott, chief growth officer for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "So far, those that have implemented it are really only on the receiving side—so they have opened up to receive funds, but if nobody is facilitating the sending of funds, there are not any funds to receive," he says.

As such, Scott predicts FedNow won't have much impact on credit unions in 2024. "If you look around the rest of the world," he adds, "there are many countries that have had the equivalent of FedNow launched in their countries for 10-plus years, so there's a playbook out there. We can look at other countries and see what happened when their version of FedNow rolled out."

For FedNow to gain momentum, more participants in the financial ecosystem need to adopt that infrastructure, agrees Ryan Moody, SVP/payments product management for CUES Supplier member Vericast (*vericast.com*), San Antonio.

"FedNow is primarily an infrastructure solution; it will enable quicker settlement of payments among consumers and small businesses," Moody notes. "In the last decade, there have been a lot of new payment methods, primarily in peer-to-peer, that have come forward, but those payment methods are riding on old rails. We are definitely in need of revitalization. It's going to take quite a while to get the momentum ... to really make a significant impact."

THE METAVERSE

For a while, it seemed like all anyone could talk about was the metaverse. But as the buzz has died down, so has the need for credit unions to stake their claim in it.

"The metaverse is not just about immersive shopping experiences," Bendeck says. "It's about gaming or alternative experiences like travel and entertainment, or health and fitness too. So, while there is intrinsically an opportunity to transact across the various experiences the metaverse can support, I just don't know that the purchase volume is significant enough for credit unions to say, 'I must have a strategy next year.'"

Bendeck believes the impact of the metaverse hinges on the payment methods that become prevalent in that ecosystem and whether existing opportunities like digital wallets have a role to play or if transactions will hinge primarily on such emerging options as cryptocurrency or other virtual currencies.

Part of the reason the metaverse has lost its allure may be blowback after the height of the COVID-19 pandemic. "Everybody was looking for virtual [experiences], to be out on this digital plane, and with COVID, it actually saturated," Samaha says. "Now the pendulum is swinging the other way, where people actually want to be more human-based. Being confined and stuck with only digital for a while ... affected the psyche of many, and we're witnessing the results of that right now. Maybe it'll come back at some point, but not right now."

CLOUD PAYMENTS

Just because consumers are gravitating toward in-person experiences today doesn't mean they're going back to cash or physical cards. Therefore, credit unions should keep an eye on digital advancements like cloud payments.

A major perk of cloud payments is that they're easily configurable and scalable and often more efficient. "Cloud-based technology has certainly been a game-changer for merchant point-of-sale systems on the card acceptance side," Bendeck says. However, he predicts that it will be years before credit unions adopt cloud-native technologies for card issuer processing, citing that this has been more widely adopted to date by neobanks and fintechs with de novo card programs.

"When I think about cloud payments, tokenized payments is the first [trend]," Scott says. "In a tokenized payment, you're not using the actual card number or any real information that can be tied back to a consumer." Such giants as Apple Pay (*apple.com/apple-pay*) and Square (*squareup.com*) leverage tokenized payments technology.

"That leads me to think about embedded payments, and I think there's real opportunity here," Scott continues. "An embedded payment can enable a consumer to pay with devices that aren't the actual card or even the phone."

Imagine a parking lot of the future as an example, he explains. You can pull your car into a parking spot, and you don't have to take out your wallet—instead, your car transmits the payment information to the parking garage. Eventually, that technology could spread to getting gas or a pharmacy or food drive-thru.

"There are lots of opportunities to have those tokenized, embedded payments in things other than just a card or a phone," Scott says. Those advancements will happen in a cloud-based payments environment. And while that may not occur as soon as 2024, he believes we'll start to see more devices that have embedded payment capabilities in the not-so-distant future.

> **"In the last decade, there have been a lot of new payment methods, … but those payment methods are riding on old rails. We are definitely in need of revitalization."**
>
> – Ryan Moody

It's important for credit unions to start thinking now about the cloud as part of their payments strategy, says Forman. "As an example, with our Payrailz acquisition (*tinyurl.com/jhpayrailz*), we're building and accelerating a containerized, microservice platform," he says. "This allows for the ability to embed payment capabilities into whatever services are needed—fintechs, open banking platforms, SMBs (small and mid-sized business services), etc."

MOBILE WALLETS AND WEARABLES

With a lot of momentum behind it, this payments trend is an exciting one to watch. "Mobile wallets are seeing incredible growth," Bendeck says. "I don't see that slowing down anytime soon.

"Mobile wallets are interesting because of the convenience they offer for consumers." Being able to authenticate a transaction via a thumbprint or password is enticing, Bendeck adds. "Behind the scenes, you've got tokenization that's being used to prevent the transmission of real card numbers between the merchants and issuers, so it is a compelling story. While not all consumers may appreciate that fact, it's certainly something that card issuers see as a huge benefit to help mitigate fraud."

As a result of this growth, top-of-digital-wallet placement is crucial for credit unions. "Looking for ways to try to create that type of wallet placement is important, say through targeted marketing campaigns and incentive offers pushed around reissuance cycles or peak spending periods," Bendeck says. The same goes for wearables; as a card issuer, your credit union wants to provide the default payment method to which the consumer links their wearable, he adds.

Scott notes that credit unions can lean into the wearables market by playing in the space where decisions are happening. "An example is if I'm walking into Nordstrom and I've got my location services turned on, my credit union could pop up a message and say, 'Hey, you only have $300. You shouldn't be shopping at Nordstrom; you should be shopping at the discount retailers down the road,'" he says. "It's not that we want to watch everything somebody's doing. But we can help people make better financial decisions and impact what's going on in real time with wearables like a watch and helping people on their financial journey through life."

TRADITIONAL CREDIT CARDS

There's no doubt that digital will continue to grow in popularity. "However, until there's a total adoption of contactless cards and the ability to take mobile wallet transactions at point of sale, financial institutions aren't able to take a truly mobile-wallet-only approach to their cards program," Moody says. "Physical cards will still have a place in the payments arena for credit unions but likely have fewer transactions on a go-forward basis."

Though the death of the credit card has been predicted for a while now, Scott points out that we're still waiting for cash to go away. "I think the runway for something like credit cards or debit cards to go away is way, way longer than that's been for cash," he says. "The actual form of it being a physical card, that may change—but the concept of a credit card or a debit card? Those are going to be around for a long time. The only thing I'd be on the lookout for is what are those different form factors." They could be new types of wearables beyond watches, like bracelets, rings or glasses.

Bendeck predicts that we will eventually evolve to biometrics for contactless technologies, such as fingerprints and iris scans. "That's an interesting trend to watch, but I think I'll still be carrying a wallet around for a little bit longer," he says. "I'd say it's probably five to 10 years off, when you'll start to see a decline in physical card issuance."

In other words, don't worry about credit cards disappearing in 2024. "I don't think there's going to be movement in the next year," Samaha says. "Traditional credit cards might be digitized at some point, but if you're going to transact, you're going to need some kind of rails to do it: Visa, MasterCard, American Express, etc. There has to be a network for that. If they're going to be replaced to that degree, it is going to take a long time. It's not going to happen next year, that's for sure. And I don't know if it's ever going to be complete."

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

MORE ON PAYMENTS

An Opportunity for Debit Card Rewards (*cumanagement.com/1223debitrewards*)

Generational Differences Drive Digital Payments Preferences (*cumanagement.com/1023payprefs*)

Foiling the Fraudsters (*cumanagement.com/100523blog*)

Demystifying the Top 5 Misconceptions About FedNow (*cumanagement.com/080923blog*)

Video: Three Important Findings From Jack Henry's 2023 Strategic Priorities Benchmark Study (*cumanagement.com/video081623*)

Gender Equity *in the Boardroom*

BOARDS STILL HAVE WORK TO DO TO SUPPORT THEIR FEMALE DIRECTORS AND WIDER DEI&B EFFORTS.

BY JENNIE BODEN

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Advance Your Personal Finance (*cumangement.com/1123awfinance*)

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Podcast: How CEOs Can Design Organizations of the Future (*cumangement.com/podcast148*)

Gender politics, like all politics, can be polarizing. At the risk of taking a polarizing position, I can't ignore a string of recent encounters that prompt the question: Would that have happened if I (or she) were a man?

If you've read my posts before, you may know I regret that as a society we still need a publication entitled *Advancing Women* (*cumanagement.com/advancing-women*), but I've come to realize that it's an imperative. If we don't call out the subtle (and sometimes not-so-subtle) gender-biased actions that minimize the voices of women, it's akin to deferring to only the male perspective.

After observing a recent credit union board meeting, I watched with concern as a female board member walked out with her head hung low. Later, I spoke with her as a part of our formal assessment process. I learned then that the board chair—a man—had admonished her about her behavior in the meeting—behavior that hadn't even registered a raised eyebrow with me (and I've conducted hundreds of meeting observations over the years and seen and heard plenty of eyebrow-raising behavior). It's interesting to also note that a male director had spoken very rudely to a fellow board member in that same meeting, and I don't believe he received feedback from the chair regarding his behavior.

While with another client, I witnessed a long list of follow-up and action items being delegated to the only female on the board, prompting a hearty round of laughs from her male colleagues.

I, too, have had my own experiences in this regard. For example, I have recently been challenged by men both about my presentation and facilitation style, correcting my cadence and tone. These conversations are impossible to imagine if I were male.

In these instances, I wondered: Would these men have acted in the same way toward us if we were men? The informal poll I've taken, among both men and women, resulted in a resounding "No."

DON'T LET DEI&B EFFORTS DISAPPEAR

While gender is just one of the many elements of diversity, these three recent experiences tell me that a commitment to diversity, equity, inclusion and belonging remains vital. And even more so now, given that LinkedIn released a report last year that found the hiring of chief diversity officers dropped in 2022 after "experiencing significant growth in 2020 and 2021." An article on the Society for Human Resource Management's website referenced the LinkedIn study and quoted Amy Hull, director and head of DE&I at Paycor, a global

leader in human capital (*tinyurl.com/shrm-deiroles*). Hull "said the LinkedIn and Revelio data shows that the pledge to impact change was not followed by genuine effort."

Even our own research at Quantum Governance suggests that our colleagues in the credit union space may not really value demographic diversity. One of our recent studies found that only 35% of credit union board members are women, compared to 51% of the total adult population in the United States (*tinyurl.com/qg-dei-covid*). And when we asked those in the credit union community (board and supervisory/audit committee members, CEOs and members of senior management) what they valued most in their boardrooms, demographic diversity ranked sixth out of 13 (*tinyurl.com/qg-report2020*).

What's of real interest, though, is that for two years running, Filene researchers Quinetta Roberson, Ph.D., and McKenzie Preston (*tinyurl.com/filene-cudei2022*) found that "creating governance and accountability systems" around diversity, equity and inclusion "are paramount to the development of a sustainable approach to DEI that activates real change and drives financial performance."

In the previous year's study (*tinyurl.com/filene-cudei2021*), those same researchers also noted that "diversity may create advantages in terms of market growth, enhanced member experiences, risk management and increased strategic performance. Yet … it is not enough to simply have diversity. Effective solutions for building and maintaining fair and inclusive work environments are needed to leverage the potential for DEI to achieve its performance objectives and develop sustained competitive advantage." And, I would add, to truly achieve change.

I will admit some people do need some coaching on their delivery, and I am always open to learning. Additionally, the board chair is certainly in a position to insist on civility in all manner of dialogue and address situations where it is lacking. However, it's critical to apply "the rules" unilaterally—to provide a forum where every voice and perspective is heard and valued.

Women serving on credit union boards are, like their male colleagues, professionals. They are not supporting members, taskmasters and coordinators. Their roles and responsibilities include the same level of strategic thinking, planning and inquiry as their male colleagues.

And before you give a woman subjective and stylistic advice on her self-expression, consider whether you would be so bold as to provide the same advice or subjective feedback to a man.

Jennie Boden *is CEO of Quantum Governance L3C* (quantum governance.net)*. She has more than 30 years of experience in the credit union and nonprofit sectors and served as the chief staff officer for two nonprofits before coming to Quantum Governance.*

CUES Announces 2023 Award Winners

9 individuals and 1 CU honored




Golden 1 Credit Union | Carla Cicero, CCE | Mollie Bell | Scott Burt | Jayde DelGado, CCM

CUES is pleased to announce the winners of its annual individual awards and the class of 2023 Hall of Fame inductees. Winners were announced on Oct. 19, during the CUES Member Appreciation & Awards Event.

Here are this year's award winners:

- **Golden 1 Credit Union**, Sacramento, is the recipient of the John Pembroke Catalyst for Change Award.
- **Carla Cicero, CCE,** president/CEO, Numerica Credit Union, Spokane, Washington, was honored with the CUES Outstanding Chief Executive Award.
- **Mollie Bell**, chief development officer, Ent Credit Union, Colorado Springs, Colorado, was named the winner of the CUES Exceptional Leader Award.
- **Scott Burt**, board chair, Mountain America Credit Union, Sandy, Utah, received the CUES Distinguished Director Award.
- **Jayde DelGado, CCM,** branch manager, Harborstone Credit Union, Lakewood, Washington, is the 2023 CUES Emerging Leader.





Robert (Bob) N. Trunzo | Tony Budet | Jan Roche | Bill Kiss, CCD | Jeff Shewfelt, CCD

In addition, the 2023 inductees into the CUES Hall of Fame were recognized for their contributions to the profession and the industry, involvement in community service, education and a history of self-improvement, and contributions to CUES. This year's inductees are:

- **Robert (Bob) N. Trunzo**, president emeritus, TruStage, Madison, Wisconsin;
- **Tony Budet,** retired CEO, University Federal Credit Union, Austin, Texas;
- **Jan Roche**, retired CEO, State Department Federal Credit Union, Alexandria, Virginia; and
- **Bill Kiss, CCD,** and **Jeff Shewfelt, CCD,** co-CEOs, Gulf and Fraser, Burnaby, British Columbia, Canada.

Learn more about the awards program and watch a replay of the CUES Member Appreciation & Awards Event at *cues.org/awards*.

Contribute to the John Pembroke scholarship fund: Each year, the winner of the John Pembroke Catalyst for Change Award wins one seat to attend CEO Institute I: *Strategic Planning* at The Wharton School, University of Pennsylvania. This scholarship is named after former CUES President/CEO John Pembroke, a progressive and inspiring leader, who died in 2022. Learn more at *cues.org/scholarship-fund-catalyst-change*.

Online Learning

CUES Virtual Classroom sessions and all program playbacks are free to CUES members. Learn more at *cues.org/events*.

DEC. 5
Virtual Classroom: Stress Better and Avoid Burnout

DEC. 12
CUES Virtual Roundtable: Employee Resource Group Community

JAN. 9
CUES Virtual Roundtable: Emerging Leaders Community

JAN. 17
Virtual Classroom: Creating a Mission-Driven Culture

FEB. 7
Virtual Classroom: Leading Forward: Igniting Transformation in Credit Union Leadership

FEB. 13
CUES Virtual Roundtable: Board Liaison Community

MARCH 27-JULY 16
Diversity, Equity, and Inclusion Cornell Certificate Program

APRIL 1-OCT. 31
School of Business Lending™

JULY 10, 2024-APRIL 1, 2025
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Execu/Summit®	Jackson Hole, WY	**March 10–15**	cues.org/ES
APRIL 2024			
CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 7–12**	cues.org/INST1
CEO Institute: *FinTech*	*Cornell Tech, Roosevelt Island, NYC*	**April 15–19**	cues.org/Fintech
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**April 28–May 3**	cues.org/INST3
MAY 2024			
CEO Institute II: *Organizational Effectiveness*	*Johnson School of Management* Cornell University	**May 5–10**	cues.org/INST2
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Governance Leadership Institute™ I **Governance Leadership Institute™ II: *Emerging Technologies***	*Rotman School of Management* University of Toronto	**June 9–12** **June 12–14**	cues.org/GLI cues.org/GLI2
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CUES Advanced Management Program from Cornell University		**July 10, 2024–April 1, 2025**	cues.org/AMP
Board Liaison Workshop		**Sept 2024**	cues.org/BLW
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Keep Recently Promoted Employees *From Leaving*

BY LESLEY SEARS

Committed and motivated workers are more likely to land promotions, and keeping these recently promoted employees is key to supporting business growth. A new study from the ADP Research Institute (*tinyurl.com/4auvt3f5*) finds that 29% of people leave their newly promoted position within a month after the promotion versus an 18% departure rate for someone who has not been recently promoted.

One of the reasons that recently promoted employees might be more likely to leave is because they may be approached by recruiters who are actively searching for individuals with their new title or skills. While you can't directly do anything about that situation, there are three key things you *can* do to mitigate the flight risk associated with newly promoted staffers:

1. Reinforce the credit union's purpose and how the newly promoted person's position will help to attain it.
2. Be transparent about the details of the person's new position; make sure they know what their daily routine will look like.
3. Develop and train the person toward success in the new role both before and after promotion.

Let's look at each of these in turn.

1. Connect their position to the larger purpose. Make sure you lean into the overarching purpose of your credit union—not just through words but also by seeking staff members' input, appreciating their contributions and reinforcing the importance of their roles to the credit union being able to deliver on its overall mission. People who feel a part of the larger team are less likely to leave for another opportunity, whether they were just promoted or not.

2. Be transparent about the skills needed for the new position. It's important to understand the skills that equate to success for every position—then train to them. These skills are the foundation the position is built on, and they are the key to development for that role, career planning for the next role, succession planning for a leadership role, even future talent acquisition for that role.

A big problem with helping people understand the job they've just been promoted to is that oftentimes their *managers* don't understand the role! If the manager doesn't fully understand the role, there is really no way for the manager to be transparent about what the job's duties are.

My recommendation here is to help managers understand the intricacies of the processes within every position they support by developing and maintaining a process manual and ensuring that current employees are a major part of writing it and keeping it up to date. After all, they collectively know more than anyone!

3. Develop and train the promoted person toward success. When a team member is promoted to a new role within a credit union, previous development should be reviewed, new and necessary development should be planned, and implementation should be initiated immediately. People want to feel like they are, or soon can be, successful in a new position. If you can't provide the training they need, they will not stay in the role feeling unsuccessful; they will move on.

Lesley Sears *is VP/consulting services at CUES and leads CUES Consulting* (cues.org/cuesconsulting)*, which provides talent strategy support to credit unions of all sizes.*

Leave a comment at cumanagement.com/103023blog.

> **"I am surprised by how many leaders don't schedule regular meetings with their employees. This structure is a great way to not only check-in with employees but also to create connection. When designed correctly, a one-on-one meeting can be meaningful time together to share updates, feedback, support and provide coaching and development for each team member. Having regular connection points increases engagement and productivity."**
>
> **Laurie Maddalena, MBA, CSP, CPCC,** *executive coach and founder of CUES Supplier member Envision Excellence* (envisionexcellence.net)*, in "NextGen Know-How: Best Practices That Support Employee Well-Being and a Thriving Culture":* cumanagement.com/1023nextgen

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