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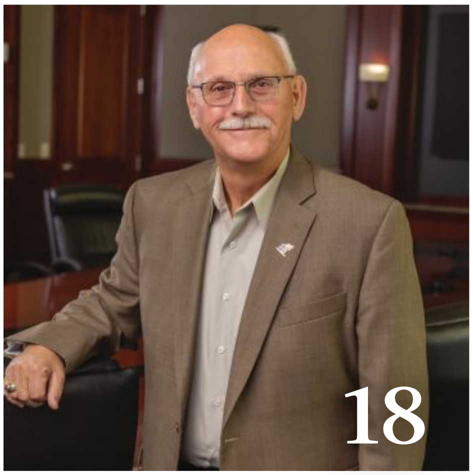

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LET'S CONNECT

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Celebrating *Diversity*

As we start Black History Month, I am reflecting on ways to mark the occasion. Not surprisingly, I often turn to books to help me better understand the perspectives and lived experiences of people who don't look like me. In fact, my favorite way to celebrate diversity throughout the year is by reading.

I read a lot (122 books in 2022). I tell people that I am a naturally fast and unnaturally frequent reader. Some people are born to run. I was born to read. I always keep a book nearby, and I read whenever I can: at lunch, after work and always before bed.

Last year, about 30% of the books I read were written by authors of color. My goal is to increase that percentage in 2023.

Of course, reading is just one way to expand your understanding of diversity, equity and inclusion. Classes are another option for deep learning. The popular CUES Diversity, Equity, and Inclusion Certificate Program (*cues.org/ecornell-dei*), created in partnership with Cornell University, is returning March 15-June 20.

As institutions shift to embrace environmental, social and governance philosophies in their business plans, the CUES/Cornell program will help credit unions shore up the social aspect of ESG by keeping a focus on DEI efforts, creating a truly aware and inclusive work culture along the way.

In addition to offering this world-class course, CUES continues to update its DEI Resource Center (*cues.org/dei*), which is a great place to find a wide range of content, courses, learning tools and more.

I hope you will check out how CUES can help your credit union commit to DEI. For further inspiration, read about the work of $11.5 billion Greenstate Credit Union, N. Liberty, Iowa, to advance DEI in its community. Learn why the CU was named the 2022 CUES DEI: Catalyst for Change Award winner on p. 12.

And if you want to read along with me this month, I'll be reading these books across genres (the last is a book of poetry) by Black authors:

- *You Made a Fool of Death With Your Beauty* by Akwaeke Emezi
- *If Beale Street Could Talk* by James Baldwin
- *The Violin Conspiracy* by Brendan Slocumb
- *Call Us What We Carry* by Amanda Gorman

Theresa Witham

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YOUR THOUGHTS

HOW DOES YOUR CREDIT UNION CELEBRATE DIVERSITY?

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Emerging Into *Leadership*

PAST PARTICIPANTS HIGHLIGHT THE VALUE OF THE CUES EMERGE EXPERIENCE.

BY DIANE FRANKLIN

The CUES Emerge leadership program (*cuesemerge.com*) is open for applications through Feb. 13 and what better way to convey the program's value and that of its predecessor, the Next Top Credit Union Executive, than to ask the participants themselves?

CUES, together with its partner, Currency Marketing (*currencymarketing.ca*), Chilliwack, British Columbia, launched NTCUE in 2010 to educate and develop future CU leaders. In 2020, the program was reimagined as CUES Emerge to combine online learning, peer collaboration and a competition component. The annual program consists of a cohort of 30 individuals, from which five finalists are selected to present their business cases during a live pitch show that determines the CUES Emerging Leader.

We asked five previous participants to describe their experiences with the program and how it has affected their careers.

HOW HAS YOUR CAREER CHANGED?

"After participating in the CUES Emerge program, I continued my self-development and took any additional opportunity to prepare myself when a career opportunity presented itself. The items I learned on projects, networking and presentation were essential in preparing myself to take on this next role within my organization," says CUES member Angela Castañeda-Ball, CCM, director of branch operations at $937 million Justice Federal Credit Union (*jfcu.org*), Chantilly, Virginia, who participated in the 2021 CUES Emerge cohort when she was the CU's learning and development manager.

"It gave me the confidence I needed at the right time in my career," says CUES member Alvaro Macias, CUDE, CUBDP, VP/business development at $543 million Ascentra Credit Union (*ascentra.org*), Bettendorf, Iowa, and a 2014 NTCUE finalist. "I was a coordinator at the time the competition started and was up against senior-level executives. Despite not having the same resources or experience, I made a compelling case that proved I had the creativity, resourcefulness and tenacity to be a top industry executive. Everyone at Ascentra was cheering for me and supporting me in the competition. By the time I made it to the CUES CEO/Executive Team Network conference for the final Top 5 competition, I arrived as a manager. Since then, I have been an AVP and currently serve as a VP."

Clockwise from bottom left: Jill Huls, Daniel Marquez, Angela Castañeda-Ball, Alvaro Macias and Lindsey Walker

"In my professional life, I'm competitive, driven and very focused. Those who work with me know this, and many appreciate it. Being named the 2020 CUES Emerge winner continued to build on my professional brand and further showcase my skillset and abilities," explains CUES member Lindsey Walker, PMP, CCM, CEM, project manager at $405 million Tampa Bay Federal Credit Union (*tampabayfederal.com*), Tampa, Florida, and the CUES Emerging Leader in 2020.

WHAT DID YOU LEARN FROM THE PROGRAM?

"I was familiar with the Canadian credit union system, but wow—the system in the U.S. is so different, let alone credit unions across the world. I had the opportunity to meet and work alongside young leaders from the U.S. and even Australia," says Jill Huls, MBA, CFP, CEO of Thrive Wealth Management (*thrivewealth.ca*), Saskatoon, Saskatchewan, and one of the 2012 NTCUE competition's Final Five. Thrive, which stewards about $2.5 billion in assets under management, is a distinctly branded financial planning and wealth services credit union company in Canada that is owned by $10 billion Regina-based Conexus Credit Union (*conexus.ca*). "I came away reinvigorated by amazing people who all had a lot of energy and passion for helping people in a variety of ways. My learning was that perhaps our strength as credit unions comes more from our diversity of thought and action in serving members, regardless of size or scope of the organization.

"I learned the importance of structure and strategy involving project development, implementation and delivery. There's much more involved than just having a great idea and having support from a professional network. It takes patience, tenacity and resilience," explains Daniel Marquez, CUDE, software implementations analyst with Corelation Inc. (*corelationinc.com*), San Diego. They participated in the 2017 NTCUE competition and advanced to the Top 15. At the time, they were member services supervisor/Children's Miracle Network fundraising coordinator for $178 million LINCONE Federal Credit Union (*linconefcu.org*), Lincoln, Nebraska.

HOW DID PARTICIPATING IMPACT YOUR NETWORK?

"I connected with so many amazing credit union professionals during and after the program," says Castañeda-Ball. "As a CUES Emerge participant, I was able to not only grow my LinkedIn network but strengthen my resource network. When I transitioned roles within my organization, I was able to reach out to a few colleagues in similar roles to bend their ear on processes and other challenges they were facing. This enabled me to gather perspective that some of the challenges my organization was facing were not unique and to get feedback and ideas on how to approach them."

"My experience literally put me in an international stage," says Macias. "I was able to meet and mingle with people from Canada and the Bahamas, then present a project I was working on in front of hundreds of industry decision-makers. Just last year, three of us from our Top 5 had a Zoom call to catch up. It's great seeing how our careers took off!"

WHAT'S ONE THING YOU WANT OTHER ASPIRING CU LEADERS TO KNOW ABOUT THIS PROGRAM?

"Seize every opportunity available! The credit union industry needs young, up-and-coming leaders to step up and share their ideas. Both credit unions and these future leaders can only benefit," suggests Walker.

"Apply. The opportunity to learn and grow alongside a group of great people is valuable and a lot of fun," says Huls. "The exposure and networking opportunity has the potential to change you as a person."

"This is a great program to connect with other credit union professionals with big dreams to be an executive of a credit union," adds Marquez. "There's great value in learning from seasoned executives to leverage our talents and foster our skills. It's hugely important to remember that contests do not define one's value or worth but rather help us grow and evolve into quality leaders."

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

Apply for CUES Emerge *by Feb. 13*

CUES® Emerge (*cuesemerge.com*), the industry's premier emerging leader program, is now accepting applications for the 2023 cohort.

"As CUES Emerge goes into its fourth year, we reflect on and celebrate the three previous cohorts of emerging leaders that have benefitted from this program. Nearly 100 credit union employees have been part of the program and have taken the lessons they've learned back to their credit unions. Many of them have accepted new roles, or worked on new projects, and they credit the CUES Emerge program as being instrumental in their growth and abilities," says Jerry Saalsaa, CUES interim CEO & SVP/CAO.

The program, which is developed in partnership with Currency (*currencymarketing.ca*), combines online learning, peer collaboration and an exciting competition component where participants will apply their learning by developing a business case to drive innovative ideas in their credit union and communities. The participants who complete the course work and business case in full will earn the Certified Credit Union Manager designation in recognition of their strong commitment to their career, credit union and the industry.

Participants can self-select into the competition phase for a chance to present their business case in an online pitch show. The ultimate winner, chosen by a panel of judges, will be named the CUES 2023 Emerging Leader and receive an educational prize package.

Any current credit union employee who has not yet reached the C-Suite level is eligible to apply to this free program. To learn more about the program or to apply for the 2023 cohort, visit *cuesemerge.com*. Applications will be accepted through Feb. 13.

Going for Quality, *Not Quantity*

NEW ANALYTICS AND DIGITAL APPROACHES PUT THE FOCUS ON SATISFIED MEMBERS, NOT JUST SPEEDY RESPONSES.

BY ART CHAMBERLAIN

The shift to digital banking is transforming the way credit unions interact with members from branch to call center.

In the past, members who had problems brought them to the branch where they were solved face-to-face. Then came the call center, which handled those problems on the phone. That became the contact center, which combined phone and online interactions. Now in some credit unions, this center for member communications is becoming the engagement center where agents solve problems in a variety of ways from chat to text, and truly build relationships in the process.

This transformation from call center to engagement center is part of an effort to provide personalized customer service—long every credit union's bragging point—in a digital world. Gartner (*tinyurl.com/gartnerglossary*) describes an engagement center as a system that "includes software applications used to provide customer service and support by engaging intelligently—both proactively and reactively—with customers by answering questions, solving problems and giving advice."

These cutting-edge systems use artificial intelligence to do speech analytics that can monitor all calls and identify member sentiment, good or bad, and spot areas where agents stumble that may indicate a need for more training or a change in procedure.

The irony is that the gold standard of online customer experience as provided by Amazon involves no personal customer interaction. That website is built to be intuitive and includes easy ways to resolve any problem, and it is impossible and unnecessary to even find a phone number to call for help.

"I think that that's a great aspiration to get to a point where everybody can do anything on


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> **"If you have a problem and you're 75% of the way through what you're trying to do inside the app or in the portal and you get stuck, you shouldn't have to pick up the phone and start all over again."**
>
> — Steve Kaish

their own," says Steve Hasmanis, VP/contact center growth strategy and optimization at CUES Supplier member Vericast (*vericast.com*), San Antonio, Texas. But if a member is banking with a credit union and loses her debit card or sees $1,000 missing from her account, that tends to be something for which she'll want an immediate interaction. "You want to explain the urgency, and that tends to be a person-to-person interaction that is served best by the phone. I think you're always going see some level of need for that."

Vericast provides call center service for several hundred credit unions across the U.S., offering everything from occasional support when a credit union's own center gets swamped to after-hours service to complete outsourcing. The company's goal is to ensure that credit union members who call with a problem feel as though they are talking to someone from their credit union.

Hasmanis says personal interaction from the call center allows a credit union to build an emotional bond with members by showing it is a partner that cares. "That's an opportunity to keep that member for life."

MEASURING SUCCESS

What metrics does Hasmanis recommend credit unions use to evaluate their centers? He notes that first-call resolution is a common measure that tracks whether a caller was able to get someone to solve their problem effectively and without too much effort. That led a few years ago to measuring customer effort and looking for ways to reduce the friction that can upset members.

What sort of friction? One example could be starting their journey with a question on chat, then finding after several minutes that they need to phone for help, then having to start over and identify themselves again and explain their problem to someone else.

"That's too much effort, considering that they probably didn't want to pick up the phone in the first place," Hasmanis says. "We only want to call our friends and family. We just want to have other things work properly. So, measuring first-call resolution is one of the most powerful things."

Vericast also looks at quality scores. It records all calls and uses speech analytics to identify which ones to check further.

Rini Fredette, SVP/contact center services and solutions at CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, says, "Quality is the first metric when focusing on providing a great member experience." PSCU uses this metric to evaluate agents on the service they are delivering in the call centers it fields for its 900 credit union clients.

PSCU launched speech analytics about 18 months ago. This technology allows the CUSO to automatically score multiple aspects of all calls and frees its quality analysts to focus on other areas that artificial intelligence can't evaluate and provides a more holistic evaluation of an agent's performance. PSCU considers call sentiment, which speech analytics can measure, and non-talk time, since long gaps can indicate that an agent is struggling to find the answer to a query and may need some additional development. "Non-talk time can also be awkward or uncomfortable and affect the member experience," says Fredette.

According to Fredette, speech analytics help PSCU look closely at calls and identify opportunities, such as when an agent who may handle calls for several credit unions that use a variety of banking systems is having a problem.

"Until we started using speech analytics, it was difficult to know that an agent was struggling with a specific process on an application," she says. "Now, we can get down to that level of detail and give agents very direct coaching in those specific areas, which will provide a better member experience going forward."

ARTIFICIAL INTELLIGENCE AND AUTOMATION

Andrew Casson, VP/public sector-Americas for CUESolutions provider Content Guru Inc. (*contentguru.com*), says artificial intelligence and automation, such as what's used in Content Guru's storm platform, have become real game-changers in the call center. They can be used to triage contacts by several channels and provide many responses, which frees agents to handle the tougher issues and provide personal service.

"It used to be the help desk was the main contact center," Casson says. "Now it's about engagement with the client. It's marketing, it's sales, it's cross-sell and upsell. It's your best opportunity when you have them to say: 'What else can we help you with? If you're happy with our service and we're delighting you, what else can we be doing for you?'

From a management perspective, the focus is shifting from metrics such as average handling time to quality-focused interactions, including post-contact customer surveys done by SMS or email or follow-up call, he adds. "Are we doing great? Did we delight you?"

If the response suggests problems, Contact Guru's platform makes it easy for supervisors to check the quality of the interaction and determine whether any issues require training—or identify friction that can be eliminated by changing the contact center's processes.

AGENTS WORK FROM HOME

Many PSCU agents currently work from home, but leveraging analytics allows the credit union service organization to create supervisor dashboards that "dig into the minute detail of what's happening with a specific agent so leaders can develop a coaching plan that makes sense for that individual," Fredette adds.

"We have an agent performance scorecard that they get every single day so they can see how they are performing, how they're trending for the month, and then they can benchmark themselves against their peers," she says.

PSCU and Vericast both stress the importance of ensuring their agents are satisfied. "If the agent isn't happy or doesn't have the tools they need, it makes their jobs more difficult and, in turn, it makes it really hard for the member to have a good experience as well," Fredette says.

Some companies, such as Glia (*glia.com*), are working to simplify contact center services by combining them into one seamless environment regardless of channel.

"For example, if you have a problem and you're 75% of the way through what you're trying to do inside the app or in the portal and you get stuck, you shouldn't have to pick up the phone and start all over again," says Steve Kaish, SVP/product marketing and alliances for Glia. "You should be able to be joined there by a rep for the credit union, and they can say, 'All right, I see that you're trying to transfer money and it seems maybe you don't know what the routing number is.'"

That option is available because Glia, which has more than 250 credit unions with assets ranging from $45 million to more than $30 billion using its service, offers agents the ability to observe what members are doing in the app or on the website, and if the member agrees, they can do co-browsing, which lets the agent directly show the member how to navigate the site and solve their problem.

Kaish says agents find this ability transforms their day because they don't need to spend time waiting for members to figure out what spot on the site the agent is trying to direct them to and growing more and more frustrated because they can't see what they're looking for.

Glia literally wrote the book on customer service. Its CEO Dan Michaeli and Rick Delisi, the company's lead research analyst, co-wrote *Digital Customer Service: Transforming Customer Experience for an On-Screen World (tinyurl.com/gliadcs).* The book explains how focusing on digital customer service can meet all of a customer's needs in a digital environment, even when this involves talking to a live agent.

"If you want to truly transform your customer service, you need to move it from a 1940s phone system into something that's more digitally aligned with everything else you're doing," says Kaish.

SPENDING EXTRA TIME TEACHING

Kaish notes that credit unions aren't focused on squeezing agents to wrap up calls quickly so they can get on to the next one.

"If you spend an extra five minutes with this member, teaching them how to use something so that they're not going to call every month to ask the same question, that's a good thing as opposed to making sure you get off the phone as soon as possible," Kaish says.

One challenge is making sure that AI-driven bots recognize when to give up and transfer the problem to a human. "When we do that handoff, we take the entire conversation that the bot had and give it to the human, so they can pick up where the bot left off."

CUES member Tyler Kuhn, CSME, chief marketing and digital experience officer at $630 million Dover Federal Credit Union (*doverfcu.com*), in Dover, Delaware, says the introduction of Glia's system has transformed the way its agents work.

In the past, some were designated to respond to chat queries, while others handled the phones. "Getting on Glia allowed us to offer a more inclusive environment and say, 'OK, here we have a next-up mentality. Whatever the next engagement is in the queue, regardless of the channel, that's what you're getting," Kuhn says. This has increased efficiency and helped reduce wait times.

Since switching to Glia, average handle time at Dover FCU has dropped more than 20% and is now below five minutes.

The other factor that Kuhn focuses on is how calls are reported in the wrap-up codes that agents fill out. In the past a call was logged under what was reported as the first reason for the call. But in reality, calls or online responses can turn into other topics.

"From a management perspective, I can see what the calls are really about," Kuhn says. "I also noticed that what the agents were remembering about the call is what caused them the most pain, and so when I looked at the numbers, they were completely different."

For example, a call that might have been logged as being about a loan payment was really spent dealing with problems making a transfer to another institution.

"We focus less on how to answer calls quicker, and we focus our minds on how can we get people to not have to call us," Kuhn says. "What chokepoints and processes do we need to change? The wrap-up codes allow you to see those."

"Quality is the first metric when focusing on providing a great member experience."

— Rini Fredette

PRIVACY A CONCERN

A challenge with the Glia system is that some members are nervous about privacy and security issues when they realize the agents can see what they are doing on their screens. Kuhn says it has been important to work with the agents so they are comfortable explaining in clear terms what they can see and do and what they can't.

An important point to make is that the system does not follow members when they leave the credit union's website to visit other sites. A second important point is that personal data in the system is anonymized and not made available to call center agents.

For many contact centers, a major friction point is the need to confirm a member's identity when they call in or shift from a chat or online session to phone. This can take a couple of minutes and often starts the conversation off on the wrong foot. It is definitely different than the experience of walking into a branch when the member is recognized on sight.

Illuma (*illuma.cx*), a CUSO based in Plano, Texas, has a high-tech solution to this problem. It uses voice recognition software that it originally developed for the U.S. Department of Homeland Security, and then pivoted to address the need for passive authentication at credit union contact centers.

The product, called Illuma Shield, enables credit unions to recognize their members by their voice. The first time a member calls the contact center, Illuma Shield creates an initial AudioPrint in the background while the member is talking with the agent. The AudioPrint is used as a baseline to verify members on subsequent calls. All of this happens only if the member consents to using biometric verification. The result is a frictionless enrollment and verification process that mimics the experience members are accustomed to in a branch.

"Agents simply tell members that we have a new voice verification or voice ID solution in place and you can sign up for it right now," says Milind Borkar, Ph.D., Illuma's founder/CEO. "It'll happen over the course of the call as we go through the service request. No additional actions are required to sign up, and we're seeing a really high opt-in rate.

"Our credit union clients are able to cut down authentication time by 85 to 95%. It takes seconds versus a minute and a half to two minutes of Q&A. That means the members get service quicker."

$5.1 billion Connexus Credit Union (*connexuscu.org*), in Wausau, Wisconsin, says introduction of the Illuma Shield system has cut call times by more than a minute since it was introduced in 2021, resulting in higher member satisfaction and saving thousands of hours of agents' time.

The system also offers the nine credit unions currently using it greater protection against fraud calls, Borkar says. So far, no hacker has defeated the system.

Art Chamberlain *focuses his writing on the credit union systems in the U.S. and Canada.*

RELATED CONTENT

The Big Opportunity to Reduce Friction Across the Credit Union (*cumanagement.com/podcast133*)

Seven Secrets to Improving the Employee Experience of Your Contact Center Team Members (*cumanagement.com/041322blog*)

The Role of the Cloud Contact Center in Modernizing Member Experiences (*cumanagement.com/120121blog*)

Taking a *Leadership Role in DEI*

GREENSTATE CU ASPIRES TO BE A TRUE CATALYST FOR CHANGE BY ENCOURAGING OTHERS TO COMMIT TO DIVERSITY, EQUITY AND INCLUSION.

BY DIANE FRANKLIN

Jeff Disterhoft

GreenState Credit Union (*greenstate.org*) has intrinsically woven the ideals of diversity, equity and inclusion into the fabric of its organization. All 975 employees and the board of directors share the organization's DEI commitment, which the CU demonstrates through such wide-ranging efforts as an ambitious initiative to increase homeownership among people of color, a bilingual strategy to meet the needs of Latino members, and a generous charitable giving program that earmarks millions for causes dedicated to racial, immigrant and refugee equity.

Elevating its DEI commitment even further, GreenState CU takes a leadership role by encouraging other credit unions to participate in its community endeavors. The CU also partners extensively with community nonprofits that have similar DEI goals. Taking such a proactive approach makes GreenState CU a worthy recipient of the 2022 CUES DEI: Catalyst for Change Award (*cues.org/dei-catalyst-change*). CUES introduced the award in 2021 to recognize a credit union annually for doing exceptional work in advancing diversity, equity and inclusion issues within its organization, its community and the industry.

"We're humbled by the recognition," says CUES member Jeff Disterhoft, president/CEO of $11.5 billion GreenState CU, North Liberty, Iowa. "It was 110% a team effort, and we're honored, especially given all the great things that credit unions across the country are doing these days."

GreenState CU most directly embodied the "catalyst for change" description when it developed its ambitious 10/10 initiative with the intention of addressing Iowa's racial homeownership gap. Launching the initiative in 2021, the CU pledged to invest 10% of its assets over a 10-year period in the form of home loans to people of color (*tinyurl.com/greenstate-homeownership*). For GreenState CU, this pledge equates to slightly more than $1 billion. The CU has already exceeded $280 million of that goal since inception of the program two years ago.

Seeking to make the 10/10 initiative more impactful, GreenState CU asked other Iowa credit unions to join in this endeavor. Already 57% of the state's credit unions (as measured by assets) have committed to the program, and another 20% are considering it. This effort speaks to GreenState CU's aspiration to be a leader in DEI, with the goal of motivating other credit unions in Iowa and eventually in the region and nation to undertake similar efforts.

"One credit union in one market may not be able to move the needle much," Disterhoft acknowledges, "but if we as an industry take on this challenge, we can make a meaningful difference in the lives of not only today's generation but for generations to come."

AN ORGANIZATION-WIDE COMMITMENT

GreenState CU has undertaken its DEI efforts to better serve the totality of its 390,000 members, the majority of whom live in Iowa and northern Illinois. To ensure organization-wide participation in its DEI efforts, the CU established an internal DEI committee in the spring of 2017. Disterhoft describes the committee as "active and growing," with 22 staff members currently participating.

"We have engaged staff from every corner of our organization in our internal DEI committee," he reports. "This committee oversees our educational efforts [and] cultural celebrations and addresses how GreenState can continue to be a better place for all."

To ensure that DEI gets priority attention, GreenState CU has dedicated staff resources specifically to that purpose. CUES member Broderick Binns serves as the credit union's DEI coordinator, coming on board in that role in February 2022. He leads the organization's DEI committee and has also established employee resource groups at the credit union.

In addition, the CU has a two-person business

Broderick Binns

Lindsay Cannaday

Kenia Calderon Ceron

development department that oversees the inclusion and growth of members of color across its field of membership. "Lindsay Cannaday (VP/business development director and a CUES member) and Kenia Calderon Ceron (VP/bilingual business development director) are working together to develop culturally relevant products, update our policies and build relationships with external partners," Disterhoft says.

GreenState CU's DEI commitment is further evident in the diversity of the staff itself—all the better to serve an increasingly diverse membership. Currently 7% of membership is Latino, and the CU has doubled its bilingual staff over the past 18 months to meet their needs.

To achieve its ongoing goal of greater staff diversity, GreenState CU has adjusted how it searches and screens for job candidates. "We have leveraged diverse job boards, we have an employee recruitment program, and we highlight diversity on our website," Disterhoft reports.

Demonstrating a strong commitment to DEI has been effective in attracting new employees to GreenState CU—especially candidates for whom DEI causes have strong appeal. "Issues of diversity, equity and inclusion have been a focal point over the past few years and continue to be at the forefront of workplace concerns among job applicants and employees," Disterhoft says. "Surveys show more than three out of four job seekers and employees report that a diverse workplace is an important factor when evaluating companies and job offers."

AN INTERSECTION OF GOOD

Credit unions that show a commitment to DEI are fulfilling their mission to be a force for good in their communities. However, Disterhoft contends that prioritizing DEI also is an effective way for credit unions to enhance their bottom lines.

"Addressing DEI issues is one of those rare intersections between doing good and what's good for business," he observes. "It's doing good because we're helping historically marginalized communities. It's also good for business because some of those communities are among the fastest-growing demographics in our state and nation."

Those in marginalized communities have been the primary beneficiaries of GreenState CU's updated lending policies. "Through the efforts led by our business development department, our lending practices have expanded access to underserved markets," Disterhoft reports.

As part of its 10/10 initiative, GreenState CU has updated its policies to better support members who have historically faced systemic barriers to homeownership. As a result, there has been an increase in participation among people of color in the CU's Affordable Home Loan Program over the past couple of years.

"Since 2020, we've seen a steady increase in applications and closed loans yearly," Disterhoft says. "In 2022, we've closed more loans than the previous year despite the slowdown across the nation in mortgage lending. Our closed loans are up a total of 14% to Black and Hispanic members. And 10% of all outstanding purchase loans have been made to Black and Hispanic members. These numbers are a direct reflection of our intention and commitment to achieving housing equity."

As additional support, the Affordable Home Loan Program offers down payment assistance for qualified borrowers and also features a credit-counseling component for those who do not qualify for loans. The goal is that, through credit counseling, they will improve their chances of successfully applying for a loan in the future.

Addressing the needs of underserved members was also the rationale behind the CU's recent launch of an ITIN lending program (*tinyurl.com/greenstate-itinlending*), which allows immigrants to open accounts and access loan programs with individual taxpayer identification numbers. This helps eliminate a barrier for those who previously were unable to access such services because they lacked a Social Security number.

"Not many organizations have established an ITIN program," Disterhoft says. "With our reach, we can serve immigrants across our field of membership. Our staff has been trained, and our policies allow us to be flexible to help our immigrant members achieve their financial goals."

Beyond its lending practices, GreenState CU has taken other steps to foster inclusivity and address the racial disparities hindering communities of color. Among them is the development of an emer-

MORE ON CUES AWARD WINNERS

Committed to Closing Racial and Language Gaps (*cumanagement.com/podcast139*)

Fulfilling Its DEI Mission (*cumanagement.com/1221deimission*)

Leading by Example (*cumanagement.com/1122example*)

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

Leveraging Data to Promote Positive Change (*cumanagement.com/0123data*)

A Commitment to Credit Unions (p. 18)

"To implement a successful DEI strategy, leaders need to feel comfortable enough to acknowledge what they don't know and be eager to learn."

– Jeff Disterhoft

gent bilingual strategy, which focuses on meeting the needs of the CU's bilingual communities. Having a larger bilingual staff is a part of this strategy, and there also is an effort to facilitate communication with bilingual members by collecting their preferred language at account opening.

"So far, we have captured the preferred language of 40% of our total membership," Disterhoft reports. "This will help us better serve our members whose first language is not English."

Also as part of this strategy, GreenState CU has translated its website, mobile app, online banking and loan/deposit applications into Spanish. "Our efforts to make ourselves accessible in other languages have helped us ensure our immigrant members understand all the benefits our relationship," Disterhoft explains. "Diversifying our staff has helped communities of color trust us as well because they see themselves represented at GreenState."

ALIGNING WITH OTHERS

The leaders at GreenState CU realize that DEI efforts have more widespread impact if organizations can work together. Therefore, the CU has aligned with other organizations that have similar goals. "We have built strategic partnerships with nonprofits trusted by communities of color to expand awareness of the credit union difference," Disterhoft adds.

Just a few of those nonprofit groups include the Iowa Commission of Latino Affairs (*tinyurl.com/iowa-latinocommission*), which works to empower underrepresented Iowans by eliminating economic, social and cultural barriers; the Multicultural Development Center of Iowa (*mdciowa.org*), which provides free education, training and business incubation services to underserved communities; Bridge Communities Inc. (*bridgecommunities.org*), which serves homeless families in DuPage County, Illinois; and the Evelyn K. Davis Center for Working Families (*evelynkdaviscenter.org*), which helps individuals and families in Des Moines reach their work and career goals.

GreenState CU also stresses the importance of supporting others who have shown their dedication to DEI causes. "In the communities we serve, we're intentionally expanding support to nonprofit partners that have a focus on racial equity," Disterhoft says. "In 2021, we supported our communities by giving back approximately $2.6 million to over 700 events and programs in Iowa. In 2022, we expanded our support by donating nearly $3.5 million to 880-plus events and programs in Iowa and Illinois."

Beyond the financial support, GreenState CU also provides community nonprofits with financial literacy tools at no cost to these organizations.

AN EVER-EVOLVING PROCESS

Being effective with DEI requires a never-ending effort to meet the changing needs of the market, but Disterhoft stresses that the effort is definitely worth it. "Fostering inclusion helps everyone in our world, from our workforce to our member owners. Committing resources to your DEI strategy will ensure continuity of the strategy."

DEI is a complicated arena, however, meaning that organizations are likely to make a misstep or two that will require introspection and correction. At GreenState CU, Disterhoft identifies one such mistake as being too slow in addressing the social ramifications following the death of George Floyd. "Our messaging internally and externally could have happened quicker," he acknowledges. "We wanted to ensure that the employees knew where we stood on the matter, but we waited a little long."

Nonetheless, the prospect of making mistakes should not deter credit unions from moving forward in committing to DEI. "Recognize you'll make some mistakes and give yourself some grace," Disterhoft advises. "We've made our share of mistakes in this process—and will continue to have stumbles along the way—but those mistakes are always indicative of our learning and growth. ... To implement a successful DEI strategy, leaders need to feel comfortable enough to acknowledge what they don't know and be eager to learn."

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

A Commitment *to Credit Unions*

JOHN SACKETT EMBODIES THE TERM 'DISTINGUISHED DIRECTOR' IN EVERYTHING HE DOES FOR THE INDUSTRY.

BY DIANE FRANKLIN

In the early 1970s, John Sackett walked into a bank with a simple request. He had just returned to his hometown of Eau Claire, Wisconsin, after serving four years in the U.S. Air Force. As a young man building his professional career, he needed a credit card for business-related expenses.

"The bank declined my application, which I found surprising," Sackett says. "I couldn't think of anything from my background that would have precluded me from getting a credit card."

Fortunately, Sackett had a friend who was a member of Royal Credit Union in Eau Claire. "My friend referred me to Royal, and I was able to get the credit card," Sackett recalls. "The process was very quick and very professional."

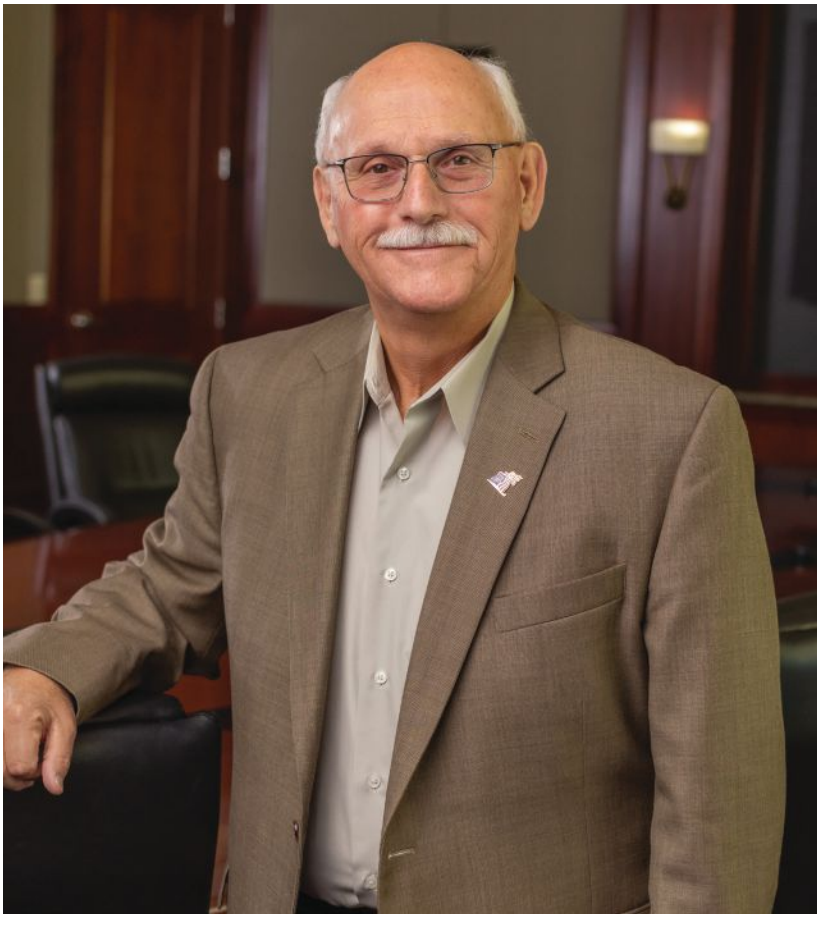
That encounter from a half-century ago was the beginning of a strong bond between Sackett and Royal Credit Union (*rcu.org*), which eventually led to a strong bond between Sackett and the credit union industry as a whole. He has served more than 40 continuous years on the Royal CU board of directors, including 17 years as chair. Additionally, he has served in impactful roles on several national boards and committees, contributing to important work being done on behalf of 132,000 million credit union members nationwide.

Based on his dedication, Sackett has earned the title of CUES Distinguished Director for 2022. CUES bestows this award on volunteers whose achievements have strengthened their credit union and the industry, and certainly Sackett's contributions have done both.

"I believe in this industry, and it's been my philosophy to do everything I can to support it," Sackett says. "I've always tried to take advantage of opportunities to make a difference and to have a positive impact by helping others, whether it's a fellow board member, another credit union or members of my own credit union."

A STUNNING TRANSFORMATION

Sackett started his journey as a credit union volunteer in 1982, when Royal CU approached him with a request to help out in the internal audit department in a nonpaid capacity. "It was a chance to do some work for an organization I respected, so I said yes, and that eventually led to my becoming a director on the board," he says.



"John has been a very valuable mentor to me. He's there to answer any questions I may have and to offer his insights as someone who has been the board chair, but he also gives me the space to do my own thing."

– Tom Huffcutt

Over the next four decades, Sackett has played an instrumental role in the organization's transformation from a small, community-based credit union to a regional powerhouse that now serves 275,000 members in Wisconsin and Minnesota.

"When I started on the board, we were an $80 million credit union with one office and 13 employees," he recalls. "We are now a $4.5 billion credit union in two states with 23 branch locations and 650 employees. None of this came about by accident. It took a strong board to lead the way, working hand in hand with an excellent management team. We each know our own role, and we continue to be on the same page."

Concurrent with many of his years of credit union volunteerism, Sackett had a distinguished career in the areas of finance and accounting. Having earned a bachelor's degree in comprehensive public accounting from the University of Wisconsin-Eau Claire, he worked eight years for a CPA firm. He also spent 27 years as director of finance for the Eau Claire Area School District, which serves 15,000 students. Now retired, Sackett still has a strong affinity for education and is particularly proud that Royal CU established its first in-school credit union location (*tinyurl.com/rcu-schoolsense*) while he was serving as chair.

"This was a concept that was brought to the board, and we very rightly said, 'This is what we at Royal Credit Union should be about—educating the next generations in financial literacy,'" Sackett says. "The first branch was established at an elementary school 29 years ago, and we now have 30 student-led branches in elementary schools, middle schools and high schools. It's a program that has evolved and become very successful throughout the years."

The in-school branch program later served as template for Royal CU to offer financial literacy education at several county jails and correctional facilities in northern Wisconsin. CU staff provide the education to individuals at those facilities so that they'll be better able to manage their finances when they return to their communities. While Sackett was no longer chair when this program launched, it grew out of the commitment that the board had already exhibited toward educating the community.

"I wouldn't say I had a significant part in establishing this program, other than supporting it strongly," Sackett says. "It is something of an evolutionary process, where some of the programs we've established have led to other programs with similar goals."

Sackett has a lifelong commitment to learning, as exhibited by his own continuing education efforts. To better himself as a board volunteer, he has taken several classes and earned an industry certification in the process. Other board members have followed suit, and now Royal CU requires that all board members become certified—one of the first credit union boards in the nation to have this requirement.

"Our board is very cognizant of the value of continuing education, not only for our members but also for ourselves," Sackett says. "I think that has a lot to do with the success that this credit union has had."

A VALUABLE MENTOR

After 17 years as Royal CU board chair, Sackett was ready to pass the torch of leadership to a successor. But he continued on the board, serving 10 years as treasurer and then taking on additional roles by chairing or serving on committees. He also was instrumental in establishing the RCU Foundation (*tinyurl.com/rcu-foundation*), which since its founding in 2012 has donated more than $7 million to community projects. Sackett continues to serve the foundation as its president.

"I chose to step down as chair," Sackett says. "I'm a firm believer that no one owns a position like that. I also believe that it's healthy for organizations to make changes periodically."

During his last two years as chair, Sackett devoted considerable time to mentoring Doug Olson, who was vice chair at the time. "I included Doug in virtually all of the activities that the chairperson has to be involved in," Sackett recalls.

Eventually Olson succeeded Sackett as board chair and served in that role for 13 years. During his tenure, there were two CEO transitions, and Olson is particularly grateful for Sackett's guidance in understanding the nuances of working with CEOs.

"John really helped me learn the ins and outs of the job," recalls Olson, a CUES member, and now Royal CU's treasurer. "He taught me the importance of working effectively with the CEO to make sure that everyone is on the same page and pulling together as a team to do what's best for the member, but at the same time to realize that the board isn't just there as a rubber stamp for whatever the CEO decides to do."

Olson has been on the board for almost 28 years, and during that time, he and Sackett have gotten to be good friends. "John is a very outgoing and gregarious individual," Olson reports. "He's also very confident and will lead the board in the direction he believes it should go."

However, Olson adds that Sackett is open to hearing dissenting opinions. As friends, they know they can shoot straight with one another. "We're not afraid to say to each other, 'I don't agree with you' or 'I think you're wrong about that,'" Olson reports.

CUES member Tom Huffcutt, who succeeded Olson as chair in 2021, likewise has benefited from working closely with Sackett. "John has been a very valuable mentor to me," Huffcutt says. "He's there to answer any questions I may have and to offer his insights as someone who has been the board chair, but he also gives me the

“I am a big believer in the credit union philosophy of people helping people. And I’m especially a big believer in the guiding light at my own credit union, which is to create a positive impact in the lives we touch.”

– John Sackett

space to do my own thing. When somebody’s been a leader as long as John has, it’s easy to fall into the habit of thinking, ‘I know what’s best,’ but John isn’t that way at all. He’ll share his opinions, but he won’t tell me what to do.”

Olson and Huffcutt also appreciate the broader perspective that Sackett brings to the board based on the experience he has gained from working on national boards and committees. He was the first and is currently the only volunteer board member on the CUNA board of directors. He also currently serves as the vice chair of the National Credit Union Foundation (*ncuf.coop*).

“John has a very global orientation with regard to the credit union industry,” Huffcutt says. “He brings that back home to us, which helps us think globally but at a smaller institutional level. We never settle into the mindset that ‘we’re based in Eau Claire, so we don’t have to think much beyond our own market.’ John, because of his connection at the national level, keeps us focused on knowing the national perspective on issues.”

As such, Huffcutt certainly believes that Sackett deserves the Distinguished Director award. “To me, the term ‘distinguished director’ describes John exactly. He’s not just filling the seat. He’s been a director for many, many years, but he continues to grow and evolve with the industry, and he’s always a little bit in front of it.”

Olson likewise finds Sackett’s influence in the industry very inspiring, “He’s made such an impact not only at Royal Credit Union and what we’ve done for our members but also in what’s he’s done at the national level to help promote credit unions. I think that’s why he’s so well respected. ... He’s not afraid to ask tough questions and not afraid to make strong suggestions.”

Beyond mentorship, Sackett is always eager to share his vast knowledge with others in the credit union industry. He has made presentations at numerous industry conferences and also at individual credit unions throughout the country, sharing his insights on such topics as board recruitment and the importance of industry education.

Sackett is grateful for the opportunity to attend conferences, including the most recent Directors Conference in December (*cues.org/dc*), noting that it gives him the opportunity to interact with board members from across the country and other people in the industry. “I always try to pick a table at lunch or in a meeting room where I don’t know anybody,” Sackett reports. “That way, we can all start from ground zero and just talk about our organization. It doesn’t matter if the credit union is large or small. We all have something we can learn from each other.”

FIRE AND DEDICATION

Sackett’s life outside of the credit union industry is also very active and fulfilling. He is an advisor to the Eau Claire Community Foundation (*eccfwi.org*), which supports nonprofit organizations in the local community. He also has served as chairman of the finance committee of his local church.

In addition, Sackett is a devoted family man. He and his wife, Kristine, have four children—James, Jessica, Joel and Micah—and six grandchildren. James has followed in his father’s footsteps by becoming a credit union volunteer, currently serving on the board for $4.3 billion TruStone Financial Credit Union (*trustonefinancial.org*), Plymouth, Minnesota. Like his father, James is a CUES Distinguished Director award recipient, having received the honor in 2018 while serving on the board at Firefly Credit Union prior to its merger with TruStone Financial CU. They are the only father-son duo to ever win the award.

Throughout his four decades of service, Sackett continues to be energized by the credit union mission. “One thing that I’ve never lost in all of this time is the fire and the dedication I have for what I do,” he says. “I am a big believer in the credit union philosophy of people helping people. And I’m especially a big believer in the guiding light at my own credit union, which is to create a positive impact in the lives we touch.”

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

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A Passion to Include and Serve (*cumanagement.com/0222serve*)

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Leveraging Data to Promote Positive Change (*cumanagement.com/0123data*)

Taking a Leadership Role in DEI (p. 14)

MORE ON BOARD DEVELOPMENT

Video: The Ongoing Director Evaluation Process at Royal Credit Union (*cumanagement.com/video121222*)

Good Governance: The Sophisticated Art of Ensuring Your Board Grows Alongside Your Credit Union (*cumanagement.com/1222goodgovernance*)

Crafting a Modern *Succession Plan*

5 MARKET REALITIES TO CONSIDER FOR CREDIT UNION LEADERSHIP CONTINUITY

BY ANDY ROQUET

Have you noticed that even the most far-out science fiction almost always orbits a people story? Machines, robots and rockets draw us in, but humanity keeps us engaged.

As art often imitates life, the same can be said for banking. Speed-of-light loan approvals and personified chatbots may attract new members. Credit union people, however, keep them around.

Humans help each other rise above the emotional gravity of otherwise weighty decisions to reach for the possibilities of financial stability—perhaps even wealth.

Indeed, people can be counted among any given credit union's most valuable assets. It's why recruiting, rewarding and retaining key leaders are so high on the list of strategic imperatives. Yet, it is getting harder to do those three things well. New market forces are influencing the way humans show up for and think about their work in the larger context of their lives.

In this new reality, credit unions have more things to think about as they design their leadership continuity plans. Below are five workforce trends HR leaders and board directors may want to explore in their strategic conversations around succession.

1. THE CHANGING SKILLSET OF THE CREDIT UNION CEO

The toughest part about the evolution of the credit union CEO is that the list of skills is not only changing; it's growing. CEOs must have all the same knowledge that has served the movement for decades, plus more.

Modern CEOs must now possess "digital leadership" skills. Beyond the technology acumen the term calls to mind are a range of newly in-demand soft skills. These are talents like motivating through rapid or unexpected change and mobilizing strategic empathy to build a culture of inclusion.

Today's organizations will often deploy upskilling or reskilling initiatives when they identify a skill gap within their workforce. Traditionally, upskilling and reskilling have been thought of as programs to benefit frontline employees. Think Amazon's Career Choice program (*amazoncareerchoice.com*) or AT&T's Future Ready initiative (*tinyurl.com/2p8cznxu*). The great news is that the principles of upskilling and reskilling can apply to management as well.

Take reverse mentoring, for example. The concept pairs senior- or management-level staff with entry-level colleagues. Jack Welch first deployed it in 1999, pairing General Electric executives with junior staff to learn about the internet. However, having rising leaders hang with the digital natives on their team is not only about more richly experiencing the relevance of technology and digital engagement. It's also about exposing them to new ways of approaching work, from questioning established processes to fixing things that *aren't* broken.

2. THE GROWING APPRECIATION FOR MULTICULTURAL LEADERSHIP

Beyond simply being the right thing to do, ensuring diversity within the C-suite is proving to be a smart business principle. As more publicly traded companies are pressured to release data on workplace diversity, trends are showing strong connections between multicultural leadership and upticks in a range of financial performance metrics, from cash flow to net profits.

To attract, retain and incentivize diverse candidates, however, credit unions may need to view their benefits strategies through a multicultural lens. According to the *2022 What Matters Now* report from TruStage and CUNA Mutual Group (*tinyurl.com/3d7r5kth*), events of the last few years have encouraged more companies to face disparities head on and find solutions to remedy them.

Credit unions seeking to diversify their leadership may be able to find some of those solutions as they

MORE ON SUCCESSION PLANNING

Top People Strategy Challenges for CUs (*cumanagement.com/topchallengesreport*)

Leadership Competencies for Credit Unions (*cumanagement.com/0922leadershipcompetencies)*

Use of Split-Dollar Insurance Plans Grows (*cumanagement.com/0421splitdollar*)

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Heading into a rumored recession, more credit unions are likely to strategize around the most predictable options possible for funding differentiated benefits packages.

hammer out their succession plans. Questions to ponder may look something like this:

- Are pre-retiree paychecks and retirement matches truly equitable when accounting for racial or other cultural wealth gaps?
- Are existing parental leave benefits inclusive of LGBTQ+ partnerships or single-parent households?
- Do pre-funding investments made to offset the cost of benefits reflect principles of diversity, equity and inclusion?

Credit union specific research, like data included in the *2022 What Matters Now* report, can be a good starting point for HR teams looking to get a handle on their own multicultural retention strategies. The report found, for instance, a 50% spike in worries among Hispanic people about having enough money to retire; a more than 125% spike in worries among Black people about saving enough for their children's college education; and a staggering 200% spike among white people in worries about having enough money to take care of a parent or loved one.

3. THE RISE OF THE ON-DEMAND EXECUTIVE

Nothing can torpedo a succession plan quite like an unanticipated resignation. And unfortunately, the oft-referenced "Great Resignation" has not failed to reach the C-suite, nor the managerial levels feeding into it.

Enter the on-demand executive. Meeting a range of human capital needs, on-demand executives can engage with credit unions in several ways. They can fill interim roles during a search for a permanent employee. They can also serve as advisors or coaches to keep the cooperative's strategic plan on track when C-suite vacancies may otherwise derail such progress.

Mentoring is yet a third way a credit union may consider engaging an on-demand executive. More of today's up-and-coming leaders are eager to be guided by a trusted colleague toward the next step in their careers. Credit unions confronting unexpected changes to leadership continuity may be able to pivot more quickly if their succession plans include the option to call on a reliable mentor to counsel an unseasoned employee.

4. ONGOING ECONOMIC VOLATILITY

To minimize the risk of disruptive resignations, credit unions typically employ the help of competitive executive benefits packages with stick-around incentives, such as split dollar and 457(f) plans. To adequately fund these carrots, cooperatives often work with consultants like those at CUNA Mutual Group Executive Benefit Solutions to design a solid funding strategy. This is fairly straightforward when credit unions are deposit-rich; not so when they are lent out.

Credit unions are no strangers to the ups and downs of the economy, nor of their own loans-to-asset ratios. Therefore, executive benefits funding strategies are generally established with some volatility in mind. However, typical funding strategies rarely account for wild swings and unprecedented market pressures (like those generated by COVID-19). That's not to say it's impossible to do so.

Heading into a rumored recession, more credit unions are likely to strategize around the most predictable options possible for funding differentiated benefits packages.

5. THE APPEAL OF A FLATTER ORGANIZATIONAL STRUCTURE

Over the last decade, our executive benefits team has observed an interesting shift toward flatter organizational structures within the nation's most progressive credit unions. Some of this may be explained by the vast expansion in the number of products, services and experiences members now expect from their credit unions. Other root causes include the need for faster decision-making, an emerging appetite for empowering front-line staff and the thirst for autonomy among younger generations of employees.

Whatever the motivation, flatter org structures create new challenges for leadership continuity. Among them is the necessary change to traditional succession plans, which are based on vertical, instead of lateral, movement. The simple (yet not-so-simple) fact is that today's credit union leaders are building retention strategies for employee segments thought to disapprove of hierarchies.

Several best practices for sussing out and then motivating key leaders within flat organizations have emerged in recent years. They center on values like autonomy, recognition, equity and belonging. This includes things like allowing employees to develop their own job descriptions and craft their own titles, developing new channels for distributing kudos both internally and externally, providing pay transparency across divisions, and establishing employee resource groups.

THE INCORRUPTIBLE CONCEPT OF PEOPLE HELPING PEOPLE

There is little doubt the role of the human worker is about to undergo massive disruption. The fascination with technology that migrated from sci-fi films to corporate innovation labs has launched a revolution of neural networks, robotics and automation sure to displace people from traditional jobs. It certainly wouldn't be the first time such a wave of change has hit the global workforce, and it's likely not the last.

However, there is also little doubt, at least in the mind of this longtime credit union pro, that people will continue to be the strongest force fueling the industry's impact. Generations of credit union leaders to come will prove that "people helping people" is an incorruptible concept. We owe it to them to pivot our planning now, so they have the strongest chance of continuing the movement's mission in the future.

Andy Roquet *is a senior executive benefits specialist for CUESolutions provider CUNA Mutual Group Executive Benefit Solutions* (cunamutual.com) *with more than three decades of service to CU leaders. He can be reached at* andy.roquet@cunamutual.com.

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New Payments *Challenges*

SIX CRITICAL ISSUES CREDIT UNIONS NEED TO ADDRESS IN 2023

BY TONY DESANCTIS

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Cards and Cryptocurrency: The Road Ahead (*cumanagement.com/0822cryptocards*)

New Deal (*cumanagement.com/0822dealcards*)

Buy Now, Pay Later: Why Banks and Credit Unions Need to Pay Attention (*cumanagement.com/071322blog*)

Some of the challenges financial institutions faced in 2022—most notably fintech disruptors and cryptocurrency—will carry over to 2023. Unfortunately, new challenges could impact institutions' payments business in the year ahead. Here are six of the most critical issues credit unions should look to address in payments in 2023.

1. THE SAD MATH OF PAYMENTS INCOME

With an effective date of July 1, 2023, the newest Fed ruling related to payments ("Durbin 1.5", *tinyurl.com/durbin1point5*) won't create a need for the average institution to make any system changes. But the early October update to Regulation II will still have significant impacts on most credit unions in terms of interchange income, fraud losses, branding agreements and processing expenses.

The update's requirement to route card-not-present transactions across a secondary network (not Mastercard or Visa) will most often impact interchange income negatively, as chargeback rights for secondary networks will become much less issuer-friendly. Any bank or credit union with a branding agreement with Visa or Mastercard will also see reductions in the incentives and discounts they receive under these agreements.

For institutions that are not Durbin-regulated (those with $10 billion or less in assets), we estimate an impact of 5% to 20% on interchange alone. Durbin-regulated institutions will not be affected by the changes to interchange but will still experience the significant impact of this regulatory change in the form of increased fraud losses and brand incentive reduction.

In all, Reg II will result in credit unions doing this sad math: Impact of Reg II = lost interchange + higher fraud loss + brand incentive reduction - lower processing costs. While processing costs are expected to come down, the increase in costs associated with the other factors could be five to 10 times greater.

2. BEING TOP OF WALLET IS ESSENTIAL

Being top of wallet has long been the most critical part of a successful card program, and it is becoming increasingly essential. Despite only 15% of com-

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merce currently being e-commerce, the mix for card spend is closer to 50/50. E-commerce continues to grow at a significantly faster rate than in-person transactions. An institution that is not primary in the digital space (wallets, card on file, recurring bill-payment) will soon lose its primary wallet position.

3. ALTERNATE PAYMENTS CREATE INTERCHANGE PRESSURE

Consumers are spending significantly less on their primary credit cards, according to J.D. Power's 2022 U.S. Credit Card Satisfaction Study (*tinyurl.com/jdpccstudy*). Overall, credit card holders allot 42% of their monthly spending to their primary credit cards, down from 47% in 2021 and 2020. Forty-four percent of credit card holders have considered buy now, pay later as an alternative financing option. Fixed-term and specific payments seem to appeal more to consumers than the perceived risk of long-term credit card debt.

Of course, non-card payments have been in place for years, with Square (*squareup.com*) offering members a way to make direct payments to merchants. In 2022, Cash App (*cash.app*) and Venmo (*venmo.com*) aggressively moved into merchant acceptance. For example, Venmo has recently been enabled as a payment option at Amazon. In addition, Cash App's new partnership with Adyen (*tinyurl.com/adyenpr*) creates a significantly larger population of merchants that accept Cash App in place of cards.

The reason alternative payments represent a threat to credit unions and appeal to merchants is the number of users on these platforms. The lower fees for processing these transactions don't hurt merchant adoption either. The only open question is whether consumers will see the value of using alternative payments rather than their cards to make these transactions. If they do, that means lower card interchange income for issuers.

4. THE FUTURE OF REAL-TIME PAYMENTS

The amount of coverage currently given to real-time payments is ludicrous. Unlike other markets worldwide, real-time payments use cases and benefits are limited. That said, compelling use cases still need to be considered and planned for in 2023. Specifically, consumers and businesses want to receive money as quickly as possible. Whether payroll, reimbursements or invoices, there is a real opportunity for real-time payments to replace traditional checks and, to some extent, automated clearinghouse transactions. Daily payroll, digital reimbursement, and other check and ACH use cases could be replaced by real-time payments. The question is at what scale and what level of priority.

There is a need to eliminate checks and cash from as much of the payments ecosystem as possible because of the costs associated with processing and storing them, plus fraud losses. Unfortunately, the timing and scale of this migration is an open question. The most likely credit union priority related to this in 2023 will be ensuring members can receive real-time payments into their accounts. Getting money faster is a benefit members want, as anyone who has adopted Chime's get-paid-two-days-early strategy (*chime.com/get-paid-early*) can attest.

5. BOOMERS AND GEN X DON'T MATTER ANYMORE

My older compatriots need to come to grips with the fact that new account growth and consumer spending today are all about the transfer of wealth and the increase in spending in the millennial and Gen Z demographics. Chase recently announced that these generations comprise close to 50% of its customers' card spending. According to a report from Wealth Engine (*tinyurl.com/wereport inherit*), millennials are set to inherit $68 trillion by 2030.

When it comes to driving the adoption and usage of cards and payments products, credit unions must be where these customers and prospects live. That is *not* branches, billboards, cable and radio. Credit unions without a robust digital *and* social media strategy to grow and expand their member base will be left behind. It is not possible to sustain growth with a population of members whose average age is 55. While they can be profitable short term, targeting them is not a strategy for long-term success. Marketing to younger generations is the only way to stay relevant over the long term.

6. DURBIN 2.0 ON THE HORIZON

New legislation proposed by U.S. Sen. Dick Durbin of Illinois (*tinyurl.com/forbesondurbin*) has the potential to eliminate interchange income and credit card rewards. Durbin 2.0 is being sold as a law that would impact only credit card companies with more than $100 billion in assets. In reality, over 70% of the spending on credit cards is at banks with more than $100 billion in assets. Nothing is finalized on how the networks will react to the rule, but it is safe to say they will likely reduce interchange across the board given the volume of spend at impacted banks. The networks will either lower prices across the board given the market share of the large institutions, or merchants will favor larger institutions because the costs will be lower. Either way, everyone's interchange will go down. Obviously, the offset to this reduction will come from rewards offered to consumers. This will very clearly hurt consumers rather than benefitting them.

The payments business continues to evolve and change more rapidly than most areas of banking. The biggest issue we see with financial institutions and their payments business is neglect. For years the income from payments was a foregone conclusion that required no time or resources. Clearly, with the challenges ahead in 2023, it is critical that credit unions actively manage and optimize their payments business.

As a senior director and co-leader in Cornerstone Advisors' payments practice, **Tony DeSanctis** *helps financial institutions develop custom payments plans and strategies. Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, is a CUESolutions provider.*

Participate in CUES Surveys, *Benefit From the Results*

CUES is asking credit unions across the United States to participate in two important industry surveys: CUES Executive Compensation Survey (*cues.org/ecs*) and CUES Employee Salary Survey (*cues.org/ess*). Both are open for participation now through March 31.

By participating, credit unions provide key data points in understanding current compensation trends. Credit unions that access the results are able to offer highly competitive compensation packages, thereby attracting and retaining the best talent available and becoming an employer of choice.

"In today's tight labor market, knowing—and not just speculating about—current compensation is vital," says Sharon Messmore, products and services manager at CUES. "We've also gathered important information across the years. For example, CUES surveys have helped us understand ways the pandemic has affected compensation in our industry. This year, we may be able to see how—or if—the Great Resignation has affected employment trends."

CUES Executive Compensation Survey includes information on 21 executive positions and features questions related to wage, bonus and benefits information for each.

CUES Employee Salary Survey includes information on a wide range of non executive positions and focuses on pay range and actual wages currently paid for each position.

Those who have previously participated can simply update their existing information and click the submit button. Visit *cues.org/ecs* and *cues.org/ess* to complete the surveys and see a list of frequently asked questions and step-by-step guides. Credit unions that participate receive a 20% discount when they purchase the survey results, and CUES Unlimited+ members can access the survey results for free. For more information, contact CUES Survey Support at 866.508.0744, or email *surveysupport@cues.org*. Become a CUES Unlimited+ member (*cues.org/membership*) to get free access to the results.

Thank You, *Sponsors!*

CUES Symposium (*cues.org/symp*) is is a unique conference that fortifies the partnership between your credit union's CEO and board chair. This year we are meeting in Wailea, Hawaii, Feb. 5-9. We appreciate the following sponsors helping to make this event a success.

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

FEB. 14
CUES Virtual Roundtable: Board Liaison Community

FEB. 16
Virtual Classroom: Managing Change: How to Effectively Lead Your Team Through a Change Management Process

MARCH 14
CUES Virtual Roundtable: HR Community

MARCH 15-JUNE 20
Diversity, Equity, and Inclusion Cornell Certificate Program

APRIL 1-OCT. 30
School of Business Lending™ Online

MAY 9
CUES Virtual Roundtable: Emerging Leaders Community

JULY 11, 2023-MARCH 29, 2024
CUES Advanced Management Program from Cornell University

SEPT. 14-21
Board Liaison Workshop

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2023 LEARNING & EVENTS **CALENDAR**

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FEATURED EVENT

CEO Institute: *FinTech*

New York • April 17-20, 2023 • cues.org/Fintech

How your credit union responds to fintech disruptions will determine its future relevancy and strength, so CUES has partnered with the Cornell SC Johnson College of Business and eCornell to create CEO Institute: *FinTech*—a hybrid learning experience that will deepen your understanding of innovative and disruptive technology. Stretch your thinking about all things fintech as we explore blockchain and cryptocurrency, AI and machine learning, analytics and more.

MARCH 2023			
Execu/Summit®	Sun Valley Inn | Sun Valley, ID	**Mar 5–10**	cues.org/ES
CEO Institute: *FinTech*	*Cornell Tech* Roosevelt Island, New York, NY	**eCornell Course: Mar 1–21** **In-Person: Apr 17–20**	cues.org/Fintech
MAY 2023			
CEO Institute II: *Organizational Effectiveness*	*Johnson School of Management* Cornell University	**May 7–12**	cues.org/INST2
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**May 7–12**	cues.org/INST3
JUNE 2023			
Governance Leadership Institute™	*Rotman School of Management* University of Toronto	**June 4–7**	cues.org/GLI
Governance Leadership Institute™ II	*Rotman School of Management* University of Toronto	**June 7–9**	cues.org/GLI2
AUGUST 2023			
Execu/Net™	Grand Hyatt Vail	**Aug 20–23**	cues.org/EN
CEO Institute II: *Organizational Effectiveness*	*Johnson School of Management* Cornell University	**Aug 20–25**	cues.org/INST2-Summer
SEPTEMBER 2023			
Supervisory Community Development Seminar	Hyatt Regency Savannah	**Sept 6–7**	cues.org/SCDS
Director Development Seminar	Hyatt Regency Savannah	**Sept 6–8**	cues.org/DDS
TalentNEXT	Hyatt Regency Savannah	**Sept 10–12**	cues.org/TalentNext
NOVEMBER 2023			
CEO Dialogue	JW Marriott Austin	**Nov 6–8**	cues.org/ceo-dialogue
DECEMBER 2023			
Directors Conference	Hyatt Regency Maui Resort & Spa Maui, Hawaii	**Dec 10–13**	cues.org/DC
UPCOMING ONLINE PROGRAMS			
Diversity, Equity, and Inclusion Cornell Certificate Program		**Mar 15–June 20, 2023**	cues.org/eCornell-DEI
School of Business Lending™		**Apr 1–Oct 30, 2023**	cues.org/SOBL
CUES Advanced Management Program from Cornell University		**July 11, 2023–Apr 12, 2024**	cues.org/eCornell-CUManager
Board Liaison Workshop		**Sept 14, 19 & 21, 2023**	cues.org/BLW

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

Paving the Pathway *to Success*

BY ANGELA FAUST

At Credit Union of Texas, our team serves more than 150,000 members in one of the fastest-growing regions in the country. As a result, we have to be creative to maintain a steady pipeline of qualified talent to remain competitive.

Our team also recognizes the importance of developing leaders within our organization to carry out our mission of providing members with financial education and improving their financial situations. This recognition, combined with an increasing desire from our employees for more professional growth opportunities, resulted in the launch of a talent development program at CUTX called Pathways. The Pathways program offers both a management track and a senior leader track.

The management track and senior leader track mirror each other in that they both admit up to four employees a year with the same goal in mind—providing education to employees to better equip them to serve our members.

The management track, tailored to those looking for a management position within the credit union, is open to all employees who apply and submit a letter of recommendation from their current manager. Employees who are accepted into the program spend two years in rotation, training in various roles across multiple departments.

During that time, participants learn about each department within the credit union, including branch operations, sales and service, marketing, community engagement, contact center, fraud, compliance, human resources, accounting/finance and information technology. Leadership team members mentor management track participants on such key aspects of successful management as effective team leadership, CUTX management standards and the art of difficult conversations. Following each training period, employees must pass the department's certification process. After completing the program, employees are eligible for a management position.

The senior leader track fosters the growth of those aspiring to assume a VP-level role within the organization. This track is open for all employees to apply; however, previous management experience is preferred. All participants are enrolled in a formal education program where they gain essential senior leadership knowledge and skills relevant to the financial services industry, including risk and compliance, finance and investments, entrepreneurship, business intelligence and operations.

Senior leader track participants are eligible to earn a company-paid MBA through the SMU Cox School of Business, where CUTX president/CEO Eric Pointer, a CUES member, received his MBA.

With all that in mind, here are the three key elements all credit unions should consider when implementing talent development programs of their own.

1. Remember your goal. Educate, educate, educate. CUs strive to provide their members with the financial education necessary to achieve financial wellness. Well-educated employees mean improved member relationships, increased engagement with members and a more successful credit union overall.

2. Tailor your talent development to the talent itself. Too many talent development programs are one-dimensional in that they only apply to early-career employees or employees in certain departments. Your team is full of employees with varying levels of experience, education and skills, so make sure your talent development program accounts for that by offering multiple tracks and opportunities for growth.

3. Trust the process. Investing in your employees is just that, an investment. It takes time. You can't expect employees to soak in years' worth of information in a matter of weeks. Allotting adequate time to employees' talent development allows for increased industry knowledge, boosted productivity and more buy-in from employees. Ultimately, it also grants credit union members access to a team of experts who are now better educated and better equipped to help them achieve financial well-being.

CUES member **Angela Faust** *is chief operations officer for $2 billion Credit Union of Texas* (cutx.org)*, Allen, Texas.*

Read the full post and leave a comment at cumanagement.com/1222pathways.

"Chances are that you've already been working on [the challenges of] talent recruitment, development and retention. ... Thinking about it as a permanent situation can help your team develop more transformational ideas that could be key to your long-term success."

c. myers (*cmyers.com*) in "Purposeful Talent Development: Approach Challenges as If They're Permanent": *cumanagement.com/122622blog*

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