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REMEMBERING *JOHN PEMBROKE*

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Educate members and staff

2022 CUES EMERGING LEADER
Meet Zachary Churchill, CCM

COST-CUTTING
Credit unions carefully choose tactics

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cumanagement.com/video010323

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What's the Best Way to Get More Small-Business Loans?

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cumanagement.com/121922blog

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Committed to Closing Racial and Language Gaps

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cumanagement.com/podcast139

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Comments, suggestions and letters can be sent to **theresa@cues.org**.
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INSTAGRAM: tawitham

YOUR THOUGHTS

HOW DID JOHN PEMBROKE MAKE A DIFFERENCE IN YOUR LIFE?

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

Saying Goodbye *to a Great Leader*

Genuine. Mentor. Friend. These are all words used to describe John Pembroke, president/CEO of CUES, who passed away on Nov. 21. John was all those things and much, much more.

If there was one quality that stood out above the rest, it was his ability to listen. At his funeral services last month in Chicago, many of the people who knew him best spoke about how great John was at listening. One even called him an aggressive listener.

When John did speak, his words were so full of impact and meaning. He was extremely quotable, a quality that is especially endearing to this writer and editor. But we were all inspired by his words.

During the CUES Podcast episode 62 (*cumanagement.com/podcast62*), John shared a quote that inspired him. Vince Lombardi once said, "Perfection is not attainable, but if we chase perfection, we can catch excellence." John enjoyed the irony of a Chicago Bears fan quoting the great Green Bay Packer's coach.

As good of a listener as he was, he was an equally strong communicator. (Perhaps the two go hand-in-hand.) John had a knack for distilling an idea down to its essence and then stating it in a memorable and, more often than not, quotable way. One of my favorite examples was something he said during a strategy session. As you might imagine, John mostly listened during CUES strategy team meetings, pausing the conversation now and then to ask probing questions or to center us back to our main goals. I wrote down (and hung by my desk) this snippet of John Pembroke's genius: "Strategy is about saying yes and no. 'Yes' gets captured in the plan. 'No' doesn't. Both are extremely important."

In episode 43 of the CUES Podcast (*cumanagement.com/podcast43*), John described himself as a product of the credit union industry, getting started as an intern at his church's credit union during high school. We give thanks for that start, because the impact he left on this industry—and its people—is overwhelming.

We invited those who knew John to share memories about him, and the response was robust. You can read about his legacy on p. 8. Please add your own tributes to the online version of the article (*cumanagement.com/john*) by emailing me at *theresa@cues.org*.

I leave you with two quotes:

> "*No one is actually dead until the ripples they cause in the world die away.*"—Terry Pratchett
> "*A life is not important except in the impact it has on other lives.*"—Jackie Robinson

John Pembroke's impact will be rippling around the world for a long time to come.

Theresa Witham

Theresa Witham
VP/Publications & Publisher

Remembering *John Pembroke*

CELEBRATING THE LEGACY OF OUR CEO

It is with great sadness that CUES announces the passing of its President/CEO John Pembroke on Nov. 21.

A progressive and inspiring leader, John leveraged his diverse business skills, relationship-building expertise and leadership attributes to drive organizational growth and profitability at the membership association. Under his leadership, CUES membership tripled, member loyalty increased, and new and innovative talent development offerings were created.

As a mentor and advocate of a people-first philosophy, he encouraged and supported the employees at CUES, guiding the team to reach their individual and collective potential. He worked to evolve CUES into an industry thought leader, and made diversity, equity and inclusion a priority throughout the entire organization.

One of John's favorite quotes was "Change is the only constant in life." He lived by that maxim, consistently embracing opportunities to improve himself, his life and the lives of others.

If you had the privilege to meet John, you likely have a story about how he impacted your life or work. We welcome you to share those stories with us (email *theresa@cues.org*), and we'll add them to the online version of this article at *cumanagement.com/john*.

John was a strong leader with such a gentle and caring style. He possessed an abundance of positivity and hope while inspiring me and many others. Although John was an adept lifelong learner, to me he was also an inspiring leader, and I've been blessed to have known him. I will miss his friendship, along with his gracious and welcoming smile.

Gerry Agnes, CPA, CIE
CUES Board Treasurer and President/CEO, Elevations Credit Union

Kind & Humble

John was a great leader for and at CUES. He "walked the talk" about the importance of professional development for all staff, and he embodied our mission, vision and values. He will be missed.

Kathy Wright
VP/HR, CUES

Visionary

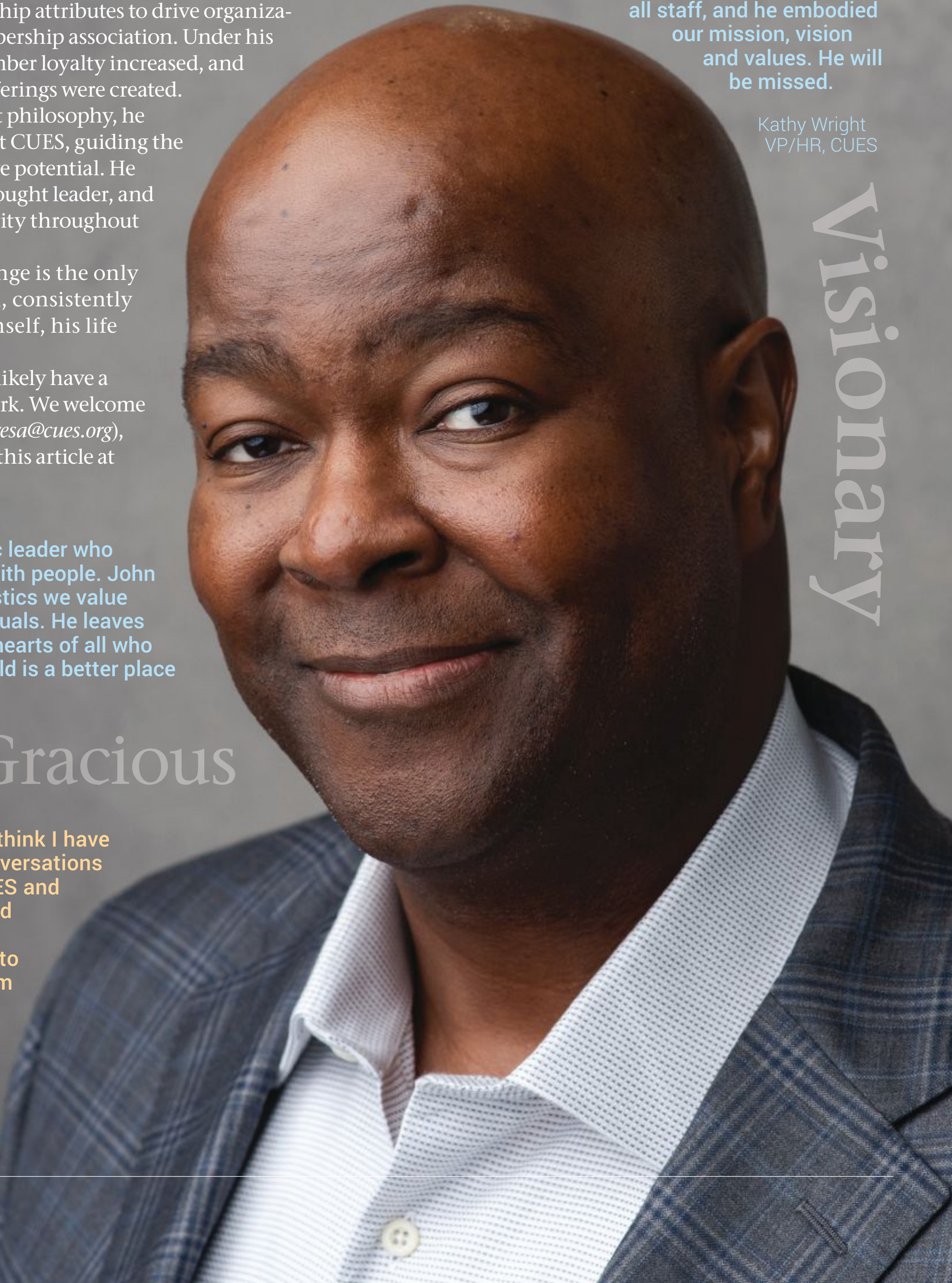
John was an inspirational and empathetic leader who developed strong personal connections with people. John embodied all the qualities and characteristics we value in great leaders and in exceptional individuals. He leaves an indelible imprint in the memories and hearts of all who had the privilege of knowing him. Our world is a better place because of John.

Kelly Marshall, CCE, CCD, ICD.D,
CUES Board Chair and CEO
Summerland Credit Union

Gracious

John Pembroke was the smartest man I think I have ever met. I remember one of the first conversations I had with him. He was talking about CUES and all of the attributes about the mission and services. Everything just rolled out of his brain so effortlessly. I aspired to be able to discuss AACUC in that same manner. I am almost there. John was my HERO, and I will miss him dearly.

Renée Sattiewhite, CUDE, CDP
President/CEO, African-American
Credit Union Coalition



John interviewed me when I was applying at CUES. I was very nervous to be meeting with the CEO, especially as a lowly prospective assistant editor! But we bonded right away over living in western Michigan and our shared vision and enthusiasm for digital transformation in magazines and media. I hope the work we've done since then made him proud.

Danielle Dyer
Editor, CUES

POSITIVE INFLUENCE

John had a lot of aphorisms he passed along. The one that sticks with me daily is "Seek to understand before being understood." When I was younger, I would compete to be heard as I thought that was supposed to be a great quality, but it limited the input and perspective from others who were valuable to me. I didn't like that version of myself, so I've committed to living this lesson and teaching it to others, both personally and professionally.

Jerry Saalsaa
Interim CEO & SVP/CAO, CUES

John saw a person's potential and could see more in you than you saw in yourself. He was not just my CEO, he was a friend and a mentor.

Ruth Shirley
Executive Administrator, CUES

"Change is the only constant in life."

— John Pembroke

My first memory of John was chatting with him while making my morning coffee shortly after I started at CUES. As a new employee starting her first job outside of college, running into the CEO was a bit intimidating. But John smiled, said "Good morning," and proceeded to ask how I was doing and liking the office. I instantly felt at ease. He was always so good at making you feel comfortable and welcome, something that carried over to the rest of the organization. His smile and positivity will be missed greatly by me and many others, and I am so lucky to have worked with him.

Molly Parsells
Digital Marketing Specialist, CUES

Passionate

Humorous

I will remember John's smile, passion and genuine care and interest in everyone. His quiet mentorship was magical. And he had a great sense of humor. John wore a Green Bay Packers sweater on "ugly sweater" day during the holidays when I was new to CUES. I thought, "That's not Christmassy" … I then found out he's a Chicago Bears fan! I miss John.

Carolyn L. Cereghino
VP/Sales & Member Relations–West, CUES

Empathetic Leader

I have had the absolute pleasure and privilege of knowing John for the leadership he epitomized. His unselfish humility attracted me from the beginning. I took advantage of his presence for the good that would come from our friendship. John's legacy is more far-reaching than I think he even realized. Through the credit union leaders he influenced, millions of lives have been changed worldwide. This is the mark of true greatness. This is a legacy that deserves to be saluted.

Maurice Smith
President/CEO, Local Government FCU

Unselfish Humility

I met John at the 2007 AACUC Conference in Baltimore. I will always remember John's big smile and the way he welcomed everyone with a kind word or comment. We will miss the way he made us feel.

Bert Hash Jr.
Retired CEO, MECU of Baltimore

Whenever we would have a conversation, John would pause and ask how he could help or support me. It stands out because you could hear and feel his sincerity.

Richard Romero
CUES Board Secretary and President/CEO, Seattle Credit Union

John Pembroke's character, consistency and care for humanity has left a mark on my life. My last text message from him on 9/28 simply said, "Stay safe Brother!"

Simon T. Bailey
Speaker and author of *Ignite the Power of Women*

John was a mentor to many. He was an amazing listener and never hesitated to share his thoughts and wisdom with others. John was a true supporter of the CUES focused expansion in Canada and always had my back when I was trying to get things done. I will miss his smile, his humor, his wisdom and his emails asking me to "please advise."

Leiha Fiddler
VP/Sales & Member Relations–International, CUES

MENTOR

This is such a tremendous loss for our entire community. I held John in such high regard, even more so as an individual than how strong he was in a business setting. John was incredibly smart and engaging—in a quiet sense. He would listen, process and then provide thoughtful feedback. John touched the lives of many and leaves a lasting legacy as an advocate for the credit union movement.

Chuck Fagan, President/CEO, PSCU

How to Develop Your *Strategic Giving Plan*

THINKING BIG ABOUT THE WAY YOU MAKE CHARITABLE DONATIONS CAN PRODUCE BETTER RESULTS.

BY TONY COVINGTON

MORE ON STRATEGIC GIVING

Strategic Philanthropist (*cumanagement.com/0416philanthropist*)

TalentED Supports Nonprofit Success (*cumanagement.com/0422talented*)

Investing for Success With Benefits Pre-Funding, Charitable Donation Accounts and 457(f) Plans (*cumanagement.com/podcast89*)

Credit unions take pride in the way they give back to their communities, and their contributions—whether financial, volunteer service hours or talent share—have long been a key part of their philosophy of "people helping people." The importance of this was underscored by the COVID-19 pandemic.

Credit unions do get benefits from being so generous. In this tough hiring and retention market, employees and candidates commonly show preference for employers that demonstrate good citizenship and invest in community concerns. Plus, credit unions that participate in their communities get great word-of-mouth advertising.

While credit unions are all about people, they are also all about good business. They know what it means to get a return on investment. But not all of them have thought about how to be more strategic with their charitable giving. Having a plan for your charitable contributions can help your giving have more impact on the people you want to help—and on the health of your business.

Here are some ideas you can use to build your plan.

1. ALIGN YOUR PHILANTHROPY WITH YOUR BRAND

Credit unions have always had special marketing niches because they formed to serve a particular group of people who shared a common bond. Even credit unions that have now expanded to community and other kinds of broader charters both remember their field of membership roots and deeply understand the communities they now serve. So, what matters to your members? Look to make a difference in that.

2. ENGAGE YOUR EMPLOYEES

Include in your plan the idea that employees will contribute to your giving strategy over time. What charities mean the most to them? How can they be leaders in implementing your strategy? Also, look for ways to align your giving with your credit union's values.

3. BE CREATIVE

Spend some time brainstorming how to take your strategic giving to the next level. Are there some new ways you could contribute? For example, instead of just donating money, could your staff members support your chosen nonprofit through a talent share? Might you be able to invest in the future of your favorite charity by sponsoring talent development for its leaders?

4. LEVERAGE FINANCIAL TOOLS

Many credit unions use a benefits pre-funding program to offset the cost of employee benefits. Perhaps less familiar are charitable donation accounts (*cumanagement.com/podcast89*), that provide credit unions with special investment capabilities while also supporting their donations to charity.

5. REGULARLY EVALUATE YOUR EFFORTS

Each year, consider the effectiveness of your strategic giving plan. When you initially write it, establish what success might look like—and what metrics you'll use to refine your plan.

Tony Covington *is VP/business development of TalentED* (talented.org)*, powered by CUES, which works with nonprofits to develop the leadership potential of their executive teams, board members and staff. Reach him at* tonyc@talented.org.

Credit Unions *Cool on Cryptocurrency*

IT'S A GOOD TIME TO STUDY THE SECTOR AND EDUCATE STAFF AND MEMBERS ABOUT CRYPTO DEVELOPMENTS.

BY ART CHAMBERLAIN

Chilly with strong economic headwinds. That's the forecast for the cryptocurrency world over the next year or two, many observers say.

As the so-called "crypto winter" enters its second year with currency prices still down, apparently huge companies suddenly going under and investors losing billions of dollars in real money, experts are urging credit unions to keep an eye on the ever-changing cryptocurrency and blockchain world to find ways to serve members venturing into this territory and to be ready to act when the climate improves.

The sector appeared to have stabilized for several months until the collapse of FTX Group (*tinyurl.com/5n99sc88*), one of the largest cryptocurrency exchanges. FTX closed its operations and sought bankruptcy protection on Nov. 11 after failing to keep clients' currency safe. The lack of regulatory control and reported transfer of clients' money to a related investment company undermined already skittish trust levels. The market was dealt another blow when crypto lender BlockFi followed suit, filing for Chapter 11 bankruptcy protection on Nov. 28 (*tinyurl.com/2dvrta7d*). On Nov. 16, crypto broker Genesis halted withdrawals in an effort to avoid bankruptcy (*tinyurl.com/4bbzrr9b*).

"Right now, the industry is largely in shock at the events that just transpired," wrote Greg Cipolaro in a November newsletter (*tinyurl.com/yftjruha*). Cipolaro is global head of research at NYDIG (*nydig.com*), a crypto company that provides services for several credit unions. "Anger, fear, and distrust run high throughout the community. Not all is settled right now, and many questions remain unanswered. At some point, however, this too shall pass. The death of Bitcoin has been marked time and time again, each time proving to be wrong."

CUs CONSIDER THEIR NEXT MOVE

So far, only a few dozen credit unions are offering ways for members to purchase bitcoin or other currencies, but many more are considering such a move and discussed the topic during their fall strategic planning sessions. There is also growing interest in securely backed stablecoins (more on these below) that can facilitate money transfers between individual, companies or across borders.

Chris Miller, director/channel solutions practice with CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, says that more and more credit union executives and boards are interested in learning about the crypto world, but they are wary.

"A lot of our institutions are just wanting to understand what it is. Where do we start? What can we do with it?" Miller says.

Cornerstone tells credit unions that there are four pillars for a complete crypto program: awareness, investments, payments and—further down the road—lending and borrowing. At this point, a major concern for many credit unions is that their frontline staff may be asked questions by members about investment opportunities in cryptocurrency and they could say the wrong thing or not know what to say.

Miller notes that the turmoil of the past year has made some credit unions cautious about cryptocurrencies. "If people were leery about it before, they're still overly cautious. If they weren't going to do it when it was at its height, they're most likely not going to do it right now. But they're still looking at it and planning for it in the sense of 'What do we need to be aware of? What could be coming?'"

An area causing apprehension about crypto and pushing credit union action in this area is the loss of deposits, up to 10% in many cases, as members have shifted money out of CUs and into cryptocurrency investments. Credit unions are looking for ways to attract that money back and serve the needs of those members who want to invest in crypto.

Miller advises credit unions to have a two- to three-year plan, with the caveat that it needs to be re-evaluated every year and perhaps every quarter. He says for many credit unions, especially larger ones, the easiest route to offering crypto services is through their digital banking providers. Many digital providers now partner with NYDIG, which allows members to buy, sell and hold bitcoin.

Chris Skinner, CEO of The Finanser Ltd. (*thefinanser.com*), a research and media firm and blog, suggests credit union executives should delay any decisions about how to proceed until the crypto winter thaws. "You could offer crypto asset services and investment services, but I'm not feeling right now that it's the right time to do it. I think what you need to do is make sure you've got at least a couple of members of the team in the credit union dedicated to researching and understanding the area."

Skinner says asset management and tracking would be a valuable service for members, however, since in his experience, it is difficult to follow your own digital investments.

KEY WORDS OF THE CRYPTO WORLD

Before we go deeper into the topics of cryptocurrency and blockchain, let's define some terms and acronyms:

- **DLT**—Distributed ledger technology, a system for digitally recording the transaction of assets in multiple places at the same time. Distributed ledgers have no central data store or administration functionality.
- **Blockchain**—A shared, immutable ledger that facilitates recording transactions and tracking assets. An asset can be tangible (a house, car, cash, land) or intangible (intellectual property, patents, copyrights, branding). Blockchain is an implementation of distributed ledger technology, but not all distributed ledgers necessarily employ blockchain.
- **DeFi**—Decentralized finance, a financial technology system based on DLT that does not need central banks or regulators. It is based on peer-to-peer trading, unlike CeFi or centralized finance, which relies on financial institutions.
- **CBDCs**—Central bank digital currencies, digital tokens like cryptocurrency that are issued by a central bank and tied to that country's fiat currency.
- **Stablecoin**—Cryptocurrency whose value is tied to another currency, commodity or financial instrument so it does not have the volatility of other digital currencies, such as bitcoin.
- **NFT**—Non-fungible token, a digital asset with a unique identifier that cannot be copied, substituted or subdivided that is recorded in a blockchain and used to certify authenticity and ownership.
- **Smart contracts**—Code that executes autonomously on a blockchain when predefined conditions are met. Smart contracts can automate execution of an agreement without intermediary involvement.

"If they weren't going to do [cryptocurrency] when it was at its height, they're most likely not going to do it right now. But they're still looking at it and planning for it."

– Chris Miller

Douglas Brown, president of NCR Digital Banking (*ncr.com*), Atlanta, says there is growing interest in the crypto area from members and the wider public, so credit unions need to be prepared to answer a lot of questions and educate their staff and members on the above basics and beyond. NCR offers crypto banking as part of its digital platform so that members can purchase bitcoin through NYDIG.

"I think probing members to understand the exact level of interest is a start," Brown says. Also, credit unions should look at deposit flows to determine how much money is being moved and where it is going. "What we don't want to have happen is that people are looking for these crypto options and they drift away from the credit union," he says. NCR's data shows 20% to 25% of Americans hold some type of cryptocurrency, spread across all age groups. Those numbers are supported by media reports, such as an NBC News poll from March 2022 (*tinyurl.com/2mpn9zm4*).

Brown says the primary interest in crypto is from members who want to buy and hold currencies as an investment, but there are other uses that credit unions need to be aware of, such as serious gamers who need to hold cryptocurrencies to make payments in their online worlds.

He notes that a subsidiary purchased by NCR (*tinyurl.com/2ekppd8b*) last January, LibertyX (*libertyx.com*), is using cryptocurrency

> **"We're not telling people to go buy cryptocurrency—not at all—but if they are already doing that, then we're offering a safe place to do it."**
>
> – Becky Reed

to facilitate international money transfers without branding it that way. Customers pay in U.S. dollars to send money to another country, and behind the scenes, it is converted to cryptocurrency that is moved to a system in South America and converted to the local currency, all in seconds.

"We're using crypto rails because it's more efficient, timely and we arrange a secure ecosystem," Brown says.

A SPARKLY DISTRACTION

Chances are that when you think about cryptocurrency and blockchain, you are worrying about the wrong thing—and that creates risk for your credit union, some experts warn. If you're only thinking about bitcoin and its rising and falling value, you are looking in the wrong direction.

During an interview on the Remarkable Credit Union podcast (*tinyurl.com/46t4rdbk*) in October, Kyle Hauptman, NCUA vice chair, described himself as the Pied Piper, leading Silicon Valley and blockchain technology to the credit union industry. He also called bitcoin a shiny object that is drawing attention away from the real dangers and opportunities.

Back in 2021, Hauptman created a stir when he urged credit unions to examine this digital world and warned that he didn't want them to become the Blockbuster Video stores of financial services (*tinyurl.com/bddv8u8d*)—a warning that he reiterated while speaking at Directors Conference last month (*cues.org/dc*). But a better comparison might be the newspaper industry, which for over a decade early this century ignored the development of online services that replaced much of its classified advertising, the core of its very profitable business for 100 years. By the time the publishers realized what was happening, it was too late, and hundreds of papers were forced to close.

Could this happen to credit unions? Hauptman warned in the podcast interview that smart contracts can and will transform the auto lending business, real estate sales and title registration by making the process simpler, faster, cheaper and more transparent. Those services might be taken over by fintechs or other providers if CUs aren't ready to jump in. At Directors Conference, he noted that blockchain could make also loan participation easier, though that application may not yet be "ready for prime time."

Bitcoin does not allow the use of smart contracts in its blockchain, but other currencies, notably ether and its Ethereum blockchain (*ethereum.org*), can include coded contracts that automatically track payments and change ownership title once a final payment is made or other conditions are met.

Pushed by Hauptman, NCUA has taken two major steps to clarify the cryptocurrency and blockchain environment for credit unions and to encourage them to carefully move ahead. In December 2021, it issued a letter (*tinyurl.com/bdhn6nb6*) that said a credit union could partner with others to offer currencies, as long as it didn't hold the assets on its balance sheet. That opened the door for credit unions to partner with NYDIG, for example, which works with most major digital banking platforms and holds the crypto assets.

Then last May, NCUA issued a letter (*tinyurl.com/0522ncuadistledger*) urging credit unions to examine ways they could take advantage of the benefits of distributed ledger technology.

In the Remarkable Credit Union podcast, Hauptman said he had been concerned that fintechs and other developers would focus on the bigger banks and overlook the credit union system when developing blockchain features. He wanted to get the message out to say, "Make your stuff for credit unions. And for the time being, you have a little bit of a head start in terms of regulatory clarity versus selling to banks" due to the aforementioned NCUA guidance.

The goal of the May letter was to set out basic principles, said Hauptman. His message for credit union CEOs is to do their due diligence when picking partners, "but you don't have to just say no just because you hear the words 'blockchain' or 'digital asset.'"

Lou Grilli, senior innovation strategist at CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, says some credit unions have decided they are not interested in offering crypto to their members, at least not yet. They are, however, experimenting with blockchain applications to find ways to streamline their operations and become comfortable with processes that could dramatically change their operations.

"Credit unions need to take things that are really cumbersome or have a lot of forms and transform them to something that is Web3-based and distributed," he says. Web3 is the concept of a new kind of decentralized internet built using blockchain. "If credit unions are not ready to pivot to blockchain-based auto lending, they might start getting left out of it, and it's not going to be a big bang—it's going to be little by little."

PSCU has a crypto information page (*pscu.com/crypto*) to help credit unions learn the basics of cryptocurrency risk and opportunity.

NEW OPTION HELPS SMALLER CREDIT UNIONS

Becky Reed, CEO of $165 million Lone Star Credit Union (*lonestarcu.org*), Dallas, has become a credit union leader in the crypto and blockchain world. One of her many roles is president of BlockAdvocates (*blockadvocates.org*), a new nonprofit organization focused on blockchain education for credit unions. BlockAdvocates is set up as a decentralised autonomous organization, known as a DAO; its rules and governance are encoded in a blockchain rather than in a traditional written governance document.

Reed is also partnering with BankSocial (*banksocial.io*), a self-custody crypto exchange, to provide an affordable way for smaller CUs like hers to offer cryptocurrencies to their members. (Self-custody means cryptocurrency owners manage their own crypto wallets that contain the private keys required to access their funds, rather than entrusting their keys to custodial wallet providers in a centralized exchange.)

The implementation cost for BankSocial is zero, she says. It requires one line of code added to the CU's digital banking platform and "can be implemented in 30 days or less." So far, five credit

"I think what you need to do is make sure you've got at least a couple of members of the team in the credit union dedicated to researching and understanding the area."

– Chris Skinner

unions have taken advantage of the service, which offers eight cryptocurrencies, including bitcoin and ether. Investors can hold their coins in a personal wallet set up by BankSocial or in a crypto wallet of their choice. Credit unions get 50 basis points of the transaction volume that's generated.

Lone Star CU did a soft launch of its crypto offering in August and was pleased with the response from members. Reed says she plans a full marketing campaign about the product that will focus on education. "We're not telling people to go buy cryptocurrency—not at all—but if they are already doing that, then we're offering a safe place to do it."

Reed has also worked with John Wingate, CEO of BankSocial, to set up a credit union service organization that is offering a credit union stablecoin. The coin, Rivia (*rivia.finance*), is backed dollar for dollar by U.S. currency that is deposited with credit unions. It was launched in early October, and Reed is hoping that, down the road, Rivia might be used to speed payments and cut costs.

"We're very excited about showing credit unions how they might be able to save money," she says. "At my credit union—and I'm going to assume other credit unions are very similar—25% of my operating expenses are spent in the payments space."

Wingate encourages CUs to take note, adding, "From a three- to five-year perspective, the credit unions really need to be ready for this to turn payments on its head."

Reed says she is not a crypto owner herself, but she realized that many of her members were interested and were moving their deposits to exchanges so they could buy coins. She was also upset when she saw several of them became victims of fraud because they dealt with shady overseas exchanges. Her desire to provide a safer more transparent service led her to BankSocial.

For his part, Wingate was planning to start a credit union and was a long way down that route when he met Reed. They concluded it was better to work together.

"Because we're working with the nonprofit credit union ecosystem, we actually have the ability to build out this DeFi ecosystem with the credit unions' membership being the backbone for this new kind of paradigm in finance," Wingate says.

"We also have a big education focus," he says. "We believe that the future is going to be built two ways. It's going to be built with education of what this is and what's coming and by making the process easier for people to use."

Reed says she's not focused on cryptocurrency. "Cryptocurrency is where it starts, but it's not where it ends. I believe that the use cases for distributed ledger technology in the finance space are going to disrupt everything we do over the next decade," she says. "Do we need to jump on the bandwagon and be on the bleeding edge? Absolutely not. But we need to be paying attention to what's happening or we're going to wake up one day and say, 'What just happened?'"

She suggests only strong, well-run crypto companies will be able to survive the continuing winter and will be ready to thrive in coming years.

Grilli of PSCU notes that the current cryptocurrency/blockchain environment reminds him of the early days of the internet when service was slow, clunky and cumbersome—but that period set the stage for tech giants like Google. "There are so many things that we just can't envision right now," he says.

Skinner has a more cautious, skeptical view. He warns that predictions that blockchain will replace processes in such important areas as auto lending and real estate have been made for a decade with little impact so far. There's no question the technology exists, but he says the challenge with such changes is that they can't be done by one institution. They have to be done by an industry, and that sort of coordination takes a lot of time, energy and agreement.

But he urges credit unions to ensure they do have staff following the blockchain world so they can move when necessary. However, he notes tech giants like Meta and Amazon have been trimming staff and most of the economists he trusts are predicting "a good 18 to 24 months of recession and recessionary winds." That cold economic climate may ensure the crypto winter doesn't thaw any time soon.

Art Chamberlain *is a longtime CU member and journalist who focuses on the credit union system.*

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Be Strategic *When Cutting* COSTS

CUs CAREFULLY CHOOSE THEIR EXPENSE MANAGEMENT TACTICS.

BY RICHARD H. GAMBLE

If Elon Musk had bought a $162 million credit union instead of Twitter, the cost-cutting conversation might have changed in the CU world.

But he didn't. So, the conversation is still mostly about branch efficiency, automating manual processes, building out the low-cost digital channel, shifting personnel to value-adding activities and scrutinizing vendor contracts.

Expense line items on the income statement may be the same, but 2023 presents CU leaders with challenges and opportunities. The familiar battle is being fought with new tools and insights.

With inflation, CU interest in cost management has shot up, reports Micah Campbell, executive director of Armada Solutions (*armadasolutions.com*), Tulsa, Oklahoma. And the Great Resignation has brought pressure to increase salaries, he adds.

"Most companies struggle to understand their costs," he observes. That has led to more data-driven, analytical strategies, replacing the old way of tweaking last year's numbers.

Reducing operating expenses by identifying low-hanging fruit and getting multiple quick wins is the name of the game, says Eric Weikart, a partner at CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

"There is no silver bullet," he says, so CUs should embrace continuous improvement. "Every business line and operations function should have its own set of key performance indicators. Wires per FTE. Loan application turnaround times."

The current market requires rethinking costs, Weikart notes, citing mortgages as an obvious example. The transaction volumes are down 60% to 70% from a year ago due to higher interest rates. "If CUs can't be proactive and gear down to efficient low-volume shops, they'll struggle financially."

Be data-driven, Weikart recommends. "Use lots of KPIs to see how you stack up against industry norms and peer groups, how costs match up against their growth and income, how the KPIs are trending, whether you're meeting goals." The operations KPIs should roll up to strategic benchmarks where they can support decisions, he adds.

TACTICAL TARGETS

Much of the cost-control battle is tactical and targets traditional cost lines like vendor contracts. "We saw immediate savings from renegotiating our cards vendor contract out five years," says Derek Fuzzell, CPA, CMA, CSCA, chief financial and strategy officer of $290 million PAHO/WHO Federal Credit Union (*pahofcu.org*), Washington, D.C. "There were two years left on the old contract, but now we have a better price for those years and three more locked in."

Another tactical saving is less expensive training. "We look at how we can train at lower cost by using the trade association resources," explains Fuzzell, a CUES member. "They have good programs that help us build talent for less money."

Leveraging credit union service organizations also can be a good way to cut costs, Fuzzell suggests, but some of the most productive opportunities—he picks out accounting services—have yet to produce viable solutions. "I'd encourage CUSOs to listen to the concerns of smaller CUs," he urges, "even up to $200 million, and find out what they struggle with."

CUs can eliminate some costs by getting members to pay for services—charging fees. PAHO/WHO FCU took this step in one case. "We had a lot of members enroll in our bill-pay service but then didn't use it," Fuzzell reports. "So we implemented a fee for inactive accounts. It has been effective at getting members to use the service or drop out."

But PAHO/WHO FCU is philosophically a low-fee shop, Fuzzell says. "We're not planning to raise fees except in special circumstances. We'd rather get the income from building capacity. However, our board was in favor of that one change a few years ago."

$1.1 billion USF Federal Credit Union (*usffcu.com*) in Tampa, Florida, is using tested best practices—Malcolm Baldrige concepts, Six Sigma training, process efficiency studies—and is unsure about the need for more radical approaches, according to CUES member Zachary Churchill, CUDE, CMA, CFE, CCM, VP/finance and the 2022 winner of the CUES Emerge competition (*cuesemerge.com*).

Traditional process efficiency seems to work. Churchill reports that USF FCU was looking for interest income to offset costs, so it made a strategic decision to grow mortgages. For operational support, improving cycle time seemed like a place to start. So, a team studied the process, eliminated redundant or unnecessary steps, streamlined others and reduced cycle time from 44 to 29 days, a 35% improvement. As a result, 32% more mortgages were funded in 2021 and the first half of 2022. And then volume fell at USF FCU and almost every other mortgage lender when interest rates spiked.

"If CUs can't be proactive and gear down to efficient low-volume shops, they'll struggle financially."

— Eric Weikart

In any case, controlling expenses is a team effort. USF FCU looks to its business units and support functions in cost management. "Cost control starts in finance but is driven by the operating units," Churchill explains. "We try to educate them about their true costs."

How? Well, finance reminds them which contracts have flat-fee pricing, he says, so departments can use the service as much as they want at no additional cost. Finance also flags which contracts are use-based, in which case operating units must decide when it pays to use the service and when it doesn't.

Cutting expenses can be an event. It can also be a discipline. Cost control is a well-honed organizational activity at $3.68 billion Premier America Credit Union (*premieramerica.com*), Chatsworth, California, according to Erik Johnson, CPA, VP/finance.

"Our leadership team provides a first-draft spending plan that is somewhat conservative," he explains, "and provides limited increases except for scheduled payroll and benefit spending. Then we distribute this to the operating units, which can make a business case for additional investment. We get a lot of collaboration this way."

Target numbers are based on prior-year budgets and actual

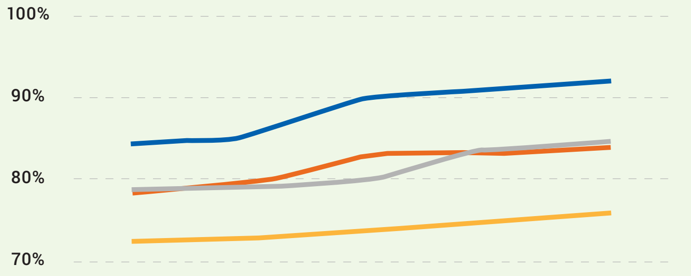
Loan Generation and Pricing May Drive Efficiency More Than Cost-Cutting

The efficiency ratio for a financial institution is expenses (not including interest) divided by revenue—so the lower the ratio, the better the organization is operating—and many shoot for an efficiency ratio of less than 50%. Credit unions' efficiency ratio has declined over the past four years, according to this chart from Raddon (*raddon.com*), a Fiserv company, which reflects data for credit unions above $25 million in assets.

The median went from 78.7% to 84.2% between year-end 2018 and June 2022. While it has worsened across all quartiles, the decline was worst at the bottom quartile, going from 84.5% to 92.2%. The top quartile also declined, but less so, from 72.6% to 75.9%.

"A critical issue for credit unions going forward will be the need to improve their efficiency ratios," says Bill Handel, general manager and chief economist at Raddon. (Parent company Fiserv, *fiserv.com*, Brookfield, Wisconsin, is a CUES Supplier member.) "A big focus in doing so has to be on more effective revenue generation rather than cost reduction. That doesn't mean that credit unions shouldn't watch how they spend their money, but it does suggest that bigger gains will be had by focusing on loan generation and effective pricing of loans."

Efficiency Ratio



	FY2018	FY2019	FY2020	FY2021	YTD2022
Bottom Quartile	84.52%	85.56%	90.21%	91.26%	92.15%
Median	78.74%	79.58%	82.89%	83.24%	84.20%
Average	78.85%	79.12%	80.25%	83.64%	84.71%
Top Quartile	72.57%	72.91%	74.01%	75.20%	75.94%

Source: *Raddon Financial Group*

run rates for the prior year, Johnson says, and the key metric for expense control at Premier America CU is the efficiency ratio.

"We benchmark ourselves against the efficiency ratios of credit unions our size and also compare our head count to theirs and how effective our teams are."

What about capital projects that require major spending? "We invest in projects that drive innovation and growth," Johnson says. "The CEO and SVPs collaborate to make those strategic decisions about what is then worked into our annual budget. It's a delicate balance."

AUTOMATING PROCESSES

Automating routine processes is an apparent no-brainer when it comes to cost controls. Everybody wins with the migration to lower-cost channels, says Richard Crone, head of Crone Consulting LLC (*croneconsulting.com*), San Carlos, California.

There are signs of progress. Credit union branch transactions averaged 13 to 20 per month per member 30 years ago, he notes. Now branch visits per account average no more than once a year for institutions with best-in-class digital banking platforms. That's cutting costs.

Cutting costs and preserving the member experience means that back-office efficiency has become a prime goal, observes Nancy Wu, head of sales and support at SkyStem (*skystem.com*), a CUES Supplier member based in New York.

Financial closings and account reconciliation is a routine activity that doesn't require creative thinking but can take a lot of time. "It's very administrative," she notes, with lots of critical steps and check points, but 60% of it is routine and can be automated with the right software.

Merger-Motivated *Cost-Cutting*

Credit unions cut costs to survive. But are managing cost numbers sometimes part of a merger and acquisition strategy? Absolutely, says Micah Campbell, executive director of Armada Solutions (*armadasolutions.com*), Tulsa, Oklahoma. "In our target market (CUs with assets between $250 million and $1 billion), they're preparing for events, whether they expect to be acquired or be an acquirer. There are steps they can take to increase their market value."

Merger-minded CUs need a data-driven analysis of their most profitable products and members, Campbell explains. Once they understand that, "they can address profitability on both the cost and revenue sides" and make their CU more attractive in a merger. Would-be acquirers sometimes hire Armada Solutions to analyze prospects.

Mergers also create a swarm of contract cost issues as leaders sort out which platforms to keep and which to drop. Contract terminations can be costly, observes Andres Pasantes, chief operations officer of Engage fi (*engagefi.com*), a CUES Supplier member based in Tampa, Florida. "It's critical to make informed decisions and have the right data to do so."

But it's not quite a no-brainer. Using technology to automate routine activities is a popular way to reduce costs, Fuzzell acknowledges, but it only works selectively. He knows. He has worked at two other CUs. At one, every incoming wire was manually handled before it was posted. Automating that paid off, he recounts. However, another project at that CU, an effort to automate call reporting, was a flop.

"The rules kept changing," he reports, "so we were always reprogramming and fixing a system that was supposed to save us money. The benefit was not there."

Fuzzell could automate incoming wires at PAHO/WHO FCU but probably won't.

He says his previous CU was receiving about 150 domestic wires a day and automating them replaced the work of two people. At PAHO/WHO FCU, wires are still processed manually, but there are only about 10 domestic wires a day. Not much payoff.

Scale matters, Wu agrees. The more complex the CU, the more accounts that require account reconciliations and closing procedures, the greater the savings. A $2 billion CU with 1,000 balance sheet reconciliations a month will realize a significant return from deploying software. Some CUs have cut a process that took eight days to six, she reports.

PAHO/WHO FCU now is contemplating automated loan underwriting, Fuzzell reports. "It's in our core system, but we haven't used that feature," he says. "Now our volume has grown, and we're considering it as a way to avoid hiring more staff. Accepting some potential for fraud would be a cost to consider, but it might be a great way for us to go."

PEOPLE

People may be a CU's greatest strength, but they are also usually its biggest expense, which creates a challenge. If a CU can cost-effectively replace manual labor with automated processes, what does it do with the people who did the manual labor?

USF FCU's biggest expense is indeed its people—just over 40% of noninterest expense, Churchill reports. So when mortgage revenue started falling short of projections, the organization moved some first mortgage workers to equity lending.

"We prefer to reallocate personnel when possible," Churchill says, "and sometimes not replace people who leave. Layoffs would be a last resort, something we haven't had to do," in part because the credit union has been growing and bringing more activities in-house. That's a fairly credit union-like approach.

Crone offers a bolder option. "Remote service opens doors to a radically decentralized, variable-need-based model. The gig economy approach," he explains, "could work for member service delivery using contingent staffing." Credit unions could pay a member service representative like an Uber driver, he illustrates, making them independent contractors, paid by the piece—each call they field and each member they assist. "That could really make a dent in CU's highest fixed cost—labor."

Would a CU really want an MSR who also worked for rival financial institutions? Sure, Crone suggests. "It's working in shared-branch networks, in ATM networks and other back-end processing functions today," he points out. "That model could be extended to digital banking activity and contingent labor for other member services. We're already seeing CUs share the cost of new digital services by using CUSOs. There's a lot more room to improve functionality and reduce cost at the same time."

> **“Most companies struggle to understand their costs.”**
>
> — Micah Campbell

Paying an MSR like an Uber driver is visionary. An immediate challenge for many CUs came when the spike in interest rates left them seriously overstaffed in the mortgage lending area. CUs had to lay off or redeploy staff. An option that seems to work, Weikart notes, is to drive more value from the mortgage applications credit unions receive.

In other words, applications are opportunities, but loans are revenue. The more applications that are funded, the more revenue—and value—the CU gets. Last year, 79% of the approved loan applications at CUs were funded, Weikart reports, citing Cornerstone’s Performance Vault data. This year, he notes, the median is up to 90% for the industry and 97% for the top performers.

VENDOR CONTRACTS

USF FCU’s second largest expense is vendors, which means that reviewing and monitoring contracts is a major spending defense, Churchill says.

“Tending to vendors is like tending to a garden,” he suggests. “If you don’t stay on top of it, the weeds come.” So his CU pays close attention to how vendor services are used, changes in demand, fulfillment of service-level agreements and renewal dates. “Each contract is studied to see if we want to renew or terminate it as we change and our vendors change.”

Contracts supposedly lock in agreements over time, but in a world of pandemics, inflation spikes and mergers, they sometimes can be renegotiated to save CUs money. “Credit unions need to monitor their tech spending across all domains and all contractual relationships,” advises Andres Pasantes, chief operations officer of Engage fi (*engagefi.com*), a CUES Supplier member based in Tampa, Florida.

Never let a contract auto-renew, Weikart urges, and give yourself plenty of time to review competitive solutions. Be particularly alert to contracts that specify monthly minimums. A CU may have routinely exceeded those minimums for years, but if activity falls off (i.e., mortgage lending), it may be overpaying.

Events can cause unexpected changes that affect contracts. The COVID-19 liquidity surge, for example, somewhat artificially inflated the balance sheets of many CUs, Pasantes points out. If contractual obligations and payments were based on asset size, CUs could be penalized for market conditions that were outside of their control and not part of the original intent of their contracts.

COVID-19 also dramatically drove up transaction volumes and user adoption rates across digital channels and caused some channels’ activity to fall off, he notes. Contractual pricing “fell out of date and outside of budget plans fairly quickly.”

TECHNOLOGY

For cost management, technology is a two-edged sword. Will it save CUs or sink them? Technology increases costs as well as bringing efficiencies, Campbell points out. Personnel has long been the biggest line item for CU expenses, but the cost of technology is growing rapidly and sometimes exceeds personnel. “The weight is shifting,” he notes.

CU gurus have long preached that automated, digital, self-serve technology is the path financial services has taken, that CUs are behind in the race to win over consumers, particularly young consumers, and that they need to catch up quickly. And that suggests accelerated investment in technology.

Does catch-up investing pay off? Maybe eventually, but CUES has reported on the case of a small, low-tech, profitable CU that embraced digital technology and lost so much money it had to seek a merger partner (*cumanagement.com/1221collaboration*). The cost was immediate. There wasn’t time to wait for the payoff.

Technology projects can take time to generate an ROI, Weikart notes. “It’s a marathon, not a sprint, so many CUs have to time spending accordingly.”

Belt-tightening has caused technology projects to be postponed. Expensive projects are taking a hit, Weikart reports. “We’ve seen some strategic projects canceled and others put on hold,” he says.

Approved projects have been reexamined at USF FCU. Some were postponed “until we could get greater certainty about how the markets were changing,” Churchill says. Others were continued but scaled back. “Only the most strategically crucial got full funding and full speed ahead,” he says.

Elon Musk didn’t buy a CU. When he bought Twitter, he immediately laid off about half the staff and terminated the management team “for cause.” With their philosophy of people helping people at the ready, credit unions are kinder in their cost-cutting efforts—but there are still many creative options for them to pursue.

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

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Don't Forget *Debit*

THE TRENDS SUGGEST THESE CARD PROGRAMS ARE POISED TO HELP DRIVE CREDIT UNION GROWTH AND REVENUE IN 2023.

BY TOM BENNETT

In the ever-evolving financial services industry, it is easy for legacy programs—like debit cards—to fall out of sight and out of mind when thinking about the future. When looking to 2023, however, debit is poised for success, and credit unions would be remiss to overlook it as an important driver of growth and revenue in their planning.

THE CURRENT LANDSCAPE

For the fourth year in a row, debit is the preferred way to pay, according to PSCU's 2022 *Eye on Payments* study (*pscu.com/eye-on-payments*), with CU members favoring debit cards (46%) slightly more than non-CU members (42%). Moreover, debit cards were reported as the clear choice for every purchase type from full-service restaurants to local retailers, pharmacies and grocery stores. At the same time, debit activity has returned to typical growth rates in 2022, per PSCU's monthly Payments Index (*pscu.com/payments-index*). From January through October 2022, debit purchases were up by 5% year over year, while debit transactions were up by 3%.

To plan for 2023, let's first look at historical data. Year over year, debit experienced steady, predictable growth of 5% to 7% across both purchases and transactions. 2020 started with a similar growth trajectory but stalled with COVID-related business closures and lockdowns—then rapidly accelerated thanks to economic stimulus payments and concentrated consumer spend on key debit categories like groceries. As a result, May through December 2020 saw double-digit growth in debit purchases, resulting in total year-over-year growth of 11%. In 2021, we saw even stronger success on the debit front, reaching 19% growth in purchases as consumers spent two additional economic impact payments and the country began to reopen. While debit experienced record growth during these two years, it has made 2022's growth appear smaller and questionable in comparison—when, in reality, it is noteworthy that debit has continued to increase this year without the economic impact payments seen in 2020 and 2021.

WHAT TO EXPECT IN 2023

All of this brings us to 2023. Debit volume has normalized, and with several positive tailwinds heading into next year, PSCU expects to see debit volume growth increase over 2022 based on several factors.

First, it's clear consumers like and trust debit as a method of payment. According to *Eye on Payments*, debit is the most preferred payment method among every generation, except baby boomers, who prefer debit and credit equally at 39% and 40%, respectively. Sixty percent of CU members agree or completely agree they use their debit card more frequently than they did a few years ago, with a majority reporting they turn to debit because it is easy to use (60%) and convenient (57%). In addition, 83% of members said they would be likely or extremely likely to use a debit card at some point in the next six months to pay for goods and services.

A major development during the pandemic was the growth in debit for card-not-present transactions as consumers were forced to adopt new shopping styles. CNP debit activity has flourished, from mobile wallets to card-on-file, store-specific mobile payment apps and digital solutions. Before 2020, CNP represented 24% of debit transactions. By April 2020, it reached 35% as consumers ordered groceries, food and household goods online with either scheduled delivery or curbside pick-up. Fast-forward to today, and even as card-present activity has returned, 33% of debit transactions remain in the CNP space. Similar behavior, like consumers'

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For credit unions, a focus on debit can not only increase revenue but also act as a frequent touchpoint with members.

propensity to utilize digital payments solutions, has experienced similar growth: 59% of all respondents in *Eye on Payments* report using digital payment methods like Venmo or PayPal at least periodically, a 40% increase since 2019. We expect the CNP space to continue to see further growth.

There also is an opportunity for further cash displacement in the new year. According to Visa, the percentage of transactions facilitated with cash decreased from 21% in 2018 to 15% in 2021. Today's consumers are using a wider variety of payments. In fact, *Eye on Payments* saw choice and variety emerge as important factors driving payment choice. A majority of consumers (61%) said they are using more payment methods than they did a few years ago. But as mentioned, consumers aren't just reaching for their traditional wallets: Approximately four in 10 expect to use their mobile wallet or store-specific mobile payment app to pay for goods and services in the next six months. While not all of these solutions are CU offerings, these transactions still occur with either a debit or credit card on file. Corresponding to this uptick in digital payments solutions was a 30% decrease in cash as the first preferred payment method since the 2018 *Eye on Payments* study.

An increased interest in tap-and-go and contactless offerings are also good for debit programs. According to the same study from PSCU, 87% of respondents are using their contactless card at least a few times a year. In addition, 35% of consumers report they prefer tap-and-go technology. PSCU's monthly Payments Index also found that one in four CP debit transactions are contactless. While the average debit transaction is $45, the average tap-and-go transaction is $25, suggesting small-dollar cash transactions are more likely to be displaced by debit cards.

Finally, several new use cases favor debit as we look to next year and beyond. Buy now, pay later, subscriptions and gambling have all seen more transactions and purchases via debit and are poised to see further success with debit cards. Over 90% of volume among BNPL solutions is cleared via debit, while a majority of subscriptions for games, streaming and other offerings are typically paid with debit cards. Gambling is also now legal in 23 states and growing, with debit generally being the card on file and, again, displacing cash in many scenarios.

OPPORTUNITIES FOR CREDIT UNIONS

For CUs, a focus on debit can not only increase revenue but also act as a frequent touchpoint with members. An elevated and enhanced debit program can also help with member growth and retention. It is important for CUs to evolve with existing and potential members. As consumers seek variety, choice and personalization, it is no longer enough to focus on share of wallet. Consumers now expect the highest level of service and variety of offerings, and they want different channels in which to make purchases, transact and interact with their financial institution, among other activities. CUs should make an effort to understand what payments offerings and services are of interest to their current and potential members.

Increasingly, consumers are using fintechs and other banks, such as neobanks, for some of their everyday payments needs, which puts CUs at risk of losing out on share of mind and wallet. It is more important than ever to meet members where they are, while also providing an exceptional experience in the channels of their choice.

Similarly, CUs need to deliver on the member experience, especially in the digital space. Consumers are prioritizing frictionless experiences that are easy to use, convenient and fast. Make sure your CU prioritizes these factors. CUs should also explore digital account opening and digital issuance capabilities that make it possible for members to transact seamlessly with their CU-issued card.

CUs also must track the economy. As the Fed tries to stamp out inflation, such debit categories as gas, groceries and dining are being impacted. This could be an opportunity for CUs to help members improve their financial health. CUs have access to data, community connections and tools like behavior modification alerts they can leverage to members' benefit. In keeping with this, debit can be a great budgeting tool to offer them.

Debit programs are well-positioned to drive CU growth and success. Consumers like and trust debit, plus it is an easy-to-use, convenient option that has the breadth and depth to be used across almost any channel. Today's economic and financial services landscape is a ripe environment for debit to grow and thrive alongside your members.

Tom Bennett *is a principal consultant with the checking and debit card practice at Advisors Plus* (advisorsplus.com) *with over 30 years of experience in the financial services industry. Bennett advises credit unions on ways to enhance portfolio growth, performance and profitability. The parent company of Advisors Plus, PSCU* (pscu.com)*, is a CUESolutions provider.*

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Leveraging Data to Promote *Positive Change*

ZACHARY CHURCHILL, 2022 CUES EMERGING LEADER, BELIEVES IN THE POWER OF DATA.

BY DIANE FRANKLIN

Credit unions are awash in data these days. But an abundance of data is not sufficient for success if you don't have a plan for how to use it. CUES member Zachary Churchill, CUDE, CMA, CFE, CCM, is a man with such a plan, having presented a strong business case for why credit unions need a centralized data analytics team. Based on his standout presentation, Churchill was named the 2022 CUES Emerging Leader.

"Data is becoming the new currency in the digital era," says Churchill, VP/finance at $1.1 billion USF Federal Credit Union (*usffcu.com*), Tampa, Florida, serving 72,000 members. "Credit unions have more robust data than ever before, but there are different ways to interpret data. That's why I think it's important to create a data analytics group, bringing together people who understand the credit union and people who understand the data. Taking that approach, you'll be able to leverage data to create a catalyst for major positive change."

Churchill describes himself as a lifelong learner, which motivated him to participate in the CUES Emerge program (*cuesemerge.com*), a leadership development program CUES created in partnership with CUES Supplier member Currency (*currencymarketing.ca*), Chilliwack, British Columbia.

"If I had to boil the CUES Emerge experience down to one word, it would be 'transformational,'" Churchill says, praising the program for its unique combination of virtual education, mastermind sessions and peer collaboration. The 2022 program featured a cohort of 30 up-and-coming credit union leaders, all of whom had the opportunity to develop a business case. Churchill was one of five finalists chosen from the cohort to present their cases during a live pitch show on Oct. 5.

CUES member Zachary Churchill, CUDE, CMA, CFE, CCM, VP/finance at USF FCU, was named the 2022 CUES Emerge winner after presenting "The Case for a Data Analytics Team."

TELLING A HUMAN STORY

In developing his business case, Churchill had a challenge: how to make a data-based presentation without being dry or boring. "I knew I had to hold people's interest," he says. "People don't necessarily respond to facts and data, but they do respond to human stories wrapped around that data. So, I decided to describe the benefits of data through the lens of a member experience."

His entry point was the hypothetical story of Mrs. Rose, a credit union member who had gotten herself into dire financial straits with a high-rate indirect auto loan. In this scenario, Mrs. Rose reached out to her credit union for assistance in getting an affordable loan.

"It was a typical credit union story, where we were able to save the day," Churchill says. "But what about other members who are in similar situations but don't even think to reach out to their credit union for assistance? Could data allow us to be proactive in helping them?"

The answer is yes, Churchill asserts—but only if CUs take steps to knock down siloed decision-making and organize data to reach more insightful conclusions.

In preparing his business case, Churchill developed such a convincing argument that he convinced himself USF FCU shouldn't delay in implementing a data analytics strategy. "I didn't

"People don't necessarily respond to facts and data, but they do respond to human stories wrapped around that data. So, I decided to describe the benefits of data through the lens of a member experience."

– Zachary Churchill

feel it was necessary to wait for my pitch. Instead, I went back to the credit union and said, 'Let's pilot this idea in the finance area that I oversee.'"

Churchill identified lending as an excellent starting point for the analytics strategy. The finance and lending teams worked together to create actionable operational dashboards, which proved effective in determining an interest rate strategy in a rising rate environment.

"It worked out really well," Churchill says. "I was participating in the CUES Emerge educational sessions and leveraging what I learned in real time. Now, we're looking to replicate what we've done in lending in other areas of the credit union, such as the branches and call center."

ZACH OF ALL TRADES

Churchill's credit union career spans 16 years, during which he has worked in such diverse areas as member services, collections, audit, compliance, lending, performance excellence and his current specialty of finance.

"I like to say I'm a 'Zach of all trades,'" quips Churchill. "I've done a little bit of everything, which has been helpful in giving me a broader understanding of credit unions."

Churchill's first CU job was in Hawaii, where he was hired as a management trainee and spent time on the teller line. "I always say that was the hardest job I ever did, but it was also one of the best because I learned so much by interacting with members."

Eventually, Churchill returned to his home state of Florida, joining USF FCU as an internal auditor in 2012. President/CEO Richard J. Skaggs, a CUES member, was immediately impressed. "I realized early on that Zachary possessed many inherent leadership skills," Skaggs says. "He's an expert with numbers. His knowledge of finance is vast. He's a quick study and an equally quick wit. I, and indeed the entire staff of USF FCU, were so proud to see him named the 2022 CUES Emerging Leader. We were not surprised to see him excel in the competition. We're honored that he's part of our credit union."

As the CUES Emerge winner, Churchill will receive an educational and coaching package that includes registration to CUES Advanced Management Program from Cornell University (*cues.org/ecornell-cumanager*) and executive coaching from CUES Supplier member Envision Excellence (*envisionexcellence.net*). This will be a worthy continuation of his formal education, which includes a bachelor's degree in finance from the University of South Florida (*usf.edu*), the namesake for USF FCU, and an MBA from the University of Tampa (*ut.edu*).

"I've always enjoyed pushing myself to learn something new, so this educational package is right up my alley," Churchill says. "I'm looking forward to challenging myself intellectually and expanding my base of knowledge while connecting with additional people in the industry."

Churchill's pursuit of education has earned him several certifications, including Certified Internal Auditor (*theiia.org*), Certified Fraud Examiner (*acfe.com*), Certified Management Accountant (*imanet.org*) and ASQ Certified Lean Six Sigma Black Belt (*asq.org/cert/six-sigma-black-belt*). He is also a Florida Sterling state examiner (*tinyurl.com/2wmzvkk7*) and Malcolm Baldrige national examiner (*tinyurl.com/355p6yms*) for performance excellence.

ENJOYING THE JOURNEY

Churchill, who is married with three children, has two aspirations for his professional future. One is to become a credit union CEO. The other is to pursue his passion for developing and teaching leadership development. In the meantime, he is savoring his current role at USC FCU, where he can use the power of data to improve members' lives.

"I try to enjoy every day and realize it's part of a journey," Churchill says. "It's not just about where you end up. It's about enjoying the experiences along the way."

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

MORE CUES AWARD WINNERS

Building the Case for Innovation (*cumanagement.com/0122innovation*)

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

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

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

MORE FROM ZACHARY CHURCHILL

Podcast: Embodying 'Humble, Hungry and People-Smart' (*cumanagement.com/podcast138*)

Leadership Matters: What's Your Score? (*cumanagement.com/0822leadershipmatters*)

Top Talent *Challenges*

CUES RESEARCH HIGHLIGHTS TOP PROBLEMS AND PRIORITIES FOR EMPLOYEE DEVELOPMENT.

BY CHRISTOPHER STEVENSON, CAE, CIE

For the entirety of my tenure working with credit unions in North America, executives and board members have expressed concern about attracting and retaining talent. Concerns about competitive compensation, opportunities for professional growth and succession planning have long held sway on the minds of the leaders of the credit union system. Rightfully so. The ability to hire and retain the right people is key to the long-term sustainability of the cooperative financial system.

During the pandemic and recovery, the focus on talent intensified as we began hearing about “The Great Resignation” or “The Big Quit,” the trend of employees resigning from their jobs to find positions with greater flexibility, remote work opportunities and higher compensation, or to stay home with their families. COVID-19 allowed employees to rethink their work situations and encouraged them to prioritize what is most important to them in a job.

As CUES began its third annual HR and talent development survey of CEOs and HR executives in North American credit unions, we were interested in seeing whether the sentiment expressed by executives in other industries would be reflected in credit unions. What impact would COVID-19, remote work and a desire for increased flexibility in the workplace have on the credit union system, and how might CEOs and HR executives respond?

CUES retained Acuitim Marketing Research and Consulting to facilitate the survey. Our objectives for the survey were to better understand the most challenging aspects of talent development at credit unions and how the executive teams plan to address them. We also hoped to evaluate how effectively credit unions tie their strategic planning to addressing talent development needs and gauge whether the current workforce is aligned with credit unions’ current and future needs.

CHANGES IN REMOTE WORK

The impact of the pandemic on credit unions was evident in the data on credit unions employing remote workers. Seventy-five percent of responding credit unions are currently employing or are willing to employ full-time remote staff. This is a full reversal from pre-pandemic practices. In February 2020, 71% of credit unions did *not* employ remote full-time employees, but by the middle of March, many were forced by COVID-19 protocols to shift to a largely remote staff. In February 2021, the COVID-19 vaccine was still relatively new, the pandemic was still at its height, and 79% of credit unions were still permitting full-time remote work. The consistency in employment trends from 2021 to 2022 may indicate a long-term shift in mindset on remote work.

However, working remotely is not a boon for all employees. Older employees and employees with greater than 20 years of tenure at a CU are expressing decreased personal connections and subsequent lower engagement. CUs are struggling to increase engagement, often relying on increased numbers of staff meetings, adding more team projects and implementing new technology solutions like Microsoft Teams, Slack and others.

There may be diminishing returns with additional online meetings and technology adoption. Instead, consider what has been lost by staff going remote or hybrid. Casual interactions, social engagements and informal brainstorming are made more difficult in remote and hybrid workforces. Some can be regained with the proper implementation of technology tools, but too often, training is limited, and valuable features remain unused.

Ensure your entire staff is thoroughly trained on how to best use your technology tools to recapture aspects of an in-person work environment, but also budget appropriately to allow staff—especially those

MORE ON TALENT DEVELOPMENT

Purposeful Talent Development: Closing Skills Gaps (*cumanagement.com/112822blog*)

Video: How to Build a Balanced Bench (*cumanagement.com/video120122*)

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

CUES Consulting (*cues.org/consulting*)

CUES State of CU Training and Development Report (*cues.org/cues-state-credit-union-training-and-development-report*)

CUES Leadership Development Guide (*cues.org/leadership-development-guide*)

out of state or more than an hour's drive away—to come together at least four times a year to plan, socialize and have a meal together. Remote and hybrid work are here to stay. Begin planning and budgeting for ways to make it palatable for all your staff.

TOP 4 CHALLENGES

In the 2022 survey, CUES asked executives to rate common HR and talent development challenges on a scale of 1 to 10, with 1 meaning "not a challenge" and 10 meaning "a major challenge." The items rated most challenging included:

- attracting and retaining talent,
- developing future leaders,
- building sufficient bench strength, and
- building robust mentoring programs.

Over the three years of the CUES survey, executives have consistently named attracting and retaining talent, developing future leaders and building bench strength as their top challenges. The addition of building robust mentorship programs in 2022 is perhaps due to the new focus on remote staff.

Encouragingly, the latest survey has shown a greater focus on developing plans to build programs for each of these top challenges. Attracting and retaining talent remains the highest priority for CUs. In addition, 68% of responding CUs have plans in place or in action to attract and retain the talent they need to successfully execute their strategies.

This is a marked improvement over 2021, in which only 56% of respondents had plans to address the issue. Verbatim comments in survey responses provide additional insight into the reason for prioritizing attracting and retaining employees, namely that perpetually training new employees diverts resources from developing existing employees, which may lead to additional attrition.

"Poor retention leads to endless new employee training, which in turn affects resources to train existing employees."

"Turnover was a major hindrance. We couldn't focus on growing the staff we had because we were trying to ensure we were filling open positions and training those new hires."

Similarly, 59% of responding credit unions have begun addressing the need for adequate bench strength, up from just 39% the prior year, and plans for developing future leaders increased from 34% to 44% in the past year. These significant gains in plans to address the most pressing challenges credit unions face in HR and talent development are encouraging and may indicate that credit union executives have been able to turn their attention from urgent matters of responding to issues of the pandemic to the long-term sustainability of their organizations.

Of those credit unions focusing on attracting and retaining, 76% are evaluating wages and benefits to address the challenge. While compensation is key to remaining competitive in the market, CUs should also focus on other factors as well, including career development and advancement opportunities. Fifty-three percent of responding CUs believe it is "somewhat easier" or "much easier" for an employee to advance in their careers by moving to another organization than it is to advance at their CU. Additionally, only 33% of respondents have a formal process in place to retain high-potential employees. A lack of roles is the leading hindrance to internal advancement, yet 33% of HR executives also mentioned inefficient processes and procedures as impeding advancement.

IDENTIFY AND DEVELOP YOUR HIGH-POTENTIAL EMPLOYEES

CUES recommends implementing a structured approach to identifying and developing high-potential employees. Begin with a formal assessment of employees using either a 360 review or leadership readiness tool, both of which are available through CUES Consulting (*cues.org/cuesconsulting*). The process will provide quantitative and qualitative data to help your leadership team identify future leaders and ensure a fair and balanced approach that helps eliminate bias and subjective judgment calls.

Once these employees have been identified, adopt a development approach that expands beyond formal classroom training and promotion. We recommend an approach called "More. Over. Up." Give your high potentials an opportunity to:

- take on more responsibility in their current role,
- lead cross-functional teams or cross-train in another department (over), and
- eventually earn promotion (up).

Consider financial incentives and public recognition for successful execution or leadership of projects. Also, ensure each employee development step is aligned with organizational goals by adopting individual development plans. A well-structured IDP will outline the employee's strengths and areas of opportunity for growth, provide clear guidance on the employee's learning goals for the near, mid, and long term, and tie those development opportunities to department and organizational goals. In brief, the IDP highlights employees' current skill sets, shows where they should be in 24 to 36 months, and defines how their improvement will contribute to the credit union's goals.

Download the CUES IDP guide and worksheet (*content.cues.org/learning-events*).

Download the full report, "Top Challenges for Credit Unions," with a section on mentoring at *cumanagement.com/topchallengesreport*.

Christopher Stevenson, CAE, CIE, *is CUES' SVP/chief learning officer. Contact him at* christopher@cues.org.

New! CEO Institute: *FinTech*
In Partnership With Cornell, eCornell

CUES is pleased to bring CEO Institute: *FinTech* (*cues.org/fintech*) to the industry, giving credit unions the opportunity to learn, embrace and take advantage of the advances brought about by fintech.

"Fintech has caused extraordinary challenges and upheaval in the financial sector, but it's also opened many opportunities for growth and innovation," says Christopher Stevenson, CAE, CIE, SVP/chief learning officer for CUES. "Now's the time for financial institutions to embrace all fintech can do, and CEO Institute: FinTech will help them manage and deal with disruptions and quickly turn challenges into growth opportunities."

The program was created for credit union executives; attendees will:

- deepen their understanding of advanced fintech concepts such as blockchain, cryptocurrency, artificial intelligence, machine learning and consumer analytics;
- learn smart ways to apply these concepts to their credit union's operations; and
- explore the competitive landscape, including how to best compete with other financial institutions and platforms.

CEO Institute: FinTech is a stand-alone offering for executives; attendance at CUES' CEO Institute I, II or III is not a prerequisite. Participants will benefit from a unique mix of blended learning from our partners at Cornell SC Johnson College of Business and eCornell, including digital self-paced learning, a live-taught online class and an in-person class happening at Cornell Tech's campus on Roosevelt Island, New York City, April 17-20.

"The curriculum was designed to deepen participants' understanding and stretch their thinking," says Stevenson. "We partnered with Cornell because their philosophy is to fuse technology with business and creative thinking, bringing faculty and students together in a catalytic environment meant to produce visionary ideas, making them a perfect partner for this offering." Learn more and register now at *cues.org/fintech*.

Continue DEI Efforts *in 2023*

The popular CUES Diversity, Equity, and Inclusion Cornell Certificate Program, 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, this 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.

"DEI efforts are most effective when led from the top down and embraced by all leaders—including those in the c-suite, executives and board members," says Christopher Stevenson, CAE, CIE, CUES' SVP/chief learning officer. "This helps to ensure everyone is on the same page when moving forward with a cultural shift."

Participants of the program explore the perceptual, institutional and psychological processes that impact the ways people interact with each other, and examine employee engagement, interventions surrounding unconscious bias, and specific diversity and inclusion strategies.

All CUES/eCornell certificate courses were developed specifically for the credit union industry, offer online instruction directly from Cornell University faculty and are available only from CUES. Learn more at *cues.org/ecornell-dei*.

Online Learning

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

JAN. 10
CUES Virtual Roundtable: Emerging Leaders Community

JAN. 18
Virtual Classroom: We-Q: The New EQ

JAN. 26 (REPEATED MARCH 2)
Webinar: What's In It For Me: The Ultimate Guide to CUES Membership

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

2023 LEARNING & EVENTS **CALENDAR**

CUES POTENTIAL, REALIZED.™

FEATURED EVENT

Diversity, Equity, and Inclusion Cornell Certificate Program

March 5–June 20, 2023 • cues.org/eCornell-DEI

An inclusive work environment is not just a nice-to-have—it can make or break an organization. The Diversity, Equity, and Inclusion Cornell Certificate Program, developed specifically for the credit union industry in partnership with Cornell University and only available through CUES, will help your CU move beyond mere compliance toward creating a truly aware and inclusive culture. Over two months, four courses and two live-taught sessions, we'll explore employee engagement, unconscious bias and practical DEI strategies.

FEBRUARY 2023			
Symposium	Grand Wailea, A Waldorf Astoria Resort Wailea, Maui, HI	**Feb 5–9**	cues.org/SYMP
MARCH 2023			
Execu/Summit®	Sun Valley Inn Sun Valley, ID	**March 5–10**	cues.org/ES
CEO Institute: *FinTech*	*Cornell Tech* Roosevelt Island, New York, NY	**eCornell Course: March In-Person: April 17–20**	cues.org/Fintech
APRIL 2023			
CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 16–21**	cues.org/INST1
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

UPCOMING ONLINE PROGRAMS

Diversity, Equity, and Inclusion Cornell Certificate Program		**March 15–June 20, 2023**	cues.org/eCornell-DEI
School of Business Lending™		**April 1–Oct 30, 2023**	cues.org/SOBL
CUES Advanced Management Program from Cornell University		**July 11, 2023–April 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.***

Closing *Skills Gaps*

BY LESLEY SEARS

Gaps in a person's teeth are readily apparent. Closing them is a straightforward task for a good orthodontist.

In contrast, gaps in the knowledge, skills and abilities of a leader, manager or individual contributor in your organization can be harder to see on the surface. But they can be both identified and improved if you know what you're doing.

DEFINING THE GAP

Your people can help you find out two key things:

1. What knowledge, skills and abilities matter for success in your organization in various roles and at various levels. To find out what competencies help drive success in your organization, ask your team members a question like: "Which skills, knowledge or abilities allow you to be successful in accomplishing the organization's mission?"

2. How well everyone in the organization, in each level, is on delivering on the knowledge, skills and abilities required for success. To find out how people are performing on the key knowledge, skills and abilities identified as contributing to success, ask your staff, "How would you rate your own performance for these critical competencies?" To be sure, people are typically not very good at rating their own performance, so we also recommend asking people they work with (peers, manager, even customers) how they think their colleague is doing and then looking at all that data to form a clearer picture.

The answers you receive on these two key questions will help form the baseline for the competencies required to succeed in specific roles and departments as well as in the organization overall—plus where each person in your organization currently is in their ability to deliver on each. Comparing the two, you will see the gaps.

This data can help you define what top performance really looks like for each knowledge, skill and ability, so leverage that.

KNOW WHY YOU'RE MEASURING

Once you've done your surveying and know where your skill gaps lie, you may be tempted to jump right into creating development plans for each member of your team. But before you do so, think back to why you are doing this skills gap study in the first place. Are you interested in boosting the current performance of a particular group or department? Is your aim for your team to be ready to take on a new challenge? Are you concerned about preparing to fill empty positions due to retirement?

Once you've answered these questions, you are ready to act on the development of your people to meet your priorities. For example, maybe you have an urgent need to develop a particular skill set in your IT group. Write the development plans for them accordingly. Or maybe you need to develop a future executive for your finance team. Keep that in mind as you create your organization's development plan and determine where to focus your learning and development resources.

Doing this work can build a lot of excitement. You can help your team see clearly the next logical step in their career development that will help drive the organization's success. You can show people who want to be promoted what they need to develop to be prepared for the opportunity. You can develop a succession plan with detailed development strategies. You can help individual contributors be the best they can be in their current roles.

All in all, you'll find value in identifying and working on filling your organization's talent gaps, looking to your priorities to guide your steps.

Lesley Sears *is VP/talent development consulting for CUES. Contact her at* lesley@cues.org.

Read the full post at cumanagement.com/1122skillsgap.

> **"Today, the most competitive credit unions have a people strategy through which they aim to truly deepen the relationship they have with their team members. … A good New Year's resolution for credit unions would be to create or refine their people strategy, then refine their HR logistics in support of that strategy."**
>
> **Jerry Salsaa**, interim CEO of CUES, in "The Three Pillars of People Strategy": *cumanagement.com/1222threepillars*

Payments represent nearly 80 percent of a consumer's interactions with their primary financial institution; which means delivering an exceptional payments experience is the key to building deeper relationships with members.

Built *by* credit unions *for* credit unions, Co-op offers solutions designed to help you own more member moments through payments. From full-service credit and debit processing to rewards, digital wallet solutions and advanced fraud-fighting tools, Co-op empowers your credit union to maximize engagement, usage and member delight. **Learn more at coop.org.**

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