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Having a Plan B isn't enough

GOVERNANCE
ESG as a strategy

SPECIAL REPORT
Score with your core system

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>> CUES commits to fight racial injustice. Find resources for diversity, equity and inclusion, along with our full statement, at *cues.org/dei.*

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ONLINE ARTICLES, VIDEOS AND MORE

Web-Only Bonus

Cyberattack Countdown: The Top Three Concerns

Recovering from a ransomware attack is a challenge, but shouldn't be top of mind; it should be No. 3. No 2? Business email compromise. Reveal the top concern and get more details on all three at this link.

cumanagement.com/052223blog

CUES Video

How to Become a Change Leader Instead of a Change Manager

Shonte Eldrige, founder of Drake Strategy and Associates, describes three key things leaders do differently from managers when it comes to facilitating change.

cumanagement.com/video060123

Online-Only Column

ChatGPT's Impact on Banking Today and in the Future

AI is far from a novelty these days, even in a risk-averse industry like financial services. Still, the best applications have generally operated behind the scenes and weren't interactive—until now.

cumanagement.com/0423techtime

CUES Podcast

How to Build Your Best Cyberdefense

Tyler Leet, director of risk and compliance services for CSI, outlines how CUs can build a well-balanced cybersecurity program that will help to mitigate the financial and reputational risk associated with cybercrime.

cumanagement.com/podcast144

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LET'S CONNECT

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YOUR THOUGHTS

HOW DOES YOUR CU MAKE THE MOST OF ITS CORE PROCESSING SYSTEM?

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

What You Need to Know About *Data, Disaster and ESG*

When it comes to using data to make a difference at your credit union, you need to start with "why?" not "how?" say the experts interviewed for our cover story on p. 18.

Or asked another way: What are your goals? Focus on the why and set specific goals to propel your credit union forward.

Another area that benefits from getting down to details is disaster recovery planning. Rarely is a disaster a single, well-contained event. You might have a plan A that outlines your immediate response to a variety of disasters. But when something goes unexpectedly, you'll need to trigger Plan B, which triggers Plan C, and so on until you're on Plan L. Alert credit unions will prepare for disruptions that go outside the predictable lines, drag on for weeks or months, or trigger other disruptions.

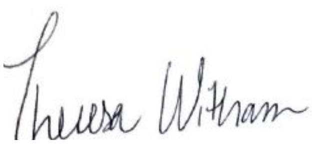
As Sabeh Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), a CUES Supplier member with offices in Miami and Los Angeles, says: "You always have to be prepared to implement a longer-range solution. A credit union probably has relationships for backup services for a designated period of time. A good plan must have 'then what' solutions." Read more on p. 14.

Using data, you can help your credit union set and reach its goals. Having a robust disaster plan will ensure you stay operational in any situation. And focusing on ESG as a strategy could make your credit union more attractive to younger members and employees. Using an environmental, social and governance lens in your credit union's strategic planning creates a useful framework for evaluating risks and deciding where to put resources. Learn more on p. 20.

Finally, is your credit union making the most of its core system?

"The key to getting the most from any core is the ability for flexibility around integration," says Jeremiah Lotz, managing VP/digital and data for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "A credit union's core should enable integration to other parties, such as payment processors, to enable other technologies like instant payments. This includes integration both ways, in which a credit union's vendors can access and fully utilize the core data, along with the core's willingness to consume data and APIs (application programming interfaces) from other systems, allowing inclusion of that data in the functionality of the applications."

If you think there's room for improvement on how you use your core, turn to our special report on p. 25.



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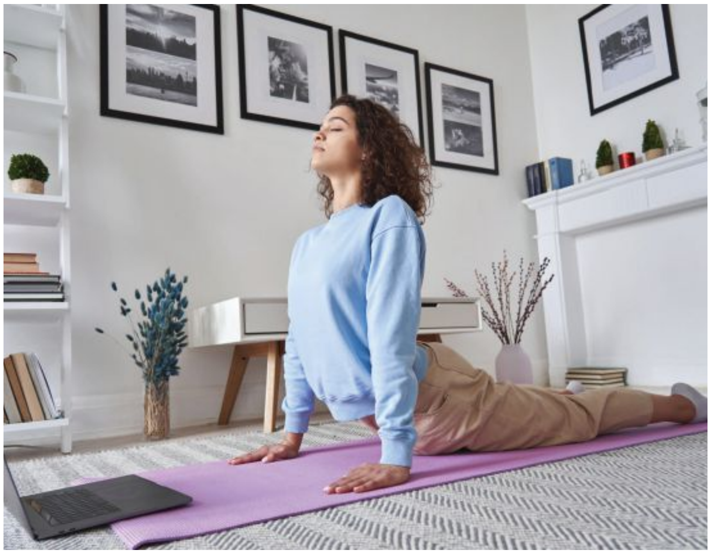

Design a Holistic Wellness Program *for the Era of Remote Work*

For years, corporate wellness programs focused on the bottom line of reducing healthcare expenses: health screenings, exercise programs and programs that targeted dangerous behaviors like smoking and drinking.

That focus paid off. Traditional wellness programs lowered medical costs for employers by about $3.27 for every dollar spent, according to a 2010 study (*tinyurl.com/48ejwus9*).

Since these programs came into vogue, we've learned more about the determinants of physical health. Exercise is still good. Smoking and excessive drinking are still bad.

But a comprehensive approach to preventing adverse health outcomes before they arise can become even more beneficial by incorporating programs that target environmental, emotional, financial and social health as well.

Increasingly, employers are recognizing the value these programs hold in attracting, retaining and engaging employees.

Against a backdrop of unprecedented worker resignations across multiple economic sectors (*tinyurl.com/yrt9n5j2*), it's critical for organizations to undertake initiatives that enrich the lives of their employees in addition to helping their bottom line.

A well-rounded corporate wellness program can achieve both goals by addressing five dimensions of employee health: physical, emotional, financial, social and occupational.

Here is a closer look at each.

1. PHYSICAL

Traditionally, employees would access key elements of their corporate wellness program (e.g., health screenings, workshops and informational pamphlets or posters) simply by showing up to the office.

In the work-from-home era, it takes more effort to reach employees where they are. Employers need to allow and encourage time in the day to take a walk, work out or go for a bike ride—anything to get active. It's easy to sit at one's desk, focused on getting the work done, and then realize you have hardly moved all day.

Many insurance providers already incorporate familiar elements of wellness programs into their member offerings. Newer, digital-first companies focused on promoting health and wellness are often priced at a corporate rate that varies based on the size of the company. Virgin Pulse (*virginpulse.com*), for example, offers a suite of smartphone wellness tools that claim to increase employee productivity and presenteeism by 44%.

Unsure where to start? The Centers for Disease Control and Prevention offers many free resources focused on workplace health (*cdc.gov/workplacehealthpromotion*), created from existing worksite programs, tools, resources and survey data from workplace health interventions.

2. EMOTIONAL

A positive workplace culture enhances employees' mental health, creates better engagement and builds loyalty. Recognizing this, the Department of Labor issued guidance in May 2022 (*tinyurl.com/4nkvz69x*) regarding mental health and the Family Medical Leave Act.

Eligible employees may now take job-protected leave under the FMLA for their own "serious health condition or to care for a spouse, child or parent because of a serious health condition," and a serious health condition can include a "mental health condition."

Third-party employee assistance programs (*eapassn.org*) can supplement a wellness plan by providing assistance with just about anything affecting job performance, from productivity issues to personal concerns. Some EAPs offer crisis response and other forms of training as well.

Remote workers might especially benefit from corporate subscriptions to mobile apps that offer guided mindfulness, meditation and other forms of assistance with stress, depression and sleep deficits.

3. FINANCIAL

Competitive wages, a robust 401(k), flexible spending accounts, and pharmacy discounts are common starting points for a competitive financial benefits package. Employers can expand the power of these benefits by engaging employees in taking charge of their financial futures

Some financial services companies offer financial planning and coaching to groups and/or individuals. They have expertise in investment opportunities, tax breaks and other investment vehicles that an employee might otherwise learn about only by consulting a financial planner on their own time.

Professional development opportunities are a wise investment in your workforce, empowering any organization to do more with the talent it has. They can also increase your employees' earning power. Compensating employees who have leveled up their skills promotes retention and engagement and discourages complacency.

It also requires extra attention from management. In an era

when pay transparency is increasingly mandated by law, such as it is in California (*tinyurl.com/4nweawv8*) and New York (*tinyurl.com/4js6d8ss*), it's important to be exact when defining what constitutes "fair pay." The bias toward paying women and people of color less than their equally qualified peers is well-documented.

Software tools, such as Payscale (*payscale.com*), Lattice (*lattice.com/compensation*) and the compensation surveys offered from CUES (*cues.org/ecs* and *cues.org/ess*) that help institutions identify pay inequities within their organization are worthwhile investments.

4. SOCIAL

Social initiatives, more than any of these, tend to suffer as an organization's workforce becomes more distributed and opportunities for casual interactions among employees are reduced.

For companies whose employees span multiple states or countries, getting creative is key. Zoom meetings don't have to be all business; they can be an occasion to recognize employees' accomplishments, years of service, weddings, babies or retirements. Fantasy sports leagues provide an opportunity to participate in a shared activity from around the globe.

For organizations whose employees are distributed within the same region, consider planning volunteer days as a company or by department, team lunches, taste tests, participating in local 5K runs and sports leagues, or company picnics.

5. OCCUPATIONAL

Occupational wellness initiatives aim to improve teamwork, team dynamics and team collaboration. A number of resources exist in this domain to support individuals at all levels of the corporate hierarchy.

- Gallup's CliftonStrengths (*gallup.com/cliftonstrengths*) program helps teams and managers place employees in roles that maximize their strengths.
- Udemy (*business.udemy.com*) offers thousands of online skills courses, many free, that employees can complete on their own time.
- PXT Select (*pxtselect.com*) uses data-driven assessments to refine the hiring process, reducing the influence of human bias.

Put together, these practical tools help foster a more functional and inclusive work environment.

Of course, it's critical to tailor these initiatives to the size of your workforce and your budget. If many of these wellness initiatives are new to your organization, plan the rollout carefully. Employees who are bombarded with too many options at once are less likely to take advantage of every program available to them.

JoAnne Gritter *is the chief operations officer with ddm marketing + communications (*teamddm.com*), a leading marketing agency for highly complex and highly regulated industries. Gritter is responsible for overseeing and facilitating collaboration between all major functional areas at ddm, including finance, human resources, IT, operations, sales and marketing. She has been with ddm since 2013 and has found success tackling creative, technical and workflow challenges for clients and internal teams with a data-minded and curious approach.*

Perfectionism Can Be *Destructive to Leadership*

Perfectionists struggle with living up to their own internal standards that they perceive will help them to be accepted and appreciated by others. But reframing our expectations toward excellence is a healthier way to lead ourselves and others. Here are six ways to keep yourself grounded and your mindset healthy.

1. Take regular breaks. Schedule at least three 10-minute breaks a day to get out of your office and connect with people or go outdoors. Giving your brain a break brings clarity and focus and often gives you the mental space you need to reframe your tendencies toward perfectionism. (Avoid social media during these breaks, because research shows social media consumption can increase anxiety and be a source of comparison.)

2. Delegate and trust. Perfectionists often feel they will be seen as successful leaders if they can do it all. The opposite is true. A good leader delegates tasks and projects so they can focus on the important, high-leverage areas that have the biggest impact on results.

3. Develop your employees. The more time you take to develop your employees, the more opportunities you will have to delegate work to them and free up your time for the most important strategic projects. Not only do you build your bench strength by prioritizing development, but you'll also give your team members opportunities to grow and learn new skills.

4. Pare down your daily to-do list. At the end of each day, pick one or two important tasks or projects that are essential to complete the next day. Start your day by focusing on those two most important tasks or projects that are the best use of your time and can't be delegated.

5. Focus on being, not just doing. Designate downtime every day when you shut off everything and leave the demands behind. Create boundaries so you have time to rest and rejuvenate.

6. Beware of compare! One thing that can fuel self-criticism is comparing ourselves to others. Whether it's a colleague's recent promotion or your best friend's new job, comparing yourself to others breeds disappointment and self-doubt.

Laurie Maddalena, MBA, CSP, CPCC *is a certified executive coach, leadership consultant and founder of CUES Supplier member Envision Excellence LLC (*envisionexcellence.net*) in the Washington, D.C., area.*

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What are the top issues for credit unions today?
Consumers join credit unions because they want more from a financial partner. Beyond affordable loans, higher savings rates and community commitment, they want amazing service.

Increasingly, CUs are challenged to provide modern member experiences that combine high-quality in-person engagement with differentiated digital member engagement. It's a competitive imperative that they do so.

How does Content Guru make its credit union clients more successful?
Contact center-as-a-service storm® by Content Guru helps credit unions deliver on their service promise.

With each member voice and digital interaction—be it a phone call, email, text, social media post or webchat—storm helps credit unions provide speedy issue resolution and create happier members, even during the biggest demand spikes.

Hosted on the internet, storm handles customer communications in a centralized suite of applications. This suite has industry-leading functionality, performance and flexibility. Customizable to meet your CU's exact needs, storm is the only cloud contact center offering proven 99.999% reliability and fast deployment. As an end-to-end CCaaS, storm's cloud app portfolio contains most or all needed functionality in a single solution.

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When you choose to work with us at Content Guru, you get a member experience partner, not just a cloud contact center.

Create a Future-Focused *People Strategy*

Q&A ABOUT TALENTNEXT WITH CUES CHIEF LEARNING OFFICER

Christopher Stevenson

The CUES TalentNEXT conference, designed to help the industry's senior HR, training and talent development leaders realize a strong, future-focused people strategy, is returning for its second year Sept. 10-12, in Savannah, Georgia. We sat down with Christopher Stevenson, CAE, CIE, SVP/chief learning officer at CUES, to talk about the event.

Q: WHAT IS TALENTNEXT AND HOW WILL IT HELP ME IN MY ROLE?

A: Unlike other HR events that focus on operational topics like recruiting and compliance, TalentNEXT helps credit unions create a smart people strategy for their institution.

The working world has changed a lot over the past few years; business as usual no longer cuts it. Credit unions must keep up with those changes to aid in attracting top talent and retaining their best employees. TalentNEXT can help.

Q: WHO SHOULD ATTEND TALENTNEXT AND CAN OTHER MEMBERS OF MY TEAM ATTEND?

A: This conference is designed for credit union chief HR/talent development or people officers, but CEOs and other senior leaders interested in deepening their understanding of people strategy will also find value. For maximum benefit, consider sending more than one member of your executive team.

Q: WHAT SPECIFIC TOPICS WILL BE DISCUSSED?

A: TalentNEXT is highly interactive, with group work, case studies and activities to ensure attendees will head home with actionable takeaways and new ideas to implement.

The sessions are led by authorities in people management and renowned faculty from Cornell University. For example, Cornell Professor Brad Bell will be discussing hybrid work strategies. Despite their many benefits, hybrid work models present some unique challenges. We'll talk about adjusting leadership and management approaches, managing group culture and productivity, and establishing consistent and deliberate communication and collaboration norms.

I'm also excited for LaToya Pryce's session. She is culture and inclusion officer for $5.5 billion Visions Federal Credit Union (*visionsfcu.org*), in Endicott, New York. Her session is called "How Psychological Safety Can Bridge the Generational Gap in the Workplace." Having several generations of employees in the workplace at once is wonderful for diversity of thought, but there are also challenges.

We'll all benefit from Lauren Hodges' session, "What Is Your Stress Personality?" Advancements in neuroscience over the past decades have brought us to a place where we understand more about this than ever before. As people leaders, it is especially important for us all to understand how stress affects us. If high demand is a part of your team's daily lives and mental well-being is considered a business-critical value for your credit union, then you don't want to miss this one.

And that's just Monday! On Tuesday, CUES' own Lesley Sears, VP/consulting services, will lead a session on how to create a sticky culture. Plus, we'll talk about the gender wage gap and what we can do about it, and how to approach those cringing and difficult conversations that many of us dread. We'll end the conference with a stirring session about disrupting yourself. Very few of us like change, much less embrace it. But Morris Morrison's "Disrupt Yourself" program will energize and inspire you to abandon your need for certainty and embrace the opportunities that come with change.

Q: HOW WILL THIS EVENT HELP CU EXECUTIVES ADDRESS CURRENT INDUSTRY CHALLENGES?

A: CUES recently wrapped up its fourth annual talent development survey of credit union CEOs and HR/talent development executives. Credit unions told us that they are still having difficulty finding qualified staff in their market area. In fact, finding quality employees had increased each year in the survey as the top challenge cited by survey respondents. Other top challenges include finding time for training and development, employee retention and succession planning/leadership development. TalentNEXT will help with each of these challenges.

Your people are essential to achieving your credit union's goals. This event is an opportunity to focus on talent strategies and performance management, ensuring your credit union's greatest asset—its people—can execute upon your strategic plan.

Q: WILL I GET CONTINUING EDUCATION CREDITS FOR ATTENDING?

A: Yes! You can earn up to 12 Continuing Professional Education (CPE) credits. In addition, CUES is recognized by SHRM to offer Professional Development Credits (PDCs) for SHRM-CP® or SHRM-SCP® recertification activities. You are eligible to receive up to 11 recertification credits.

Q: WHERE AND WHEN IS TALENTNEXT?

A: Sept. 10-12 in Savannah, Georgia. Learn more and register at *cues.org/talentnext.* I hope to see you there!

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How does Lynx Technology Partners make its credit union clients more successful?
As the cybersecurity and regulatory landscape continues to evolve, the effort required to protect CU finances, resources and reputation grows more complex every day. Outsourcing some or all governance, risk and compliance program requirements to a trusted partner provides CUs with a budget- and resource-friendly way to protect against data theft or monetary losses due to fraud, build trust with members by demonstrating responsible digital practices, and serve the cybersecurity best interests of their customers, stakeholders and employees. Lynx Technology Partners' risk operation center and GRC-as-a-service offerings empower CUs to orchestrate a proactive GRC strategy that manages risk across operations to better support their strategic initiatives and deliver measurable business value.

What makes Lynx unique?
We have a commitment to collaboration and innovation. Lynx values the talent and ideas of all employees and encourages teamwork and collaboration across all roles and departments. Innovation is at our core, and we strive for excellence by removing boundaries and encouraging creativity and originality. This is a big reason Lynx recently won Most Innovative Governance, Risk & Compliance Solution at the Global InfoSec Awards at the RSA Conference.

We are proud to have *Cyber Defense Magazine* recognize the innovativeness of our governance, risk and compliance as a service solution and people. Lynx is dedicated to providing the diverse cybersecurity resources and tools our customers need to demonstrate mature GRC practices that deliver business value. This award reaffirms we are doing important work to secure the digital world of our customers, so they can keep focusing on what they do best.

Lynx believes diversity, culture and inclusiveness are vital enablers of best-in-class cybersecurity. We are an industry leader, visionary and trusted advisor.

When It Feels Like *You're on Plan 'L'*

HOW CREDIT UNIONS CAN PREPARE FOR LENGTHY BUSINESS DISRUPTIONS

BY RICHARD H. GAMBLE

At 2 a.m., March 22, a 2015 Dodge Ram pickup truck with California plates crashed into the front wall of the main office of a $235 million credit union in central Iowa. Alarms went off. The driver fled. Police arrived. So did designated staff. The truck was towed. Yellow tape, then plywood sheets went up. Plan A was followed.

But many more plans were yet to be exercised.

Four hours later the truck's driver was arrested. Then police found weapons and large quantities of drugs in the vehicle. The driver was carrying debit cards for four accounts at that credit union.

First agents from the U.S. Drug Enforcement Agency arrived, then agents from the U.S. Treasury, after account activity indicated money laundering had taken place.

The accounts had all been opened personally by the branch manager, who had been hired quickly to fill a vacancy six months ago. His experience and references were good. But the background check had failed to identify a couple of out-of-state arrests with charges dismissed.

The driver, who had fallen out with the manager and intentionally crashed the truck, confessed and implicated the credit union in a drug and money laundering enterprise.

The branch manager was arrested. A subsequent investigation showed that he had also sold confidential member information on the black market.

The usual systems had failed to detect and report suspicious activity. The CEO hauled in the SVP/operations and compliance, who was coasting toward retirement. Words were exchanged, and the SVP quit, taking with him a lot of knowledge of the credit union's operations. No successor had been identified and trained. The National Credit Union Administration examiners arrived. The local newspaper and TV station were having a field day.

Then the tornado hit.

Not literally. But disruptions cascade, and the initial, planned response to a crisis may only target the tip of the proverbial iceberg. So how do alert credit unions prepare for disruptions that don't

"You always have to be prepared to implement a longer-range solution. … A good plan must have 'then what' solutions."

— Sabeh Samaha

stay within predictable lines, that drag on for weeks or months or that trigger other disruptions?

Most credit unions have not planned adequately for a series of disasters nor a long outage, warns CUES member JT Gaietto, chief security officer of Digital Silence (*digitalsilence.com*), Denver, and a member of the board of $2 billion Westerra Credit Union (*westerracu.com*), also in Denver.

"Few credit unions have planned for a long timeline that results from an incident," he says.

One credit union, he recalls, was plunged into a long-timeline situation when a backhoe accidentally severed a fiberoptic line that had been improperly marked.

"There was just one fiber trunk, so they were completely offline and were dealing with recovery for weeks," Gaietto explains. "It cut off their ability to communicate and service their members."

Planning for long-term disruptions should be fundamental. Having a recovery timeline is an essential part of the disaster planning process, says Sabeh Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), a CUES Supplier member with offices in Miami and Los Angeles.

"You always have to be prepared to implement a longer-range solution," Samaha says. "A credit union probably has relationships for backup services for a designated period of time. A good plan must have 'then what' solutions."

STOCKING UP

In terms of responding to a natural disaster that incapacitated an area's infrastructure for a long time, there's no better example than the credit unions of Puerto Rico dealing with the consequences of Hurricane Maria in 2017.

In the aftermath of that storm, the credit unions' backup resources and fallback positions were completely wiped out. A lesson these organizations learned from the experience is that if you want to survive an emergency that exceeds your plans, you'd better stock up.

And stock up is exactlywhat $106 million Cooperativa Jesus Obrero (*jesusobrero.coop*) in San Juan did. To get lasting power, it installed two generators and warehoused the fuel to run them. It also created a reservoir that holds 4,500 gallons of water.

"Now we can operate for 25 days with stored diesel fuel, electricity and water," explains Aurelio Arroyo, executive president of this financial cooperative.

Part of the needed electricity comes from the generators and diesel fuel; another part comes from solar panels, Arroyo reports. "Solar panels, backed with batteries, now provide 86% of our operating power," he notes, "and we plan to get to 100% soon."

That's enduring power once the sun comes back out, he points out. "You have to have power, and it has to be reliable and durable over a long haul, if necessary."

With only three banks remaining in Puerto Rico, the island's 103 cooperativas and four federal credit unions are the financial backbone for most of the people who live there, notes Rene Vargas Martinez, director of the Puerto Rican network for Inclusiv (*inclusiv.org*), a New York support provider for community development financial institutions and a credit union network. In Puerto Rico, Inclusiv supports a network of 95 member cooperativas.

"It was suddenly a cash economy," he reports. "After Hurricane Maria, most cooperativas reopened within 48 hours and transformed their branches into community centers, providing access to electricity, supplies, cash, emergency loans and other emergency financial services."

GOOD PLANS

Good disaster recovery plans, Samaha notes, have to be tactical, instructional and user-friendly so people know exactly what to do in a given situation. They also have to be "open to dynamic change," he qualifies, because reality seldom conforms to predictions.

Dynamic change means that the plan allows two or more people to make changes to the formal document in light of what's happening on the ground, he explains.

Such disaster recovery plans need to be sophisticated, but there are plenty of templates available that offer content. "You can't just cut and paste," Samaha warns. "You have to do your own plan, but you can get some content from sources that are out there," such as this template from IBM (*tinyurl.com/ibmdrptemp*).

With system outages, the top priority should be maintaining accurate-as-possible account balance reporting so the credit union can track the activities of members almost in real time, Samaha points out.

The response to any disruption of service, explains John Venzon, a managing director at CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale Arizona, depends on the impact on members.

"Credit unions need to perform BIA (business impact analysis) and recognize priorities. They need to set RPOs (recovery point objectives)," he says, like whether something has to be fixed in four hours or 24 hours or three to five days.

That's a disaster recovery protocol. If a disruption continues, Venzon says, the credit union's business continuity plan should be triggered.

"That can lead to massive triage," he explains. It can mean the regulator is on the case. "It requires coordination around possible points of failure."

Credit unions must have good disaster recovery and business continuity plans in place and test them regularly and rigorously, says Tim Daugherty, director of business continuity management at Trellance, (*trellance.com*), a CUES Supplier member based in Tampa, Florida.

Plan to *Improvise*

To survive disasters and outages, credit unions are told to plan and test, plan and test, plan and test. But then, sometimes, credit unions have to improvise.

That need was evident when Hurricane Maria hit Puerto Rico in 2017. Suddenly, and then for weeks, people had no digital access to their money. Everyone had to operate in cash. Financial institutions were operating without ledgers. So, they improvised.

$106 million Cooperativa Jesus Obrero (*jesusobrero.coop*) in San Juan handed out $250 per qualifying person per day in hard currency.

"Banks were offering only $75 to $100," recalls Aurelio Arroyo, executive president. "We had enough cash to sustain that without relying on replenishment from vault service providers. We did that for the first seven days after we reopened."

The fallback system was trust.

"If a member came to us and said they received a direct deposit of $1,000 the third Wednesday of every month," he reports, "we confirmed that and gave them $250. When our core system came back up after about a week, we could reconcile and everything matched. There were no discrepancies. We didn't lose a penny by trusting our members. It's a beautiful story."

Cooperativas also improvised collectively (*tinyurl.com/prcooperativas*). According to Rene Vargas Martinez, director of the Puerto Rican network for Inclusiv (*inclusiv.org*), a community development financial institution support provider based in New York, "to ensure that electronic deposits were processed, local financial cooperatives each sent a representative—in many cases, their CEO—to the National Cooperative Bank in San Juan, where ACH transfers are cleared, with a thumb drive to exchange the ACH files. This strategy was critical during the first three weeks after the storm, when most communications systems were down."

The plans usually are in place, he notes, but the testing can be inadequate. "You have to know what the critical processes are and shore up your defenses and recovery resources."

So, communication is vital, and the longer the disruption drags on, the more vital the communication.

"Members need to know that you recognize the problem," Daugherty points out, "that you're actively fixing it and when to expect things to go back to normal."

To help retain members, Daugherty reports, credit unions often offer reimbursement for things like foreign ATM transaction fees or overdraft fees because of a lag in deposit posting.

SUSTAINING MORALE

A great deal of planning for disruptions involves systems resiliency, but not planning for personnel resiliency can be a big mistake. Gaietto's case of the backhoe cutting the fiberoptic cable highlighted an important but seldom recognized threat: mental fatigue.

"It was an all-hands-on-deck situation," he points out, "so the adrenaline surged. They hadn't planned for mental fatigue, and by day two, people were making mistakes. They needed to pace themselves, to work in shifts. They needed a plan for rest."

A long-term outage is a people issue and a confidence issue, Daugherty says. Not recovering smartly can cause members and even employees to leave. "It puts your reputation at risk."

UNPLANNED SUCCESSION

A risk that's hard to plan for is the sudden departure of someone critical to the operation of the credit union. Such a loss can even force a merger, Venzon notes. For example, there are cases where a CEO dies or resigns unexpectedly, and the regulators come in and insist on a timely merger.

In a worst case, an extended disruption could push a merger decision, Daugherty concedes. "That would probably be a slow way to fix a problem, but if the breakdown reveals operating weaknesses that a CU can't afford to fix, that might influence a merger decision."

The loss of a CIO in today's tech-reliant financial system can also be a crisis situation. In his role as an advisor at Cornerstone, Venzon has had calls from clients and started dialing contacts from his days at IBM, Bank of America and Jack Henry to rustle up a temporary tech executive to tide over a credit union, he reports.

A TEST OF TALENT

An extended outage is always a test of talent, Daugherty observes. If a credit union lacks people who can either prevent an extended disruption or recover quickly from one, he explains, that might dictate hiring the missing skills or weighing the cost of a new expert against the cost of outsourcing.

In many cases, the alternative to a disaster-ready staff is a disaster-ready vendor. It's unrealistic to expect most credit unions to have the resources to recover from a massive attack on their own, Gaietto admits, so the technology and the recovery responsibility is often outsourced. For long-term recoveries, credit unions rely not only on vendors with strong technology

"Members need to know that you recognize the problem, that you're actively fixing it and when to expect things to go back to normal."

— Tim Daugherty

but also on their cyberattack insurance.

"The insurance company may dictate outsourcing," he points out. "Insurers have a big voice in setting security standards."

COVID-19 accelerated a shift in the operations landscape from in-house to outsourced systems. "More now is cloud-based," Venzon reports. "CUs are taking advantage of the bigger, more robust infrastructure of vendors. Responsibility has shifted."

And this means a shift in staff skill sets as well. If a credit union's hosted system fails, "the person who was really good at racking and stacking hardware might have to transition to being a vendor manager," Venzon says. The new manager has to give up control of the "nuts and bolts" and become "more responsible for coordination and putting in place procedures to test and verify vendors' ability to respond to disruptions."

WORKING TOGETHER

Many credit unions have now outsourced a lot of disaster recovery responsibility to their core processing service bureaus, Samaha notes. But it may be even better when two or more CUs plan in advance to share office space and systems during a disaster, a time when a service bureau could be slow to respond if there's a line of organizations waiting for assistance.

The cooperative spirit of the credit union industry is another major resource for dealing with disruptions, Venzon agrees. "They find ways to help each other. They build networks where one stressed member can fall back on the network temporarily," he explains.

"At the end of the day, all credit unions are part of one large set of corporate books," he continues. "There are ways to use that as a master ledger and make manual adjustments to the debits and credits of individual credit unions to accommodate each other.

"We've seen cases," Venzon notes, "where one credit union creates a dummy account at another credit union and runs all the transactions through it and then manually sorts it out at the end of the day."

According to Daugherty, if a credit union loses a Fedline connection (*frbservices.org/fedline-solutions*), it can still retrieve files using a sister credit union's connectivity if it has a reciprocal agreement in place.

The greatest recovery resource, Venzon emphasizes, is "human nature. People rise to the occasion."

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

The Pandemic *Lesson*

COVID-19 was a great test case for long-term disaster recovery, providing an emergency that required quick response and then continued and continued and continued. The response of credit union industry tech teams was first rate, notes John Venzon, a managing director at CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale Arizona.

There was a textbook plan for a pandemic, he reports, that supposed that 10% of the workforce might be missing, and many credit unions hadn't really prepared for that. But pretty quickly, whole staffs were grounded at home, or tiny skeleton staffs were coming in to take care of essential onsite processing, he recalls. It was the enduring emergency nobody had prepared for.

But credit unions switched delivery channels, opened remote access whenever possible, gave equipment to staff so they could work from home and hardened security protocols so that a PC on a kitchen table could be a secure link to vital, highly protected systems.

"The response happened so quickly," Venzon reports, "and worked so well that some CEOs joked, 'Why can't my IT team do this all the time?'"

Some did it over a weekend, he says. Some did it in two weeks. It raised the standard for operational response to a disruption. "The spirit and ingenuity of the operations teams," he says, "were exceptional."

MORE ON DISASTER RECOVERY

Cyberattack Countdown: The Top 3 Concerns (*cumanagement.com/052223blog*)

Helping Members Recover From Climate Disasters (*cumanagement.com/0322climate*)

Specialty Compliance Issues: Disaster Recovery Software (*cumanagement.com/102522blog*)

Four Cloud Lessons From Hurricane Ian (*cumanagement.com/1022cloud*)

Cybersecurity: It's Not a Matter of 'If,' But When' (*cumanagement.com/040622blog*)

'Why' Data

USE ANALYTICS TO HIGHLIGHT THE CREDIT UNION DIFFERENCE.

BY ART CHAMBERLAIN

When credit union leaders think about using data to improve their services, they often focus on what they can do with analytics or worry about how to do it. But the real question they need to focus on is why.

Why do credit unions want to use analytics and what goal are they trying to reach?

"I find it really helps people to ask them 'What do you want to do and why do you want to do it?" rather than 'How?'" says Andrea Brown, SVP/growth at Lodestar Technologies Inc. (*lodestartech.ca*), a Toronto-based provider of data services and analytics for financial institutions that in early March was acquired by Evergreen Services Group (*evergreensg.com*).

Brown observes that people and businesses new to using data analytics often get hung up on the process. "They say, 'We have this big idea, but we don't know how to do it,' and that's OK because *we* do know how, or we can help you figure out how."

So Brown says she asks credit unions: "What do you want to do and why? The why is important."

For example, if a credit union CEO is thinking of using data to implement a rewards program, it's common to get sidetracked worrying about "how to track this and this and this, and they're going to paint themselves into a very small box because they don't know, and that's not their job.

"People really put up a lot of barriers that don't exist when they approach it from 'How do we do this?'" Instead, she says, executives and boards need to think about what they want to do for their members and their organization and why that initiative matters.

Brown notes that every credit union is on a data journey; even small ones that don't think about it are no doubt using data for basic reporting or operational tasks. In fact, that's sometimes where she starts her questioning process—by asking what operations are currently being carried out by sharing Excel spreadsheets that need to be filled in by several people.

"It's easier to start with something simple like this than it is just to pick something out of the

"Siloed data is a challenge, and I think because it's so siloed and separated, people have a hard time thinking about how they would use it and the value of bringing it all together."

– Andrea Brown

clear blue sky," she says. "A lot of times people don't realize how much data they have. They might not think about certain systems in terms of what data they can pull from it."

She points to loan origination systems and the wealth of information they hold, even on loans that have been rejected or not completed.

"The loans that aren't booked are a huge set of data that you could be mining for people who've been approved and haven't closed the loan, or you could do a ton of analysis on applications that are not approved and see if you need to make program changes," Brown suggests.

STUCK IN SILOS

Data silos and data that is stuck in proprietary systems continue to be problems for many credit unions.

"Siloed data is a challenge, and I think because it's so siloed and separated, people have a hard time thinking about how they would use it and the value of bringing it all together," Brown says.

Lodestar focuses on helping credit unions create data warehouses that bring together all their data so it can be accessed and analyzed. This approach integrates all the data into one usable source.

The problem of data silos is not just caused by legacy systems, she explains. Even some newer platforms "aren't putting a huge focus on data." That usually means the credit unions using the software aren't understanding the full value of the data being generated or collected. "If [credit unions] don't have the vision for how they're going to use it, they're not going to put a lot of time or effort into figuring that out."

Dan Demers is CEO and co-founder of Cinchy (*cinchy.com*), a Toronto-based company that says it "liberates data," allowing for collaboration, not integration.

"The traditional approach to data management and data architecture allows organizations to start off with something that seems simple, but as they add more capabilities, it ends up adding more complexity," Demers says.

Cinchy's approach relies on bidirectional links between data sources so that data can be shared without being relocated. "What you can then do from there is start to build this network and create connections between the data without having to do integrations between the systems," he says.

Demers explains the difference by comparing the way a group can work on a shared Google Doc, making changes in real time, together. Compare that to individuals making changes and emailing their versions to group members.

"It's like jailbreaking the data. The link is really freeing the data from being limited by the application. We've separated the data from being constrained by the application that created it, hence the term 'liberation.'"

The collaborative approach gives credit unions control over their data without needing to provide access to Cinchy.

Ty Robbins, chief data officer at $1.4 billion First Service Credit Union (*fscu.com*) based in Houston, Texas, said he turned to Cinchy for its data platform technology because he knew from experience how difficult it is to curate data and turn it into useful information. Several years ago in his previous position at Oregon Community Credit Union, his team spent many months manually building and automating processes to move data and doing custom programming to build a data lake from scratch.

After all that work, "I was skeptical, but we signed the deal with Cinchy in December, got everything installed in January and February, and after they applied their liberator, within two weeks we were writing reports," Robbins says. "Once you liberate the data, its use cases are really up to your imagination."

AVOID OVERWHELM

First Service CU is now moving towards real-time visibility of its operations focused on leading, not lagging, indicators.

An example of a lagging indicator is your bathroom scale. When you get on it, it gives you an accurate number at that moment, but it does nothing to change the behavior that got you there. Similarly, members' account balances are lagging indicators that can imply problems but do not give a clear picture of causes. These are the results or outcomes of activities and events, whereas leading indicators look toward future events.

Robbins says cash flow can be a similar lagging indicator for credit unions—and it's only so useful on its own.

"A lot of credit unions look at their end-of-month cash flow report and see 'We had this many deposits and we made this many loans,' but does the data go deeper and [show us] if the money is staying in the institution or moving elsewhere? Did somebody just convert from cash in a savings account and put it into a well-yielding CD?"

Demers says some credit unions get too excited about the technology and begin to dream of new uses when they should focus on starting simply. "Start with what you're actually trying to get done. If you need reporting, start with reporting. If you need simple integration, start with a simple integration. Honestly, the less mature you are, the bigger the opportunity is for you."

For some credit unions, the challenge is finding a way to manage and use the data they have on hand without overwhelming staff.

Wade Decker, CFO at $1.2 billion Financial Plus Credit Union (*myfpcu.com*), Flint, Michigan, said his credit union knew it had a wealth of information, but it didn't have a system to display and use its data nor the skills internally to build such a system. This led the CU to partner with White Clay (*whiteclay.com*), a data analytics firm based in Louisville, Kentucky.

"We're extremely fortunate," Decker says. "We're blessed with literally years and years of loan and deposit information. We have it; we just didn't have a good way to get to it and organize it and put it into a format that's easily digestible."

Financial Plus CU had created a data warehouse and spent a lot of time cleansing the data and building processes to ensure it updated accurately. But the database could only be used by its IT staff and a few financial analysts, and there was no way to present information simply and usefully to front-line staff.

The credit union engaged White Clay in October 2022 and by January had a test site in place with an improved interface. White Clay was just expanding into the credit union sector, so Financial Plus CU had the opportunity to work with the firm to edit and massage the system. This came in handy in March when the collapse of Silicon Valley Bank led depositors everywhere to wonder how safe their money was.

"We had a quick way to generate the top 50 depositors for each branch," Decker says. "We could easily use the system to filter that out and provide a way for our branches to touch base and reassure anybody that was concerned about deposit insurance."

WORK SMARTER, NOT HARDER

Decker says Financial Plus CU is already seeing other benefits. Using the White Clay interface, it has been able to segment its channels and get a better handle on which ones are being used to open new accounts and acquire new products and services. That visibility will help the credit union determine staff levels and better deploy resources.

In contrast to a bank that has to focus on its shareholders, "our main focus for any initiative is how is it going to impact either employees or members," notes Decker. "Hopefully, we can do something that positively affects both. The new system gives us visibility into our members' lives to make sure that they're in the right product."

If a member requests a rate match on a loan or a fee waiver, for instance, instead of relying on a gut feel, the service representative will know exactly what products and services the member uses and can quickly determine whether the request should be granted.

"There is no secret sauce or silver bullet," Decker says. "The goal is to find a middle ground of providing enough information to be actionable without it being completely overwhelming."

Scott Earwood, director of community solutions for White Clay, explains that data must be made usable to support the credit union mission. "We focus on converting a credit union's data ... so that it can be acted upon and they can see a benefit from the data instead of just *having* the data."

One challenge for credit unions is that they need to understand their data and data quality initiatives are not a one-time project, Earwood says. "It actually needs to be an ongoing, living thing, because the moment you stop paying attention to the data quality and putting it together and maintaining it, it starts to get dirty."

Earwood notes that while banks will look at their client data and seek ways to make more money, credit unions can use the same information "to spot a hole in the relationship where we can take better care of that member and perhaps tell them something they don't know.

"If we can give the customer rep better information, they can have a better conversation with you. You get taken better care of and maybe even get offered something else. Maybe it's a product; maybe it's a service that makes your financial life better, that makes you have better peace of mind."

Earwood says data analytics can help credit unions focus their attention where it can be most useful. For example, using the recent deposit scare as a lesson, by identifying the 10% of members who hold 70% or more of your deposits, you can ensure you reach out to the right people.

"We can help [front-line staff] work smarter instead of harder by analyzing their data and giving them a list of 500 people to contact instead of worrying about 5,000 people," he says.

Using data to get a full picture of a member's relationship with your credit union can also help you understand the risks you

"Our main focus for any initiative is how is it going to impact either employees or members. Hopefully, we can do something that positively affects both."

– Wade Decker

"We have the technology, the skills and the education to build out complex models, just like the big banks do, but when the credit union philosophy is added, it enriches our ability to serve members completely."

– Ty Robbins

face when a competitor raises rates or cuts costs, Earwood says. In some cases, a credit union might make bad decisions because it fears losing a member who really is unlikely to shift their business.

"We want to help credit unions focus on the full membership and the relationship instead of just trying to win a pricing war," Earwood adds.

GET A BETTER PICTURE

Robbins says many members who have already made the decision to come to a credit union for the social and cooperative aspects are far less rate-sensitive than bank customers—and your data can help identify those people.

"Look into the demographics and look into the cash flow habits of the individuals. Those can be leading indicators when it comes to the fundamental decision-making for a credit union," he says. "If a credit union is truly engaged with its membership, you have the opportunity, instead of merely placing a product, to actually have a compelling conversation about the health and well-being of your member."

Of course, having in-depth insight from the data allows you to make better decisions on products as well. "It allows you to make better decisions on how you would place and discuss products because you know what your members need," Robbins says.

"The future of data and credit unions is using that data to reinforce—or in some cases, build—personal relationships with the members," Robbins adds. "That's our goal."

He hopes to be able to use the credit union's data to show members how their deposits were turned into local loans and investments that make their community stronger.

"I think what credit unions have to their advantage compared to the big banks is the focus on the 'why,'" Robbins notes. "It's not about more money or the bottom line, it's about improving members' lives. With that philosophy, we can build the next-best-product model centered on what makes sense for individual members and their financial health.

"We have the technology, the skills and the education to build out complex models, just like the big banks do, but when the credit union philosophy is added, it enriches our ability to serve members completely."

Art Chamberlain *is a writer who focuses on the credit union sector.*

MORE ON DATA

How to Build Your Data Maturity Action Plan (*cumanagement.com/datawhitepaper*)

Tech Time: A Lending Analytics Case Study (*cumanagement.com/0223techtime*)

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

Data Helps Provide Personal Service (*cumanagement.com/1022dataservice*)

Prepare for Growth By Focusing on Three Key Areas—and the Talent for Them (*cumanagement.com/092122blog*)

Video: Analytics Reimagined: Next-Generation Analytics Panel (*cumanagement.com/video091622*)

Leveraging Data Analytics to Improve Member Service (*cumanagement.com/0922improve*)

ESG as a *Strategy*

‘ENVIRONMENTAL, SOCIAL, GOVERNANCE’ MAY HELP CREDIT UNIONS BOOST EXISTING COMMUNITY INITIATIVES AND BETTER MANAGE RISK.

BY FELICIA HUDSON HANNAFAN

The practice of considering environmental, social and governance factors in business and investment decisions has gained significant popularity since it was coined in a 2004 UN Global Compact report (*tinyurl.com/ungcwhocares*).

In the report, the UNGC outlined foundational environmental, social and governance criteria that could be incorporated into financial evaluations of companies. Today, stakeholders and stockholders—including young people—are making it clear that they expect companies to commit to ESG long-term.

The interesting part of the ESG dialogue for credit unions is that so many of them are already delivering on ESG values in some fashion—some have been for years. The ESG framework that’s in the news now may be useful to CUs that want to broaden, refine, measure and do risk analysis of initiatives they already have in progress.

THE CU-ESG CONNECTION

George Hofheimer emphasizes that some ESG values are already part of CU philosophy.

“A lot of those issues are core to who credit unions are, their legacy and their history,” says Hofheimer, founder of Hofheimer Strategy Advisors (*hofheimer.org*). The part of ESG that’s most familiar to credit unions is the “S,” for “social,” also known in the CU space as “social impact” or “financial inclusion.”

Garrett Jones, director of sustainable finance at the Delphi Group (*delphi.ca*), agrees that the work of social impact is foundational to CU philosophy. He suggests that ESG as it’s being described now may help CUs better assess the risks and opportunities of lending and investing.

“As the original social impact financial institutions, credit unions were created as financial cooperatives to support, finance and lend to typically marginalized communities, and they excel at fulfilling that mission,” he says. “To further protect their organizations and members, credit unions now need to understand how to operationalize ESG.”

Operationalizing ESG involves much more than community impact through volunteerism and donations. It requires integrating environmental, social and governance issues into enterprise risk management, credit risk management and investment decision-making processes. For instance, CUs can assess the sustainability of companies they invest in or lend to, considering such factors as carbon emissions, resource efficiency, labor practices and community impact.

While some news reports have cast ESG as controversial and described an “ESG backlash” in the United States, “the vast majority of what we call ESG is not controversial,” says Chris McClure, partner/ESG services leader, Crowe LLP (*crowe.com*). “It’s the baseline to the good management function of any public or private institution, and it’s what all … the stakeholders to that institution—whether … the customers or the regulators or the employees—want. You expect it will be governed properly, protect your data, prevent fraud and do the right things.”

THE ‘S’ AND THE ‘E’

“We’re more on the social than anything else,” says Rob Keatts, EVP/chief strategy and information officer at $2.6 billion Chartway Credit Union (*chartway.com*), Virginia Beach, Virginia.

But Chartway CU’s recent social impact actions have organically evolved from its values, he says.

“Over the last five years, we’ve been looking internally at our corporate culture, as well as externally in the communities that we serve to understand what we could do to make things better,” Keatts says.

Internally, the CU has focused on diversity, equity and inclusion, including staff training and reviewing employee benefits for inclusivity. “Pay transparency is a big thing for us,” he says.

In addition, the CU’s new team resource groups (the CU uses the word “team” instead of “employee”) are taking off. Based on a staff survey, the CU started with five groups: Black, Hispanic, LGBTQ, women and working parents. Many team members have volunteered to lead the groups. So far, the teams have led a Black History Month lunch and

"When we address pollution, energy efficiency and clean energy, we benefit the communities we serve."

— Melissa Malkin-Weber

intranet learning opportunities and registered to be a first-time sponsor of a pride parade in Salt Lake City.

"We truly believe that to serve our external communities, we have to serve our team members first," Keatts says. "When a decision needs to be made, (we ask,) 'Is it right for the people involved'? That can be our team members or … community."

As a result of several mergers, the CU is diverse geographically, with 65% of its business in Virginia, about 30% in Utah and a small percentage in Texas. Keatts says the CU has examined its membership to identify its most underserved members.

"What we have seen is that the Hispanic population in all of our markets is growing very quickly, especially in Utah, and it tends to be very underserved," he says. Now "we do a lot of ITIN (individual tax identification number) lending, especially out in Utah, and we are unique in that way. Most lenders that do ITIN lending … charge significant fees or significantly high-interest rates to do those loans, where we don't do anything different. It's just what we've been doing on a regular basis.

"The idea around helping the Hispanic market, for instance, came from our internal data-based DNA," he adds. "That data started pointing to a group of members that we aren't serving as well as we could be. And so, we said, 'Let's dig into that.'"

Keatts says that because of the need, the program has taken off with word-of-mouth marketing. Now almost half of the CU's mortgage applications in Utah are ITIN mortgages.

A CU that has brought together environmental and social values is $1.8 billion Self-Help Credit Union (*self-help.org*), Raleigh-Durham, North Carolina. Melissa Malkin-Weber, former sustainability director for the CU and now co-director of the North Carolina Clean Energy Fund (*nccleanenergyfund.com*), notes that as a community development financial institution, Self-Help CU is required to help the communities it serves, but that doing right by the environment has been a wonderful pathway to serving people.

"There's a whole range of pollution, both historical and current, that lands in communities that CDFIs serve," she says. "When we address pollution, energy efficiency and clean energy, we benefit the communities we serve."

For more than 40 years, Self-Help CU has converted deposits into such environmental and social impact projects as small-business loans; loans to people in underserved groups, including people of color, women and immigrants; and loans that support clean energy and other sustainability projects.

"As we did more environmental work, we got more warm fuzzies" from our stakeholders, including members, borrowers, depositors and partner groups, Malkin-Weber says. They "told us they liked it and were willing to fund it. So, it was very much a virtuous loop."

LEVERAGING THE ESG FRAMEWORK

Jones recommends CUs interested in digging into ESG more formally start with a "materiality" assessment to better understand the issues that matter most to members, employees and regulators. Financially material issues, such as climate change risks, regulatory changes, supply chain disruptions or reputational damage, could potentially affect a CU's financial performance. The assessment can be done using surveys, workshops or focus groups.

Jones sees the CU industry transitioning ESG from a function of corporate social responsibility, typically a marketing activity, to something that falls under strategy, risk management or finance.

And indeed, the potential financial impacts of ESG elements on the business of running a CU seem to be growing. As an example, a 2022 report from Filene and Ceres, "The Changing Climate of Credit Unions" (*tinyurl.com/changingclimatecus*), found that 60% of all CUs—representing assets of almost $1.2 trillion—are at risk of experiencing negative financial impacts from climate change.

McClure suggests useful ESG metrics for CUs include energy usage, employee engagement and retention, and DEI progress. He suggests consulting recognized reporting frameworks like those published by Sustainability Accounting Standards Board (*sasb.org/standards/download*) and the Global Reporting Initiative (*globalreporting.org/standards*).

CUs don't need more work or a greater compliance burden. Yet ESG is taking hold in the business world, despite some naysayers. It might be worth considering if a part of the framework could help your organization more ably move forward.

Formerly a member of the CUES marketing staff, **Felicia Hudson Hannafan** *now writes from Chicago.*

RESOURCES

ABCs of ESG (*cumanagement.com/0922abcsesg*)

Unlimited+ Video: ESG 101 (*cumanagement.com/esg101*)

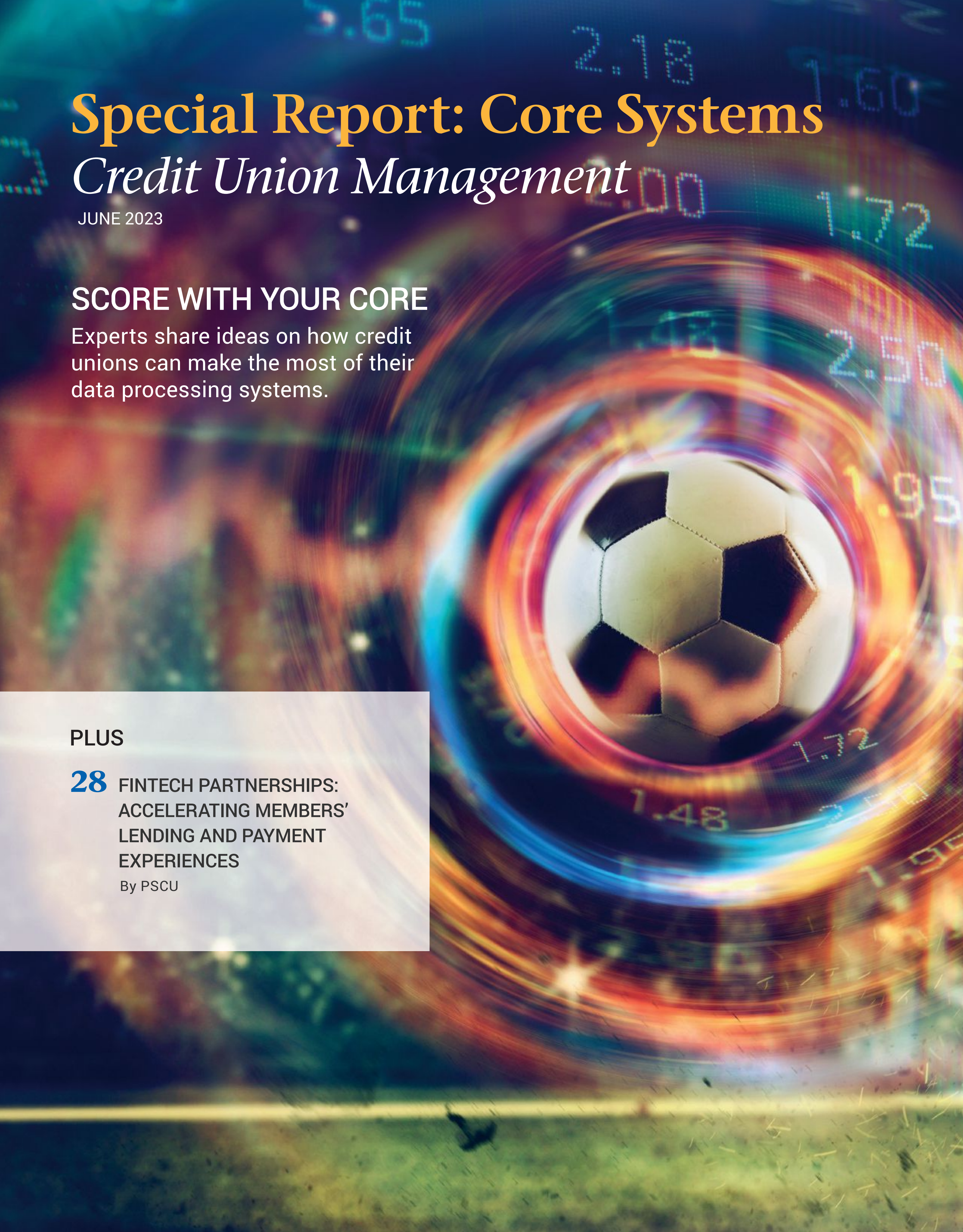
How Credit Unions Can Eliminate Greenwashing With Data (*cumanagement.com/121222blog*)

Environmental, Social, Governance Initiatives Can Cement Customer Loyalty (*cumanagement.com/031222blog*)

Good for Business and the Planet (*cumanagement.com/0322sustainability*)

DEI content from *CU Management* (*cumanagement.com/diversity-equity-and-inclusion*)

Governance content from *CU Management* (*cumanagement.com/governance*)



Special Report: Core Systems

Credit Union Management

JUNE 2023

SCORE WITH YOUR CORE

Experts share ideas on how credit unions can make the most of their data processing systems.

PLUS

28 FINTECH PARTNERSHIPS: ACCELERATING MEMBERS' LENDING AND PAYMENT EXPERIENCES
By PSCU

Score With Your *Core*

EXPERTS SHARE IDEAS ON HOW CREDIT UNIONS CAN MAKE THE MOST OF THEIR DATA PROCESSING SYSTEMS.

BY CELIA SHATZMAN

Credit unions are always looking to embrace the latest technology to stay competitive in the marketplace and retain and attract new members. Typically, that means teaming up with the newest and coolest fintechs or jumping on the bandwagon of the latest tech discoveries. It can be easy to overlook simple standbys in the technology realm that can make all the difference to your credit union—and your members. In this case, we're talking core processing. While it might seem basic, having the right core processing system can speed up your business and make it more efficient. To help you learn how to score with your core in this fashion, we talked with two experts.

CORE VALUES

Though the new ways credit union members can make payments or apply for a loan are always top of mind for staff, another cornerstone that should be carefully considered and top of mind is the core processor.

"One of the most deeply woven vendors to a financial institution is the core processor," says Jeremiah Lotz, managing VP/digital and data for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "Over the last five years, the core processor business has become even more competitive, and PSCU has seen a dramatic uptick in client conversions."

Determining what to look for in a core processor can be tricky, but Lotz has a few helpful tips.

"The key to getting the most from any core is the ability for flexibility around integration," he explains. "A credit union's core should enable integration to other parties, such as payment processors, to enable other technologies like instant payments. This includes integration both ways, in which a credit union's vendors can access and fully utilize the core data, along with the core's willingness to consume data and APIs (application programming interfaces) from other systems, allowing inclusion of that data in the functionality of the applications."

Making the most out of a core processor isn't just up to the credit union alone.

"Rarely is a credit processor such as PSCU the limiting factor for data retrieval or functions with-

MORE ON CORE

Improving Core Results (*cumanagement.com/0323coreresults*)

Mobilizing a Core Corps (*cumanagement.com/0323corecorps*)

Tech Time: Best Practices for Selecting a New Core Provider (*cumanagement.com/0123techtime*)

Let a Well-Worn Couch Be a Core Call to Action (*cumanagement.com/1212couchcore*) in third-party apps," Lotz says. "It's important for credit unions to identify vendors that have the desire and the right processes to create capabilities that incorporate the data and other necessary functions. It's also important for a credit union core to have the flexibility to consume data and services to optimize the member experience through the core channel."

Oftentimes credit unions ask, "How can credit unions maximize our core processing?" But Lotz says they should instead be asking, "How can your solution partners capitalize on your core processor data?"

Here's why he recommends the shift: "PSCU can provide credit unions with virtually all the card data they can use—but it's up to the partners, such as online banking and lending providers, to create the applications that will increase staff efficiencies, stimulate growth and create a memorable user experience, which starts with data from the core."

TRIPLE OPPORTUNITY

For Amber Harsin, CEO of Prodigy (*cuprodigy.com*), Salt Lake City, there are three primary ways credit unions can win with core processing. First is cost control, the overall financial impact to the credit union. The second is what the actual platform of your core is going to get you now and in the future. The third is the partnership and business relationship.

"All three of those things are going to tie together," Harsin says. "You can be with a core partner who maybe has pretty good technology, but you have a poor pricing model and potentially a poor business relationship. If you just have one of those three, I wouldn't consider it a score. I feel like you'd have to have synergy across all three of those paradigms in order to really score with the core."

Credit unions should consider whether they are in philosophical alignment with their core provider. Harsin recommends asking the following questions: What is the core provider's business? What are their core beliefs and their business practices around the credit union movement? What are they doing to give back? What are they doing to protect credit unions?

"When I say protect credit unions, it's how are they helping to create foundations for credit unions to not all merge away or to build and to create and have some of the smaller credit unions succeed?" she explains. "That's step one of the philosophical alignment," the commitment level to the actual success of the entire movement and finding the partners that have deep-seated interests and are actually proving that interest with their wallets or actions. This could include providing subject matter experts or education to the network.

"There's a lot of ways they can participate and give back in that regard," Harsin continues. For any credit union partnering with a core, if the core really believes in their mission, they automatically start out ahead of the gate."

Most credit unions are trying to solve operational problems and create efficiencies; therefore, they should consider how the core can help them accomplish that. "Thinking about how do I score with the core, I'm going to have to understand what my digital strategy is for my credit union," Harsin says. "And not just with the core—you actually need to understand the full digital strategy. You're going to be using multiple pieces of software within your credit union at any given time to run your business day-to-day, so how are those things all going to interact … with that piece of software? It's not just the feature set of the core alone."

> **"The key to getting the most from any core is the ability for flexibility around integration."**
>
> — Jeremiah Lotz

Consider how the other software your credit union uses layers into the core itself to create fewer roadblocks or manual touchpoints within an institution.

"When you're vetting those partners and looking at finding the best one, in my mind, you're going to find the ones that are the easiest to integrate … that have a good reputation for integration with third-party partners," Harsin says. "I think third-party partners are actually really important sources of information."

When shopping for a core, do your due diligence by asking your digital banking provider who's been easiest for them to work with, for example. Also ask leaders at other credit unions which providers have been the easiest to work with over time or inquire about integration projects.

"You've got to dig … a little bit on that front," Harsin says. "What does the road map for that core look like?"

It's also a good idea to look beyond the typical providers since as an industry, credit unions are surrounded by many legacy software systems. Explore outside the standard options to [find] new ones like fintechs, which often have fresher technology and ideas.

"We need to shift our mindset a little bit as credit unions," Harsin says. "Are you working on a database that was created 25 years ago? Is the language your core is written in 40 years old? Guess what's going to happen? It's going to be really hard to integrate with. It takes a long time because these new technologies just don't talk to those older technologies as well."

Oftentimes, with older core technology, the mentality is to set it and forget it once it's up and running. Instead, Harsin advises adopting more of a fintech approach where you're modernizing the system and updating it along the way. This will create a road map that ensures relevance in the long-term so that everything on the back end can be refreshed.

As far as cost is concerned, credit unions shouldn't expect to buy a piece of software and then never have to touch it again. Though the up-front cost might be higher, you should have a core that's investing in the maintenance of the back end, and over time, it should get cheaper. Additionally, it will keep you nimbler because it will allow you to become more efficient in your ability to keep up.

"Credit unions have to start getting into digital savviness and digital IQ and really start to increase the scrutiny that they need to be applying to their technology partners," Harsin says. "That digital strategy of what a credit union wants to do with trying to modernize their institution and being able to adopt technology really quickly needs to align with the platform as well and the problems that they're trying to solve today."

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

Fintech Partnerships: Accelerating Members' Lending and Payment Experiences

By Scott P. Young, Managing Vice President, Emerging Services, PSCU

Credit unions face intense competition in today's fast-paced financial services marketplace, where consumers expect convenient, on-demand experiences such as real-time payments – and instant decisions on digital lending. While fintech disruptors were once seen as a threat to financial institutions, they can offer valuable innovations that help credit unions digitize services and stay ahead of the curve. By effectively collaborating with fintech partners, credit unions can better serve their members' needs and remain competitive with larger banks and other financial institutions.

The Power of Instant

According to PSCU's 2022 *Eye on Payments* study, nearly 90% of respondents who had applied for a credit card in the last year and received an instant response were at least somewhat satisfied with the process. Meanwhile, satisfaction was lower among those who did not receive an instant approval or denial. This finding highlights the importance of immediacy in digital lending. Working with a fintech provider can help credit unions automate their lending processes and deliver the speed and convenience consumers expect when interacting with their financial institution. For example, fintech solutions who offer real-time credit decisioning, customizable membership account opening and photo ID authentication streamline the member experience and accelerate the loan decisioning process.

Alongside loan origination, digital payments are one of the most significant areas of fintech innovation. The 2022 *Eye on Payments* study also found that 59% of respondents reported using digital payment methods at least periodically – a 40% increase from 2019. Real-time payment adoption is only expected to accelerate, with the FedNow service set to launch this July, promising growth in both commercial and consumer use cases.

In addition to real-time payments, Buy Now, Pay Later (BNPL) or installment payment plans continue to remain popular amongst consumers. According to the 2022 *Eye on Payments* study, 60% of consumers who have a financial provider that offers a BNPL solution use it. Partnering with a trusted fintech provider on BNPL empowers credit unions to leverage analytics to deliver this in-demand service to their members, while also customizing qualification criteria. For example, PSCU – an integrated financial technology solutions provider – offers an Installment Payments solution that facilitates fast, flexible payments and a seamless experience. This convienent post-purchase product is tied to a cardholder's pre-approved credit line, eliminating the need for additional time-consuming lending decisions.

Collaboration Unlocks Innovation

Recognizing the value it can bring to their credit union partners, PSCU has been an early adopter of fintech collaboration. Today, through strategic partnerships with Amount, Curinos and other fintechs, PSCU offers credit unions leading-edge tools, experiences and services that contribute to member satisfaction, as well as industry competitiveness. To address the importance of payment diversification, PSCU acquired Juniper Payments to expand value-added services, allow access to multi-tiered payments and enable instant payment development. This acquisition provides managed connectivity to the Federal Reserve, The Clearing House and the upcoming FedNow service release. Credit unions must anticipate and prepare for impacts as new payment options become mainstream. A credit union service organization (CUSO) and fintech solutions provider like PSCU can be a valuable partner in navigating this journey.

In addition, PSCU is currently developing a new digital lending experience to meet the growing consumer demand for immediacy in the loan origination process. The new holistic solution is planned to launch in 2023 and will enable a seamless, on-demand experience for credit unions and their members by integrating with core systems and digital platforms. Through automation, PSCU's new lending offering will allow a digital-first, real-time credit card application service. Following instant approval, a digitally-issued credit card number is automatically generated and can be used online to make purchases as well as provisioned to digital wallets such as Apple Pay, Google Pay and Samsung Pay for immediate use anywhere these digital wallets are accepted.

Innovating to Stay Ahead

Embracing fintech is not just about technology. It is also about building a culture of constant innovation and collaboration within credit unions. To reap the full benefits of fintech collaboration, credit unions should diligently select partners and products while investing in the technology and expertise needed to implement these solutions effectively, securely and reliably.

Credit unions are uniquely positioned to deliver personalized, high-touch member service, the type of service that traditional banks cannot match. By embracing fintech, credit unions can enhance this service and provide members with convenient, instant experiences that match their expectations. Doing so enables credit unions to better serve their members and remain competitive in an increasingly crowded financial services marketplace.

Fintech collaboration is essential for credit unions that want to provide financial services that are immediate, frictionless and convienent for when and where members want to interact. PSCU is committed to working closely with industry partners and fintech innovators to deliver solutions that harness the "power of instant" in order to meet evolving consumer expectations and help credit unions compete and thrive.

Scott P. Young *oversees the Emerging Services and Innovation Teams at PSCU. With over 25 years of experience in payments, Scott started his career at First Data in Omaha before moving to Pentagon Federal Credit Union (PenFed) and more recently, Bank-Fund Staff Federal Credit Union before joining PSCU in late 2019. A passionate advocate for the credit union movement, Scott is also a leader in Diversity, Equity and Inclusion (DEI) efforts at PSCU and across the industry. Scott is a graduate of the University of Nebraska.*

Emerging Leaders: Look Into the C-Suite
With Advanced Management Program

CUES Advanced Management Program from Cornell University (*cues.org/ecornell-cumanager*) is returning this summer, offering emerging leaders the opportunity to explore eight C-suite positions in depth. Attendees can also earn the prestigious Certified Credit Union Executive Manager (CEM) designation and an executive certificate in management and leadership from Cornell University and CUES. The nine-month course runs from July 11 through April 12, 2024.

"This program not only offers future leaders access to Ivy League-level education without travel or time out of the office, it also gives credit unions a way to fill their leadership pipelines," says Christopher Stevenson, CAE, CIE, CUES SVP/chief learning officer. "The deep insights attendees leave with offer an understanding of the challenges those in the C-suite face and how these leaders think about solving those challenges. Students also learn how to connect their day-to-day role with the purpose of their credit union, so they'll be ready for advancement when opportunities arise."

The program pairs eCornell's award-winning certificate programs with live-taught online classes, developed and led by Cornell University faculty. All content comes from top-rated programs with proven curricula specifically developed for the credit union industry. The curriculum covers the following:

- **The CEO mindset:** Learn about the CEO's way of thinking, including a look into developing and communicating vision and strategy.
- **The CFO mindset:** Explore financial statements and learn how to connect the numbers to strategy and performance.
- **The COO mindset:** Learn about operations analysis.
- **The CMO mindset:** Identify your CU's brand purpose and digital marketing.
- **The CIO mindset:** Prepare for digital transformations and learn how using data and technology can enhance member engagement.
- **The CCO mindset:** Embrace basic contract principles and guidelines.
- **The CRO mindset:** Explore ways to identify and evaluate risk, learn to build constructive partnerships, and discover how to influence without direct authority.
- **The CHRO mindset:** Motivate people for high performance and lead high-performance teams.

Watch a webinar playback (*content.cues.org/amp-web-playback-access*) to hear firsthand experiences from attendees and learn more about how this nine-month program enhanced their day-to-day work and contributions to their credit union.

Safe and Sound:
Resources for Financial Stability

CUES has launched the microsite "Safe and Sound: Resources for Financial Stability" to support CUs in response to the recent bank crisis. The new site includes collections of:

- strategic planning and board oversight resources;
- curated content from other resources, offering perspectives from outside the industry;
- a collection of insights from CFO Focus, a monthly *CUmanagement.com* column; and
- CUES educational resources, such as CUES School of Business Lending, CUES Governance Leadership Institute and CUES Governance Leadership Institute II: Emerging Technologies.

Visit the page at *content.cues.org/financial-stability*.

Online Learning

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

JUNE 13
Virtual Classroom: Connect and Convert with Emotional Intelligence

JUNE 13
CUES Virtual Roundtable: Board Liaison Community

JUNE 20
Webinar: Pathways to Digital Transformation

JULY 11
CUES Virtual Roundtable: HR and Learning & Development Community

JULY 11–APRIL 12, 2024
CUES Advanced Management Program from Cornell University

JULY 20
Virtual Classroom: Internal and External Fraud—What to Look for and How to Prevent it!

AUG. 8
Virtual Classroom: The Power of the Pause

AUG. 8
CUES Virtual Roundtable: Employee Resource Group Community

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AUGUST 2023			
Execu/Net™	Grand Hyatt Vail	**Aug 20–23**	cues.org/EN
CEO Institute II: *Organizational Effectiveness* *(SOLD OUT)*	*Johnson School of Management* Cornell University	**Aug 20–25**	cues.org/INST2-Summer
SEPTEMBER 2023			
Supervisory Committee 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
DECEMBER 2023			
Directors Conference	Hyatt Regency Maui Resort & Spa Maui, Hawaii	**Dec 10–13**	cues.org/DC
JANUARY 2024			
Symposium	Grand Hyatt Baha Mar Nassau, Bahamas	**Jan 28–Feb 1, 2024**	cues.org/SYMP
MARCH 2024			
Execu/Summit	Snake River Lodge and Spa Jackson Hole, WY	**March 10–15, 2024**	cues.org/ES
UPCOMING ONLINE PROGRAMS			
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.***

Elevate How You Coach *Your Peers and Direct Reports*

BY GARRICK THROCKMORTON, SHRM-CP, CSME

When you hear the word "coach," what comes to mind? Sports? A mentor? Your manager? A teacher? At the bottom of this word is the imagery of an individual who guides, directs and motivates you to develop into an improved version of your current self. Great coaches are like magnets in that everyone wants to be around them!

At work, there are dozens of opportunities to be a great coach. However, we often silo our use of the term as we focus on managers who coach their direct reports. While this isn't inaccurate, we are missing out on how we can also appropriately coach our peers to increase the collective effectiveness of our work.

So, what makes a great coach? The answer to this question creates a laundry list of items and might include such things as a great coach ...

- understands the business;
- is personally eager to learn;
- shares knowledge with others;
- inspires and motivates others;
- builds relationships with relative ease; and
- leads by example.

An important quality of a great coach that's not listed above is the ability to engage in active listening that results in asking great questions. Questions have the power to hijack our thoughts and put our unconscious mind to work. They stir our imaginations and help us imagine new possible scenarios. They activate brain chemicals that can create motivation to go find the answer and can help get us unstuck from a current pattern of behavior or thought process that is not working. They have the power to increase action in others.

It is for these reasons that great coaches understand how to ask great questions. Whether we are coaching peers or direct reports, the type of questions we ask can either halt all progress or invite the receiver into the discussion, closer to the "fire" of the issue at hand and deepen relationships.

Garrick Throckmorton *is chief product and services officer at TalentTelligent LLC (*talenttelligent.com*) and principal of Throckmorton Leadership Consulting (*linkedin.com/in/garrickthrockmorton*).*

Leave a comment at cumanagement.com/041923blog.

"With high turnover often leaving key positions open, organizations can benefit from leaders being more creative about which team members can effectively apply their skills in another role. Doing so creates a lot of opportunity for career growth for these generalists—and for employers to appropriately develop them."

Jerry Saalsaa, *interim CEO of CUES, in "Valuing Versatile Talent":* cumanagement.com/0423versatile

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Martinez joined the workforce in her late teens while regularly being involved in extracurricular activities. She then graduated from college, got a job and became a wife and a mom—and her role of multitasker climbed to an even higher level.

"But nobody told me to do more; to me, it just came naturally," Martinez says. "It's almost like your family is now giving you that extra energy to do more. They feed your soul and motivate you to do more." However, Martinez notes that when someone is multitasking, they often have to figure out how not to get overwhelmed and off track.

CHANGING PERCEPTIONS

Companies and organizations have a role to fill when it comes to handling the "invisible," non-promotional tasks that women tend to take on simultaneously with their "real" work.

Sarkar says non-promotable tasks benefit the organization more than it benefits the women doing them. "It is not part of the job description, but somehow women are expected to step up, and in some cases, women volunteer to get the non-promotional tasks done," she notes. "Equally distributing the non-promotable tasks among both men and women would be helpful to consider."

Sarkar advises organizations to create a survey to find out who is doing most of the non-promotable tasks and then strive to assign tasks to a diversified group of people, both men and women. She also suggests organizations allocate and prioritize time and resources adequately so that employees are not expected to multitask and juggle invisible work with regular responsibilities and home life.

"Provide work/life balance trainings to all employees. There needs to be downtime built into the schedule, whether at work or home, to take breaks," Sarkar adds.

According to Maddalena, organizations also need to understand that this is not a small issue: How these non-promotable tasks have been traditionally distributed has had an impact on women's promotability and contributes to the gender pay gap. That's why, she says, organizations need to bring awareness to the impact and create structures to ensure tasks are assigned more equitably.

Maddalena suggests several ways organizations can approach this:

1. Train leaders to be purposeful when assigning these types of tasks. Senior leaders and managers should be trained to understand the impact of these tasks on women and be more intentional about distributing non-promotable tasks.

2. Larger initiatives that are important to the organization—for example, DEI—should be built into job descriptions and key result areas of the appropriate positions. Work in these areas should then be considered promotable tasks for those positions. Meaning, companies need to rethink the importance of initiatives that support the organizational culture; working on such initiatives should be prioritized and valued when employees are being considered for promotions.

3. If possible, assign non-promotable tasks to support roles like an administrative assistant. Tasks such as parties,