

FEBRUARY 2018

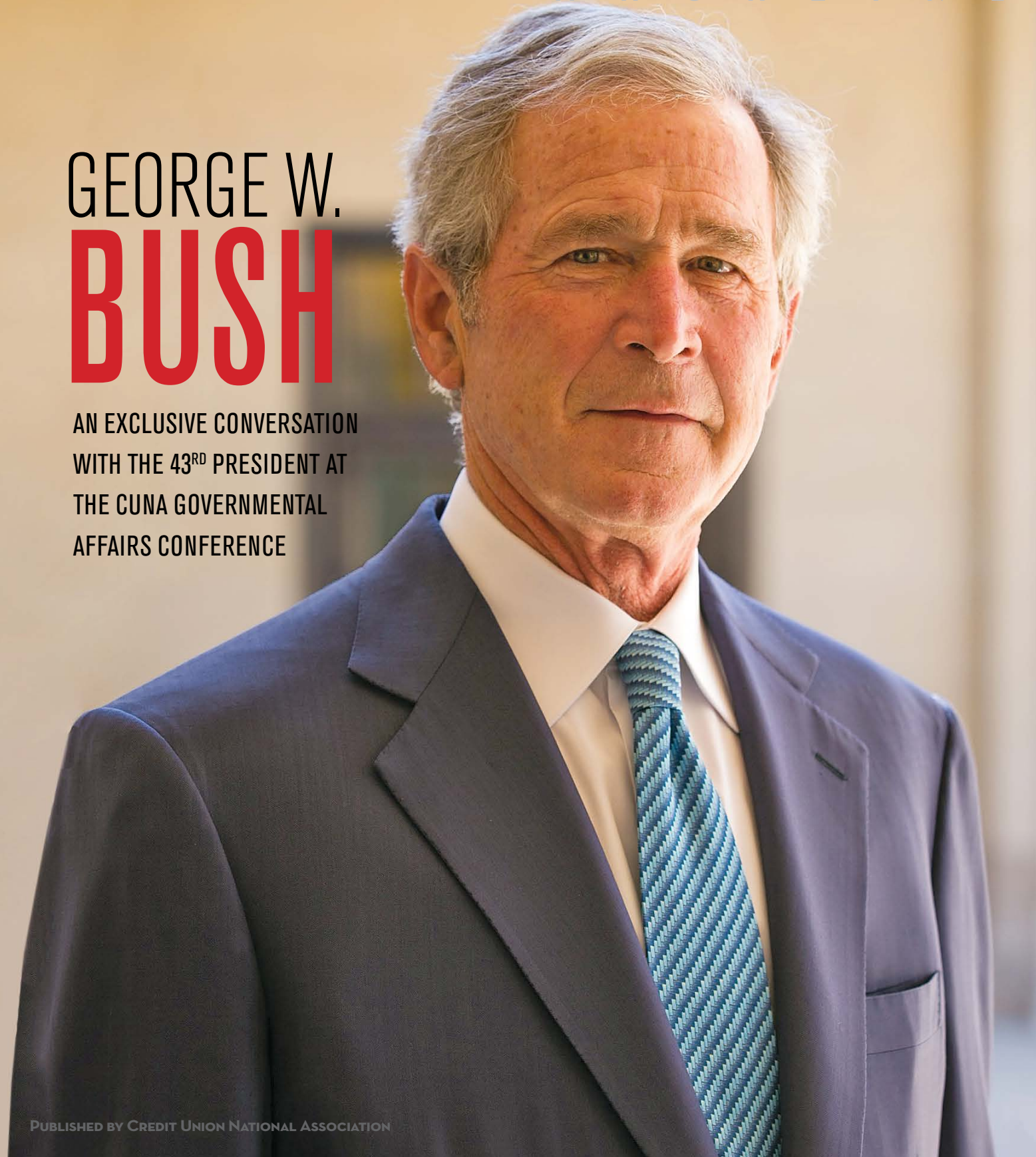
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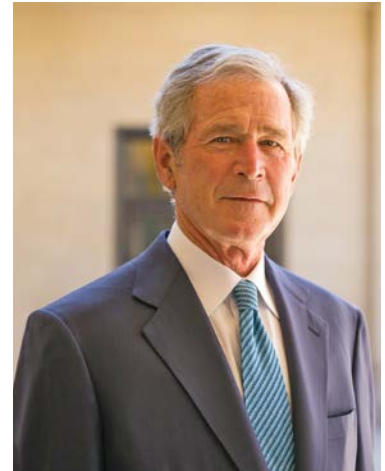
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2018 CUNA Governmental Affairs Conference

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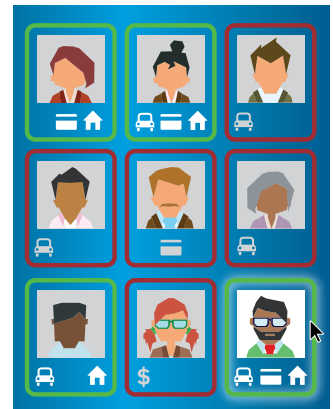
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CUNA GAC '18

CUNA GOVERNMENTAL AFFAIRS CONFERENCE

FEB 25 – MAR 01 / 2018
WASHINGTON D.C.

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SPECIAL GUEST

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43RD PRESIDENT OF THE UNITED STATES AND FOUNDER
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MOTIVATIONAL SPEAKER, FOUNDER & EXECUTIVE
DIRECTOR FOR THE HOPE + FUTURE COMMUNITY CENTER



KRISTEN SOLTIS ANDERSON
POLITICAL POLLSTER, AUTHOR, ABC NEWS CONTRIBUTOR,
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DISRUPTIVE AND UN-TRADITIONAL SALES, MARKETING,
BRANDING & RELATIONSHIP EXPERT



AMY WALTER
NATIONAL EDITOR OF *THE COOK POLITICAL REPORT*

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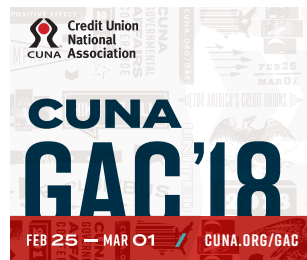
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VISIT OUR WEBSITE DURING FEBRUARY FOR THESE ONLINE EXCLUSIVES.

Special Report: CUNA Governmental Affairs Conference

Get onsite updates from the credit union movement's premier conference Feb. 25 to March 1 in Washington, D.C. In addition to an exclusive conversation with President George W. Bush, speakers at this year's conference include motivational speaker Gian Paul Gonzalez, political pollster and author Kristen Soltis Anderson, marketing guru Scott Stratten, and political analyst Amy Walter.



Three key mortgage trends

Technology is changing every facet of residential mortgage lending at break-neck speed. By using technology effectively, credit unions can wow their members while also reducing operational costs and improving compliance.

The top three technology developments in mortgage lending today are borrower self-service channels, automated data collection and single source validation, and the digital mortgage ecosystem.



Keep up with rising consumer expectations

Consumers expect a great experience whether they're shopping, dining, or managing their money. Increasingly, consumer expectations are shaped by companies such as Amazon and Google.

To keep up with rising expectations, credit union leaders can—and must—give themselves permission to think big-picture, innovate, and invest in creative, engaging, and meaningful customer experiences that

enhance the already strong credit union value proposition.

Tackling the omnichannel experience 'bite by bite'

Delivering an omnichannel experience—where members have consistent and interoperable experiences regardless of the banking channel they choose—is a great idea. But achieving that goal is no easy task.

See how Kinecta Federal Credit Union in Manhattan Beach, Calif., has made impressive strides on delivering a great member experience across channels.



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Credit Union Magazine (ISSN 0011-1066) is published monthly for \$80 per year by Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705. (Multiple-copy and multiyear discounts available.) Periodical postage paid at Madison, Wis., and additional mailing office. Copyright 2018 by Credit Union National Association. Photocopying is illegal and unethical. POSTMASTER: Send address changes to Credit Union Magazine subscription department, P.O. Box 461, Annapolis Junction, MD 20701-0461. Single issues are available; call 800-348-3646. A member of Cooperative Communicators Association. Printed in USA by Union Labor.



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Fostering Engagement

Millennials have a lot to say—so stop bashing them.

LATER THIS MONTH, ANTONIO Neves will take the stage as emcee for CUNA’s Governmental Affairs Conference (GAC), the industry’s premier advocacy event, held in Washington, D.C., from Feb. 25 to March 1.

Neves is a nationally recognized workplace speaker, career success coach, author, and former television journalist. He’ll join a special guest, former President George W. Bush, and keynote speakers Gian Paul Gonzalez, Kristen Soltis Anderson, Scott Stratten, and Amy Walter (see p. 20).

Our editors talked with Neves, Anderson, and Stratten on our CUNA News Podcast recently. They discovered these leaders share similar passions around employee engagement and the role of young professionals in the workplace and in society.

Neves can relate to this audience. Engaged employees, he says, have “an entrepreneurial spirit. They’re proactive. They take a CEO’s approach to work. They make things happen. They’re willing to ask questions.”

These employees don’t wait for someone to hand assignments to them, Neves continues. They act on opportunities.

Engaged employees seek guidance and mentorships, he adds. They know what’s going on with the industry, and they’re involved every single day.

Obviously disengaged employees do the exact opposite, he notes. “They’re passive. They’re awaiting that next assignment. They’re not going to ruffle any feathers.”

Anderson, co-founder of Echelon Insights, examines societal trends and how they affect consumers’ decision making from their politics to their purchases. She’s particu-



ANN HAYES PETERSON,
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larly interested in the millennial generation—of which she’s a member—and how America’s shifting demographics could affect future elections.

“You have to understand millennials because they’re changing a lot of society’s institutions,” Anderson says. And they want their voices heard.

Stratten is president of UnMarketing, an unconventional marketing firm. He says when traditional marketers say “millennials,” they really mean “the generation younger than us that we don’t like.”

His message: Stop bashing millennials. End this negative bias, and realize that young adults are more giving of their time and money to causes than most generations, which fits with cooperative philosophy. “The credit union industry was built for millennials because you are built for community,” he says.



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Innovate to Keep Members Satisfied

To keep members satisfied, focus on developing new products and services that meet their quickly changing expectations.

“Credit unions have been experiencing solid growth in key metrics such as total assets, total loans, and number of members,” says Sheri Petras, CEO of CFI Group, which measures consumer satisfaction. “But member expectations are changing quickly. To continue this growth pattern, credit unions must innovate with new offerings that center on enhancing the member experience.”

According to the CFI Group Credit Union Satisfaction Index, 28% of all members have used a smartphone-based payment service.

Older millennials—those between the ages of 26 and 34—have the highest usage rate (32%).

Consider these two steps when crafting a plan to meet members’ needs:

1. Innovate to connect externally. Your members are using their mobile devices to manage their money, and a variety of apps—such as Mint, Acorns, and Upstart—are designed to make that task easier. Make sure your members can easily connect their credit union accounts to new services, but also ensure they can actively engage with external ecosystems.

2. Innovate to remain primary. As members connect with various financial apps, they need a cen-



tral point to manage the connections. Continue to develop simple account management tools that allow members to manage their network of financial connections easily and securely.

ONLINE POLL

Credit union leaders’ top concerns in 2018 are:

Cybersecurity

48%

Regulatory burden

18

Liquidity pressures

18

Earnings

15%

Source: Credit Union Magazine’s monthly online poll

Next month: Does your credit union pay for executives to receive an MBA education?

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Dissent Among Directors Leads to Better Outcomes

Harmony on a board of directors is a good thing, and should be fostered and cultivated.

But if votes are always unanimous and too much harmony exists, that’s a red flag. It usually means there isn’t enough thought going into the discussions and material at hand.

A good, civil, thoughtful argument will shake awake the brain and sharpen your senses. It’ll spark engagement, says Kevin Smith, consultant for TEAM Resources.

Boards function most effectively when directors have done their homework and have thought carefully about strategic items on the

agenda. This leads to appropriate questions that ignite healthy debate.

How do you change your culture in a productive way if there is not enough “arguing” and too much harmony? Try these approaches:

► **Set a good example.** Prepare and engage thoroughly for each meeting. Introduce some slightly probing questions and remind everyone, “I’m just trying to make sure this is the best thing for our members.”

► **Talk about it.** Raise an issue for discussion if you think healthy dialogue is absent.

► **Be patient, yet persistent.** It’ll take time to change an entrenched culture.

Building Stronger Financial Lives on the Reservation

Before Lakota Federal Credit Union opened in November 2012, credit unions were a foreign concept to the Native American people living on South Dakota's sprawling Pine Ridge Indian Reservation.

Since then, Shayna Ferguson has played a pivotal role in educating the reservation's residents about credit unions' ability to improve their personal finances.

Hired as a member services representative—one of just two original employees at the \$5.6 million asset credit union in Kyle,

S.D.—Ferguson now manages the first and only federally guaranteed financial institution on the two-million-acre reservation, home to the Oglala Lakota Sioux.

"I just feel joy," Ferguson tells the CUNA News Podcast. "It's an honor to be part of this because this is something that the reservation and the Oglala Sioux people needed."

Previously, the nearest financial institution was 45 minutes away.

Once Lakota Federal opened, word of mouth played a huge role in spreading the message about

what a credit union is and how it could help members, Ferguson says.

"There was a lot of hesitation, especially because everybody hears 'federal' credit union," says Ferguson, noting distrust of government institutions. "It took a lot, but word of mouth is huge on the reservation. And a lot of people who joined us initially were kind of familiar with credit unions."



HEAR MORE FROM FERGUSON
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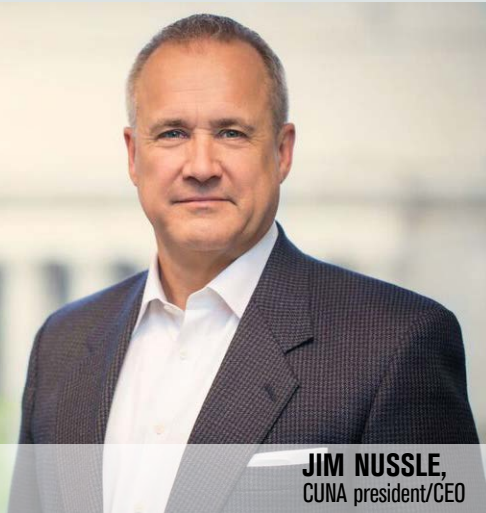
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GAC: Building on Momentum

We'll celebrate our big wins at this year's conference.



JIM NUSSLE,
CUNA president/CEO

THIS YEAR, OUR FIERCE, 360-degree advocacy agenda aims to do nothing less than revolutionize the operating environment for credit unions.

We want to reduce regulatory burden, expand and protect credit union powers, enhance payment security, and preserve the credit union tax status. These are ambitious goals—bold goals—and they all begin at the CUNA Governmental Affairs Conference (GAC).

GAC is the premier event for political impact in the credit union industry, gathering thousands of industry leaders to remind legislators and regulators why credit unions are Americans' best financial partners.

Our Campaign for Common-Sense Regulation is working, thanks to your engagement. You're contacting your elected representatives in Congress and encouraging your members to do the same.

Many times in the past year when CUNA's advocacy experts embedded on Capitol Hill issued the call to action, you responded. You made

your voices heard precisely when they were needed most, providing the crucial push just as legislators and regulators were about to cast a vote or make a rule change.

GAC is an opportunity for us to build on this momentum.

Soon, thousands of people from credit unions large and small, representing every state and congressional district of the country, will pour into the nation's capital, all with the same goal: tell the credit union story to national policymakers.

This will be my fourth GAC, and I look forward to it every year. Attending provides many perks. You get to hear from the best minds in media, politics—including this year, former President George W. Bush—and business, gain access to a vast floor of best-in-class vendors, and participate in the most exciting and consequential event in the credit union movement.

But what makes GAC unique is the energy. At GAC, you will network with forward-thinking credit union people from across the country, making the kind of invaluable connections that will serve you throughout your career—all while working toward a common cause.

It's invigorating to be surrounded by so many people who, like you, are committed to revolutionizing the credit union operating environment and ensuring all Americans enjoy continued access to the best and most affordable financial services available.

This is why GAC culminates with Hike the Hill, where you'll ascend Capitol Hill to meet senators and representatives from every state and congressional district.

Together, we'll channel the unmatched energy of GAC where

it can do the most good for credit unions: by demonstrating the strength and passion of the credit union industry in our nation's halls of power.

With one voice, we'll tell policymakers that the Consumer Financial Protection Bureau (CFPB) should fix burdensome rules and slow the pace of new rules, that the Federal Credit Union Act needs to be modernized, that merchants must be subject to stronger data security requirements, and that our credit union tax status is untouchable.

In the past 12 months, we've repelled bank attacks at the state level, won compensation for credit unions in the Home Depot data breach case, closed the NCUA Corporate Stabilization Fund so credit unions receive a check instead of writing one, defeated the CFPB's one-size-fits-all arbitration rule,

WHAT MAKES GAC
UNIQUE IS THE ENERGY.

kept NCUA independent, and preserved credit unions' tax status despite the best efforts of banks to the contrary.

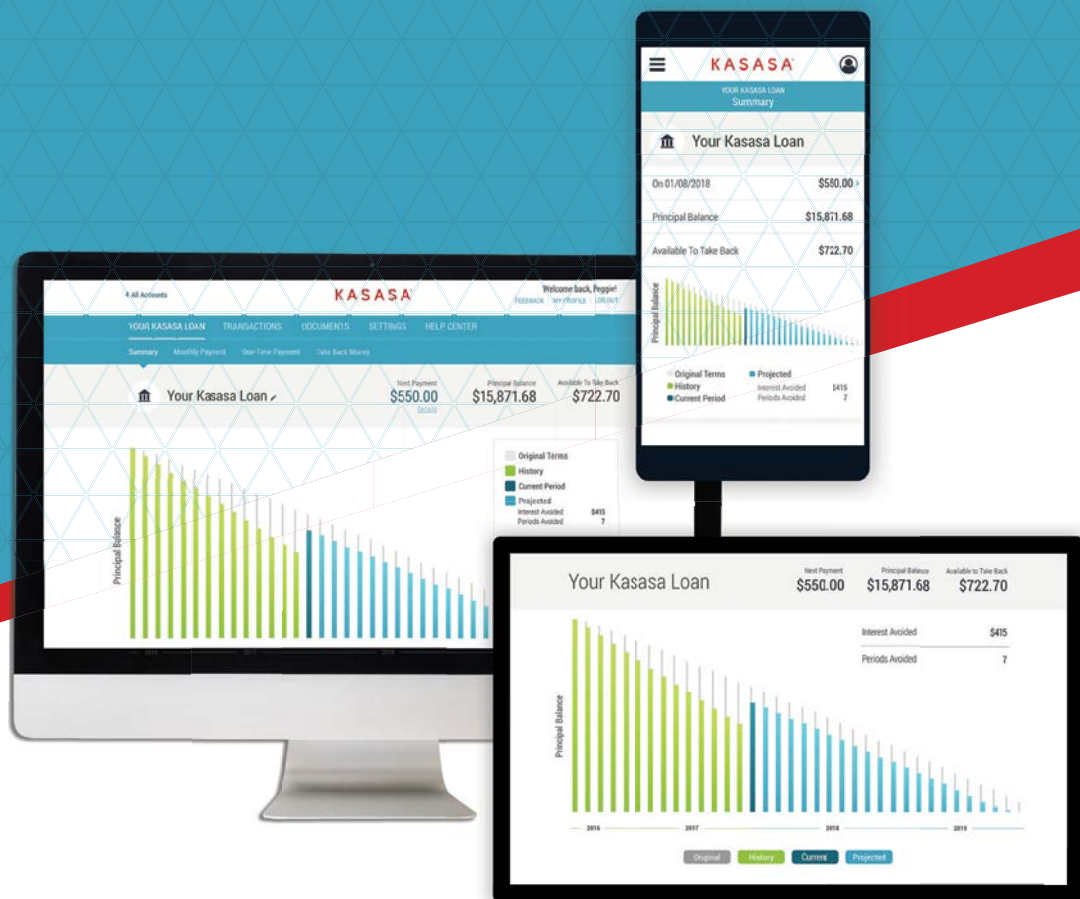
At GAC, we'll celebrate our big wins—there's a reason the respected *National Journal* considers CUNA the most effective advocacy organization in the financial sector.

But we're not looking back. We're going to build on this momentum. We're going to keep pushing forward.

We have much work left to be done on behalf of credit unions, and I know that, just like me, you're excited to do it.

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Tax Reform and Economic Growth

Even without a significant GDP boost, loan demand should increase.



JORDAN VAN RIJN

THE MOST EXTENSIVE TAX BILL in decades recently passed through Congress, with substantial cuts to individual and corporate taxes. But significant debate remains about whether—or how much—the bill will contribute to economic growth.

Some proponents argue that through corporate tax cuts, the bill will stimulate enough growth to pay for the estimated \$1.5 trillion it could add to the national deficit. The Trump administration predicts the economy can achieve 3% to 4% sustained growth.

That'd be terrific news for credit unions because economic growth and credit union loan growth tend to move in tandem. But most economists are doubtful.

Why don't economists believe the proposed tax reforms will lead to significant economic growth?

First, some background. The most commonly used economic growth indicator is gross domestic product (GDP), or the value of all goods and services produced in the economy. Three main factors affect GDP: labor, capital, and productivity. If these go up, the economy expands, and we have economic growth.

In the 20th century, a sizable

proportion of economic growth came from a rapidly growing labor force. For example, the Congressional Budget Office (CBO) estimates that between 1950 and 1990, U.S. population growth—which was as high as 2% per year—increased GDP by roughly 1.5% to 2.5% annually. In other words, population growth accounted for over half the entire economic growth during that period.

But today, most developed countries have population growth of less than 1%, and the CBO estimates the U.S. labor force will only increase GDP by about 0.5% per year.

Some policies—such as allowing more immigration, raising the retirement age, or providing more incentives for families to have children (such as paid parental leave)—could increase the labor force. But besides the increase in child tax credits, the tax bill does little to address these policies.

On the other hand, lower corporate tax rates could boost economic growth by freeing up resources for capital investments. But lower taxes only increase investments if there are profitable investments to be made. If those opportunities exist, why haven't firms already made them? Interest rates are historically low, and lenders are eager to offer loans in a competitive market. If corporations receive big tax cuts without places to invest, the savings likely will go toward paying bigger dividends, which is less likely to stimulate growth.

Perhaps the most important component of economic growth is productivity, which constitutes the vast majority of economic progress over the past few decades and has allowed us to sustain positive growth despite smaller labor force increases. The tax bill frees resources for investment in

research and development, potentially increasing productivity.

But other elements of the tax plan—such as increased taxes on private college endowments—could harm productivity. Ultimately, productivity is difficult to change and predict. But it's unlikely the tax bill will stem declining productivity.

Finally, with GDP growth on track for a robust 2.5% increase this year, and the U.S. at full employment statistically, the economy is already doing very well. If economic activity heats up too much, inflation is likely to climb sharply. That means the Fed would feel pressure to increase interest rates at a faster pace, thereby reining in any potential benefits to GDP. We might simply need to get accustomed to a new norm of annual growth between 2% and 3%.

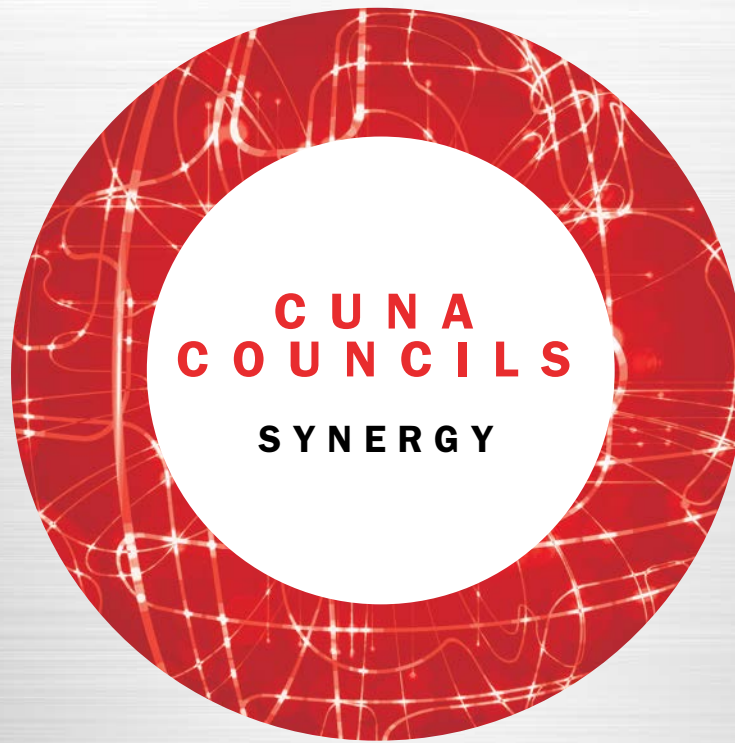
The good news: Through compounding, at just 2% GDP growth per

TAX REFORM IS UNLIKELY
TO PRODUCE A BIG
INCREASE IN ECONOMIC
ACTIVITY.

year the economy doubles every 36 years—which is still a very fast pace.

So, while the new tax bill is unlikely to produce a big increase in economic activity, credit unions should expect steady growth and healthy increases in loan demand throughout the new year.

JORDAN VAN RIJN is CUNA's senior economist. Contact him at 608-231-4286 or jvanrijn@cuna.coop.



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Moving Communities Forward

Minnesota credit unions log more than 12,000 volunteer hours during 'CU Forward Day.'

THIS PAST FALL, MINNESOTA credit unions banded together to show their home state how cooperative financial institutions make a difference in their communities.

Thirty-seven Minnesota credit unions and partners contributed 12,224 volunteer hours in 80 Minnesota communities, with an estimated impact on more than 33,574 people.

"CU Forward Day," coordinated by the Minnesota Credit Union Network (MnCUN), is held annually on Columbus Day. In 2017, credit union employees participated in events ranging from Habitat for Humanity projects, preparing meals for homeless youth, outdoor clean-up events, free document shred days, children's book drives, and performing random acts of kindness for people in the community.

"As not-for-profit financial institutions, Minnesota's credit unions work every day to improve their members' financial lives," says MnCUN President/CEO Mark Cummins. "They also work for their communities—not because they have to but because service is a core element of the social mission of credit unions. The collaborative effort on CU Forward Day is a perfect example of credit unions fulfilling their 'people helping people' philosophy."

The seed for CU Forward Day was planted by \$2 billion asset Affinity Plus Federal Credit Union in St. Paul, which founded this concept as "Plus It Forward Day" in 2013. At a 2015 league meeting, Affinity Plus Federal



Zoua Moua, an Affinity Plus FCU business operations analyst, plants bulbs at Lyndale Park Rose Garden in Minneapolis during CU Forward Day.

President/CEO Dave Larson invited credit unions throughout the state to join the cause.

"This concept is such a natural fit for who we are as credit unions. We're an industry known for our collaboration," Larson says. "I shared what we were doing, asked other credit unions to join us, and it really

just took off from there."

Larson takes great pride in how this day has grown, creating a ripple effect of positive impact in communities across Minnesota. "It really showcases the credit union difference," he says.

"What's great is that community impact can take on so many different forms, and it's up to the individual credit union or team of employees to decide what they want to do," he adds. "It brings a level of honor, anticipation, and excitement to the day."

And Larson tips his hat to Cummins and his crew at MnCUN. "We turned the collaboration over to them, and they've done a great job growing the participation from 25 to 37 credit unions in just the first year," he says. "They were willing to take it on, and it led to the betterment of our communities and our industry. They've taken the reins and will ensure that the wheels of this initiative keep on turning."



Employees from Trustone Financial CU package food for Feed My Starving Children, which distributes meals to hungry children around the world.

BECU Takes Seattle by Storm

Pairing its Early Saver program with the star power of the WNBA's Seattle Storm paved the way for BECU to take home two Diamond Awards from last year's CUNA Marketing & Business Development Council Conference. Tom Berquist, senior vice president, marketing and cooperative affairs, discusses that partnership and the value strategic community initiatives deliver for the \$18 billion asset credit union in Tukwila, Wash.

Q Why has your partnership with the Seattle Storm proven so successful? Because of the common values of our organizations. The Storm immediately jumped on board with our idea to create a video series featuring star player Sue Bird mentoring a girls basketball team, giving the players a unique experience.

The partnership is a natural fit because it nicely aligns BECU's values around developing good savings habits when you're young with the commitment and discipline needed to be successful in sports.

Q What's the key to reaching young consumers on social media? Learning about their routines and engaging with them on their terms. Younger generations like to be entertained, challenged, and supported. Providing real stories and situations they can relate to is important for getting their attention and showing you're interested.

Social media tells stories in an accessible way—and the best stories are about people, not technology. At BECU, we love to share memorable stories that celebrate the lives and successes of our members, employees, and communities.

Q What advice can you offer about developing an integrated youth marketing strategy? We're in the process of developing our financial health strat-

egy and road map, with a goal to have a more comprehensive set of programs in place that measurably improves our members' financial health.

As part of this journey, one guiding principle we've adopted is to focus more on efforts that actually change the financial behavior of our members, as opposed to just telling them to do this or that.

Q How has community involvement evolved at BECU? About 10 years ago, we read a *Harvard Business Review* article about linking your competitive advantage to your social responsibility strategy. This concept completely changed how we approach our community strategy.

Today, a large majority of our community focus is on financial health, as we believe we create a better leveraging effect by focusing on initiatives that tie closely to what the



TOM BERQUIST

co-op does every day.

With this renewed focus, we recognized that our members care about a lot of other causes that aren't related to financial health.

As a result, we introduced our "People Helping People Awards" in 2014. This program allows members to nominate and vote for their favorite nonprofits to receive grants from BECU.

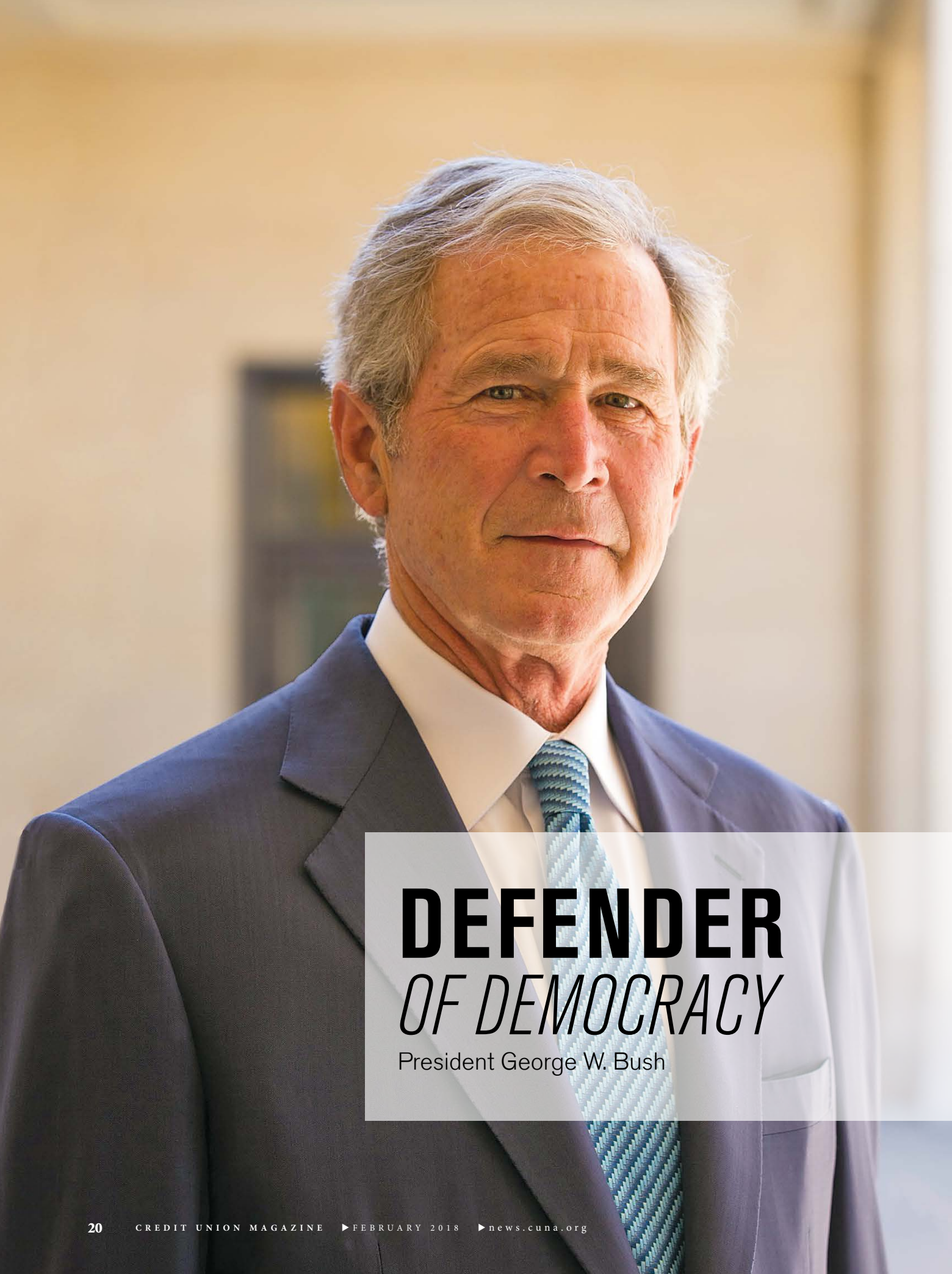
At the end of 2017, we recognized 18 member-nominated nonprofits that shared \$500,000 in grants.

Q What advice do you have for aspiring marketing executives?

James Collins, author of "Good to Great," had it right: The most important/effective leadership attributes are resolve and humility. This is a never-ending journey. I can always improve and learn, and that's what makes my role so inspiring and a welcome challenge.



Tom Berquist engages with an Early Saver participant. The BECU program encourages smart money management among children 18 and under.



DEFENDER
OF DEMOCRACY

President George W. Bush

President George W. Bush headlines a group of distinguished speakers at the 2018 CUNA Governmental Affairs Conference.

BILL MERRICK, ADAM MERTZ, AND CRAIG SAUER

President George W. Bush will join us for an exclusive conversation at the CUNA Governmental Affairs Conference (GAC), addressing the challenges facing our nation in the 21st century and the power of freedom.

His appearance marks the first time a former president will speak to the nation's largest credit union conference.

Bush was sworn into office Jan. 20, 2001, and served as commander in chief for two terms. Before his presidency, he served for six years as governor of Texas. Earlier, he worked on his father George H.W. Bush's successful presidential campaign in 1988, and was an owner of baseball's Texas Rangers.

As president, Bush worked to expand freedom, opportunity, and security at home and abroad.

His first initiative was the No Child Left Behind Act, a bipartisan measure that raised standards in schools, insisted on accountability in return for federal dollars, and led to measurable gains in achievement, especially among minority students.

Among his other accomplishments, Bush:

- ▶ **Cut taxes** for every federal income taxpayer, leading to 52 straight months of job creation.
- ▶ **Modernized Medicare** by adding a prescription drug benefit that provided access to medicine for 40 million seniors and other beneficiaries.
- ▶ **Launched global HIV/AIDS** and malaria initiatives that have saved millions of lives.

The most significant event of President Bush's tenure came on Sept. 11, 2001, when terrorists killed nearly 3,000 people on American soil.

Bush responded with a comprehensive strategy to protect the American people. He reformed the intel-

ligence community and established new institutions such as the Department of Homeland Security, and he built global coalitions to remove violent regimes in Afghanistan and Iraq that threatened the U.S.

The Bush Administration provided unprecedented American support for young democracies and dissidents in the Middle East, Eastern Europe, and elsewhere. In the more than seven years he remained in office following Sept. 11, 2001, the U.S. was not attacked again.

After leaving office, Bush partnered with his predecessor in the White House, Bill Clinton, to lead a major fundraising effort for the Haitian people following a devastating earthquake.

He has published three books, most recently "Portraits of Courage: A Commander in Chief's Tribute to America's Warriors"—a collection of his oil paintings and stories honoring the sacrifice and courage of America's military veterans.

Following his time in the White House, Bush has focused much attention on the development of the George W. Bush Presidential Institute in Dallas, which advances the principles that have guided him throughout his life: freedom is universal; each human life is precious; to whom much is given, much is required; and the marketplace is the best way to allocate resources.



For more information about the CUNA GAC, which runs Feb. 25 to March 1 in Washington, D.C., visit cuna.org/gac. For coverage of the event, visit news.cuna.org/gac.



MILLENNIALS QUESTION

THE 'SAFE BET'

Kristen Soltis Anderson

If you own a dog, chances are you didn't vote for Mitt Romney in the 2012 Republican presidential primary.

That's one insight Kristen Soltis Anderson reveals in her book, "The Selfie Vote," and it's a prime example of how today's pollsters mine data to better understand consumers in both politics and business.

"You may know someone is Republican, but that doesn't tell you if they're a Rubio Republican or a Romney Republican or a Trump Republican," she says. "You have to get more sophisticated about sifting out those signals."

In the Romney example, Anderson explains how a fellow pollster used consumers' shopping data to find a correlation between pet-related purchases and a lack of support for the candidate. Such observations can illustrate the important differences within a seemingly homogenous group.

Anderson, co-founder of Echelon Insights, examines societal trends and how they affect consumers' decision making from their politics to their purchases. She's particularly interested in the millennial generation—of which she's a member—and how America's shifting demographics could affect future elections.

"You have to understand millennials because they're changing a lot of society's institutions," Anderson says. "We're now in an era where millennials are quite eager to make their voices heard."

One of the many fallacies surrounding this cohort is

that young adults don't vote. But increased millennial turnout has altered several recent elections.

"The world is changing quickly," she says. "Technological change influences how we connect. We have changes with culture, whether it's the rising diversity we see in America or changing norms around religion and family. Millennials embody these changes."

Credit unions should find ways to embrace these changes, such as understanding why young adults tend to be risk-averse and wary of commitment, she says.

'We have high expectations for speed, transparency, and accountability.'

"We've come of age in an era when a lot of the things we were told were responsible, safe choices weren't: Go to college, get married, buy a home, put money in the stock market," Anderson says. "Then we saw the economic collapse. We've seen the cost of college skyrocket, and people having debt but no degree. We're questioning what seemed like the safe bet."

Anderson advises credit unions to explain the risks but also the rewards associated with financial choices. "And," she adds, "understand we have high expectations for speed, transparency, and accountability."

Most of what Scott Stratten learned about marketing stems from his days in the music business in Toronto nearly two decades ago.

“I managed a bunch of unknown bands,” he says, “which is why I’m not doing it now.”

But he learned a valuable lesson before the gigs ran out. Lacking a budget to promote his musicians to the masses, Stratten focused his attention on turning the bands’ current fans into fanatics. They became human marketers, their passion drawing additional people into the fold.

The lesson for credit unions? Never undervalue your loyal base, says Stratten, president of the unconventional firm UnMarketing. Fully engage with the people already coming through your doors so they’ll tell your story to their family and friends.

“Sometimes, the best way to get new members or even younger members is to treat the current members as best as possible,” he says.

Strive to turn “static” or unengaged members into “ecstatic” members by excelling during every interaction, whether it occurs in the branch, during a conversation at a community event, or while fielding complaints over social media.

Stratten, who has co-written five books with his wife, Alison—most recently, “UnBranding”—offers several tips on improving your connection with members:

► **Recognize the front line’s importance.** Let them know they’re your brand, and they make a huge difference to the success of the credit union. Hire people who care. “You can teach process and procedure. You can’t teach giving a damn,” Stratten says. “The best marketing we can do is hire well.”

► **Stop bashing millennials.** When marketers say “millennials,” they really mean “the generation younger than us that we don’t like,” he says. End this negative bias and realize that young adults are more giving of their time and money to causes than most generations, which fits with cooperative philosophy. “The credit

Turn ‘static’ members into ‘ecstatic’ members.

union industry was built for millennials because you are built for community,” he says.

► **Empower members to affect change.** “Ask your members, what could we stop doing, what should we start doing, and what can we continue doing to ensure we are your credit union for the rest of your life?” Stratten advises.

► **Provide consistent service.** Give members the same mind-blowing experience regardless of the location or delivery channel they prefer.

LOVE THE ONES *YOU’RE WITH*

Scott Stratten



When people approached Gian Paul Gonzalez's father with admiration in Union City, N.J., they weren't angling for the autograph of someone who once played for the NFL's Oakland Raiders.

They wanted to thank him for teaching them English after they had arrived in the U.S. as immigrants, or express their gratitude for his dedication to the community as a minister.

"I was young, but seeing that flipped a switch in the back of my mind," Gonzalez says. "It's not necessarily

'If we really want to make a difference, it's all about us.'

about your athletic achievements. It's really a focus on what you can give to others, and how powerful that is."

That lesson resurfaced at a critical juncture in Gonzalez's life, when he decided to forego an NBA contract to be a public school teacher in his troubled hometown.

He went "all in" on this commitment, and his personal mantra has become the center point of a message that has inspired everyone from kids in juvenile detention to Super Bowl champions.

To find true fulfillment, Gonzalez says, you must

throw your heart and soul into what matters most, relishing the trials and tribulations with the successes.

"When you're 'all in,' it's something personal," Gonzalez says. "It's something that drives you. Something that can't be described by a slogan on a T-shirt. It's something that comes from within."

The NFL's New York Giants went "all in" after hearing Gonzalez's message in the 2011 season. To signify a commitment to giving their best effort, each player signed a poker chip.

The Giants went from a team in danger of missing the playoffs to winning the Super Bowl. They felt so strongly about Gonzalez's phrase they put it on their championship T-shirts and invited him to their parade.

Since then, Gonzalez has brought his message to other professional sports teams and elite organizations, such as the FBI. Still, he continues to teach, and he founded and serves as executive director of the Hope + Future youth center.

That effort builds on his work years ago at a juvenile detention center. There, he made a remarkable impression on youth related to Giants employees, sparking his ongoing relationship with the team and opening the door for other opportunities.

"Being 'all in' is about looking in the mirror," Gonzalez says. "If we really want to make a difference, it's all about us."





A POLITICAL *BLUSTER-BUSTER*

Amy Walter

Over the past 19 years, Amy Walter has built a reputation as an accurate, objective, and insightful political analyst with exceptional access to campaign insiders and decision-makers.

The national editor of the *Cook Political Report*, Walter is a regular panelist on many of the premier political shows on network television, including *Meet the Press* on NBC, *Special Report with Bret Baier* on Fox News, and *Face the Nation* on CBS. She provides weekly analysis for the *PBS NewsHour*.

With a wide range of expertise and a keen wit, Walter makes astute observations about the electoral process, congressional culture, and the Washington

Walter has provided election night coverage and analysis since 1998.

political scene. Her presentations take audiences on an insider's tour of D.C. through the eyes of a woman with her finger on the pulse of politics.

"Her work is trusted and respected by Democrats and Republicans alike," says Charlie Cook, editor and publisher of the *Cook Political Report*. "She knows how to get beyond bluster and spin to unearthing—and explain—what really matters in a political arena. And

she has a proven track record of success, which is essential for those whose jobs depend on accurate political forecasting."

Walter has provided election night coverage and analysis since 1998, and was a member of CNN's Emmy Award-winning election night team in 2006.

As the former political director of ABC News, she guided the editorial content of all political news and provided on-air analysis, serving as co-host of 2012 election night coverage.

Before ABC, Walter worked as editor in chief of *The Hotline*, a daily briefing on American politics. She served as the political publication's primary voice for three years while providing analysis in her weekly *National Journal* column.

Named one of the "Top 50 Journalists" by *Washingtonian* magazine, Walter was dubbed one of the most powerful people in politics in *George* magazine for her insights into the mechanics that make the political machine run.

She also won the *The Washington Post's* Crystal Ball Award for her spot-on election predictions, and has been frequently quoted as a congressional election expert in newspapers such as *The Wall Street Journal*, *The Washington Post*, and *The New York Times*.



TO HEAR MORE FROM OUR GAC KEYNOTE SPEAKERS,
LISTEN TO THEIR INTERVIEWS ON THE CUNA NEWS PODCAST
AT NEWS.CUNA.ORG/PODCASTS

Six Tips for Sales Success

RON JOOSS

Closing the deal takes resilience, the right attitude, and a laser focus on members' needs.

Selling can be a struggle for many credit unions. And one pain point sticks out among all others: Closing the sale.

Credit unions are perfectly wired for processes preceding the closing. They pride themselves on offering great service and consumer-friendly products and services and, typically, the most competitive rates in their markets. Perhaps most important of all, they have a reputation for looking out for members' best interests.

"Credit unions, by their very nature, are in business for the member," says Carla Schrinner, CUNA Creating Member Loyalty implementation manager and master trainer. "That's the underlying gift credit unions bring to the marketplace."

But, Schrinner notes, contrary to popular belief, credit union competitors "get it" as well. She says many banks, especially small-town community banks, are successful with values-based, customer-centric sales.

"Banks have this bad reputation that they're all about the numbers and making profits so their board mem-

bers and shareholders get paid. But that doesn't always hold true," Schrinner says. "Some community banks get it. They're values-based and customer-focused in their sales efforts, and their customers have a high level of trust in them. Customer satisfaction studies show that."

At the same time, more credit unions are embracing the need to sell, with an eye on both member relationships and the bottom line, says Sharon Barry, vice president of marketing at \$230 million asset Orlando (Fla.) Federal Credit Union.

"Credit unions, more and more, understand the need to be sales organizations," Barry says. "It used to be all about service, but there's the reality of the bottom line. What's different about selling in a credit union is that, ultimately, members are the priority. Selling is done with much more caring, concern, understanding, and questioning."

Consider these six tips credit union sales professionals offer for closing the sale.

FOCUS

- ▶ **Credit unions** are wired for service, but not always sales.
- ▶ **Consider sales** a journey, not a destination.
- ▶ **Board focus:** Implementing a sales strategy doesn't mean compromising service.



1. Ask questions

Schrinner and her staff use a process built around answering questions to gain a clear understanding of the member's financial situation and expectations.

"Selling is uncovering the member's needs, and our job is to fulfill those needs," Schrinner says. "To do that, we need to figure out exactly what the member wants, and what they need and expect. At first, it's as simple as asking the member to tell you what they want. Then our job is to get the right product or service in their



iStock

'You build a relationship by asking questions.'

Kalei Reeder



hands for the right reason.”

Consumers and employees have come to distrust “flavor of the month” sales cultures: pushing car loans one month, credit cards the next, says Kalei Reeder, member loyalty program administrator at \$2 billion asset Numerica Credit Union in Spokane Valley, Wash.

“That’s strictly bottom-line oriented; it’s almost never needs-based,” she says. “You build a relationship by asking questions to truly enhance well-being.”

Asking the right questions in the right way is also a differentiator, says Dave Williams, manager of employee training and development at \$880 million asset The Summit Federal Credit Union in Rochester, N.Y.

“So often in a for-profit environment,” he says, “the focus is on the salesperson. In a credit union, the focus should always be on the member’s needs. That’s our strength. That’s what we bring to the market.”

STAY CONNECTED TO MEMBERS

As much as credit unions strive to develop relationships with members, members don’t necessarily reciprocate.

“I was talking to my mother about developing relationships with members,” explains Sharon Barry, vice president of marketing at \$230 million asset Orlando (Fla.) Federal Credit Union. “She said, ‘But I don’t want a relationship with my credit union. I just want them there when I need them.’”

“It does provide some perspective,” Barry continues. “A relationship exists. But members don’t always see it as that.”

Jeff Rendel, president of Rising Above Enterprises, says credit unions offer the basic “value” type of services that are the first step in developing relationships with members. “It’s akin to Maslow’s hierarchy of needs,” he says. “Great rates, low fees, and continuous uptime are the functional values—the ‘food, warmth, and shelter’ of our business. If you don’t master and deliver the basic values, the higher, life-changing values of relationships or cooperative affiliation do not matter much at all.”

Barry recalls participating in a webinar that stressed the importance of maintaining connections with members, or risk being disintermediated.

“As financial services transforms itself with apps and online channels we risk being commoditized as an industry, becoming little more than just a conduit for payments,” Barry says. “It’s more important than ever that we maintain our connection with members. That means being there when they need us, however they choose to define that.”



2. Provide options

“This is also about knowing your products and services, and how they’re different,” says Schrinner.

For instance, a member could finance a car many ways. “Our job is to figure out the best option based on what’s important to the member,” Schrinner says. “If a member comes in and says, ‘I want to buy a car,’ the first thing you might think is, ‘You’re going to need a car loan.’”

Not so fast. “Does the member own a home? Does she have a mortgage? Is it with the credit union? How much equity does she have? How much does she have in savings?” Schrinner says. “She might opt for an auto loan, but a lease might be a better option. She might get a secured loan. Or use some cash.”

“Ultimately, the member gets to decide, with you as the trusted adviser,” Reeder says. “It’s part of building that relationship.”



3. Consider sales a journey

This idea has a couple of applications. First, the process of gaining commitment is a long-term concept driven by the idea that credit union members need financial services—and a trusted adviser—throughout their lifetimes.

“You might be closing on a loan but you’re also thinking, ‘What’s the next step in our relationship?’” says Schrinner. “During our conversation I might have learned that the member has a couple of kids who will be heading off to college in a few years. If I’m thinking ahead, I’ll ask that member if I can contact her about preparing for college costs. Someone who purchases a vehicle today might be in the market to explore financing for a home in a couple years. That’s what we mean by long-term relationships.”

The other application is what’s called the consumer journey. Rather than using the traditional one-off sales process that tries to appeal to all consumers, marketers today espouse a journey that considers each consumer’s individual data points and breaks each interaction into a longer step on a journey with two-way feedback.

This leads to a longer, mutually beneficial relationship. “It isn’t just about sales any longer,” Barry says. “It’s about the relationship and the member experience.”

Barry cites Orlando Federal’s relationship with

GreenPath Financial Wellness, a consumer debt and financial counseling service that works with CUNA. When members fail to qualify for loans or run into trouble with their checking accounts, they're referred to GreenPath.

"We're providing them with an option that has the same brand values we do," Barry says. "If they can't get a loan now, they can develop a strategy to make it happen. I've seen it work. That's part of the journey. We're not turning people away. We're engaging them at every interaction even if the initial outcome isn't always the one they were looking for."

Also, talk about benefits. "No one wants a loan," says consultant Jeff Rendel, president of Rising Above Enterprises. "Members want the benefits that come from a loan: cash flow, a home for their family, a boat for weekends on the lake, or a larger SUV to take the kids from Point A to Point B. They want the experience and outcome; the loan is just a conduit. The job of the credit union salesperson is to bridge that gap."

Credit union member service representatives and loan officers usually can rattle off the features and benefits of products and services in their sleep, Schrinner says. "But members don't want features. They want benefits," she says. "What's in it for them? If I've communicated that well and I've really engaged the member in that conversation, we should get to 'yes' much more easily."



4. Be prepared for 'no'

Preparing for "no" takes training, knowledge, and preparation, according to Rendel.

"If you're prepared, you can further position yourself as an expert," he says. "You might be able to address a concern in a way that can help the member and develop a deeper level of trust and understanding."

Moving past "no" is another skill set, says Schrinner. "It's about going back to members and reaffirming what's important to them, clarifying their goals, and sometimes finding a split solution. You really have to know your products and services, and at the same time have empathy for the member."

That means delivering solutions that fit the member's needs, not pushing products and services. "That's not member relationship building," Schrinner says. "Part of Creating Member Loyalty is teaching a process to

BUILD A STRONGER MEMBER RELATIONSHIP CULTURE WITH CML

CUNA Creating Member Loyalty™ (CML) is a program that transforms a credit union into a member relationship and engagement powerhouse through changes at the individual and organizational levels.

The program's central tenet is that loyalty comes from unrelenting focus on member needs rather than sales quotas or a never-ending series of product promotions.

CML starts with a "deep-dive" assessment of a credit union's practices. The goal is to bring clear perspective on where the credit union will realize its greatest gains, and then provide the implementation strategy and training necessary to move the needle.

The program offers a comprehensive process to create and sustain long-lasting cultural change:

1. Plan. CUNA will work with your leadership team to assess your current culture and needs, determine goals, and create a plan that will produce measurable results.

2. Implement. Key stakeholders will work with a CML performance consultant to execute the plan that was established.

3. Evaluate. Ongoing evaluations will occur to provide benchmarks and allow you and your team to determine if adjustments are necessary.

4. Sustain. Through our proven best practices, your credit union will have access to a network of resources for continued success in your new, results-driven culture.

Plus, consulting and onsite implementation services and a Product Knowledge Program will allow you to build on core skill sets.

overcome a concern. We don't script it, but we provide a process to help the employee get the member through that situation."

Another tip from Schrinner: When the member says no, let curiosity be your guide. "Ask them why they feel that way and try to help them through that."

Williams says to look at a "no" as an opportunity to gain more understanding. "Let's find out what their specific need is so we can address that and learn more about their situation, or educate them on a better solution either now or in the future."



5. Understand that 'no' isn't forever

On this point, Rendel and Reeder agree 100%. Ultimately, "the member gets to decide," Reeder says. "And that's part of the journey. But if we foster that relationship, chances are they will



say, 'I remember when I was at my credit union and what an amazing job they did talking to me about that car loan or checking account. I think I need that now.' They're going to be more likely to come back because we have built that relationship with them."

Rendel says he has built his business through relationships that eventually led to opportunities for business. The same holds true for credit unions.

"Relationships always precede sales," he says.



6. Move on

Simply put, any sales job takes resilience, Rendel concedes. An old adage claims every sales job requires hearing a certain number of "no's" for every "yes," and Rendel finds inspiration in that math despite its cold sentiment.

"Not everyone is going to be willing to buy right now," he says. "That's when you reach out, shake their hand, and say, 'I want you to know I will always be looking out for your best interest.'"

Schrinner suggests asking members for permission to

follow up. "If you've done your job, chances are you've uncovered other pieces of their financial lives that you will be able to help them with," she says. "At the same time, part of being a trusted adviser is understanding that the member is not going to accept all of my recommendations."

"You have to be willing to move on," she adds. "But members also have to know you're not going to give up on them."

RESOURCES

- ▶ *Credit Union Magazine*: "Borrowing big ideas," May 2017, p. 30.
- ▶ CUNA Creating Member Loyalty: cuna.org/cml
- ▶ CUNA Operations & Member Experience Council: cunacouncils.org
- ▶ Rising Above Enterprises: jeffrendel.com

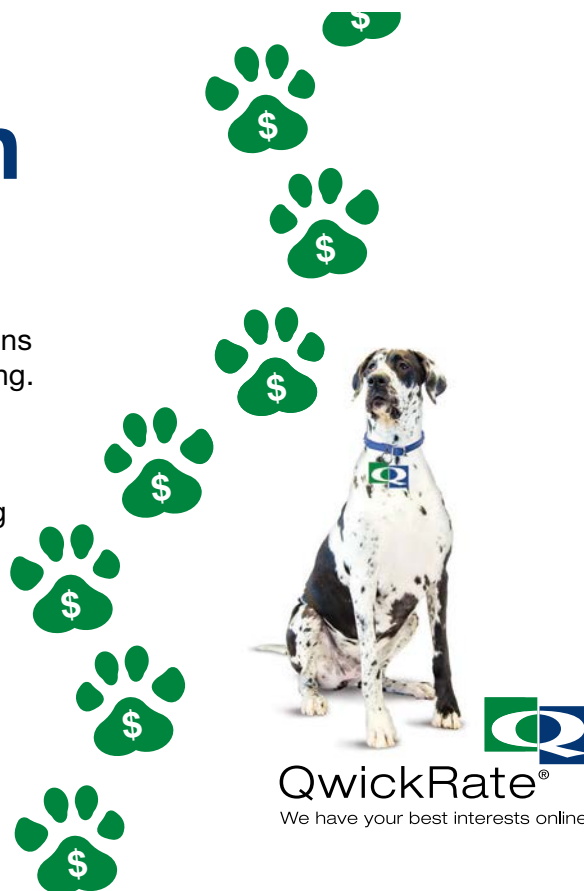
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Digging Through the Data

LUCY HARR

Analytics creates opportunities to develop high-value members.

In credit unions' early days, each production line in a factory might have its own credit union office, a volunteer treasurer often did the accounting by hand, and a credit committee assessed risk, relying on personal knowledge of the borrower when making loan decisions.

"Recommended for you" or "you might also like" came from familiarity with the member's character, not an algorithm.

These credit unions were relevant to their members, who might not have had other options. Even after credit unions grew larger, expanded their fields of membership, and used credit reports to approve loans,

the maxim "you're a name, not a number" prevailed.

Fast forward to the digital age.

While staff still greets many members by name when they walk into the lobby, a growing contingent interacts with credit unions primarily on their handheld devices and rarely visits a branch. Members joining a credit union via an indirect loan might have little other contact, virtually abandoning their minimum-balance accounts or withdrawing their memberships once they pay off their loans.

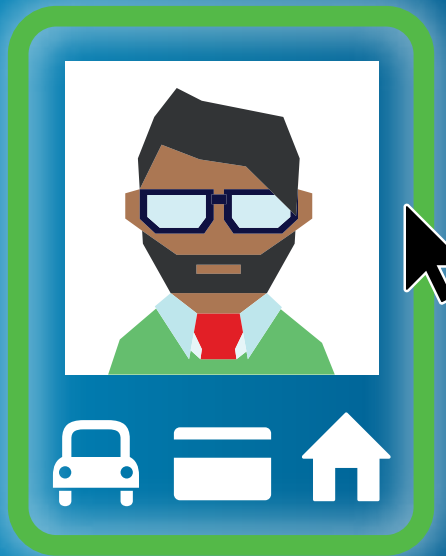
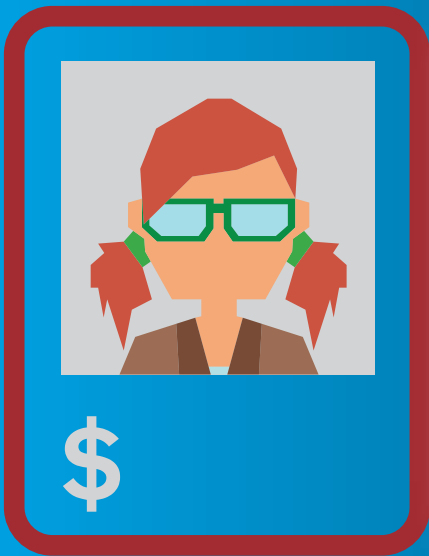
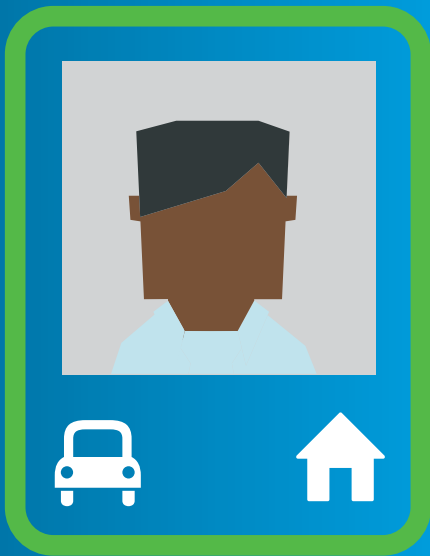
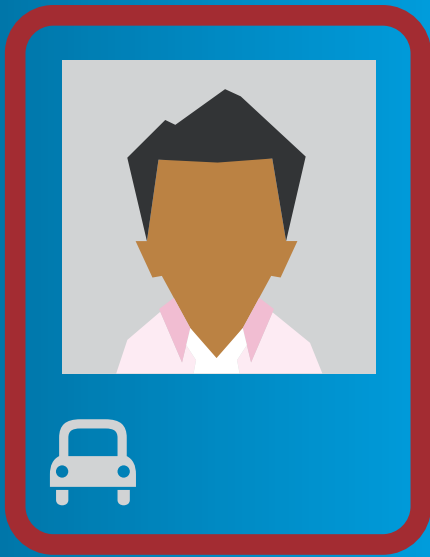
"Every credit union is unique, so it wouldn't be right to make a blanket statement that the impact is the same for all of them," says John Myers, president/principal of the credit union consulting firm C. Myers. "However, if we can make an assumption there's a pool of members with only a \$25 share account and who have been inactive for a long time—in other words, no loans, interest-bearing deposits, or active debit cards—then the impact is not a good one."

It costs money to maintain each account, including charges from the core processor to the cost of paper or electronic statements. "It's not too difficult to figure out that monthly cost," Myers says.

Say that a \$500 million asset credit union with 50,000 members has 4,000 members with \$25 share accounts and inactive checking accounts—not an unreasonable assumption, Myers says. "Now imag-

FOCUS

- ▶ **Data** allows you to understand your members and their needs.
- ▶ **Data** analytics information can help you turn disengaged members into active ones.
- ▶ **Board focus:** A data analytics program can identify opportunities to better serve members.



'If you provide an opportunity to save money, they will call back.'

Mike Long



ine the cost of maintaining those accounts is \$1 per month,” he says. “Over the course of a year, the hard cost could be nearly \$50,000—or one basis point. To many credit unions, a full basis point hit to the bottom line is not desirable.”

The potential for fraud also exists. A dormant account, for instance, could lure a dishonest employee to take over the account and fund fictitious loans, causing both financial and reputational consequences.

Boost members' engagement

Increasing the percentage of active members can be a great strategic move, Myers notes. For starters, credit unions need data about how members use their products and services. They can turn this data into valuable business intelligence.

Big, tech-savvy companies such as Google, Amazon, and Facebook have “treasure troves” of consumer data, which they in turn sell to companies.

“Credit unions have a different treasure trove of data on their members and can use it to their advantage: Which members have active loans in good standing? Which members have interest-bearing accounts? Which members are using electronic delivery channels exclusively, thus driving down the cost per transaction?” Myers says.

You also need to create an intelligible definition of “contributing member” to motivate behavioral changes among staff, Myers says.

Credit unions face three common stumbling blocks in this regard, according to Steven Simpson, vice president of strategy and innovation at \$8.6 billion asset Suncoast Credit Union in Tampa, Fla.:

1. Culture. No one is asking the questions or measuring the member segments that represent opportunities for action, says Simpson. “There’s a lack of a data-driven culture at most credit unions.”

2. Silos. Credit unions need a data warehouse to aggregate, extract, identify, and measure data.

3. Lack of resources. Credit unions need either internal resources or a consultant to guide them over

these hurdles. This allows them to pause from the day-to-day tactical issues and focus on strategic issues.

“For any business that wants to have a good shot at remaining relevant and financially sound long-term, they need to become masters of using their own data,” says Myers.

UW Credit Union in Madison, Wis., did just that.

As part of an “Extreme Lending” initiative, the \$2.5 billion asset credit union grew its indirect lending business by devoting staff resources to developing dealer relationships. Now, 54% of its \$333 million vehicle loan portfolio is in indirect loans.

Recognizing that these members could benefit from additional loans and services from the credit union, an employee built a spreadsheet to identify opportunities to grow business. That spreadsheet has evolved into proprietary software used by outbound call center staff to pick up business that has been left on the table, says Mike Long, executive vice president/chief credit officer.

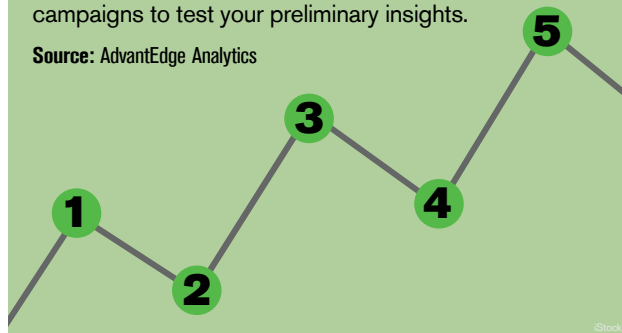
The effort starts with one call and a follow-up email and, if there’s no response, another call and email a week later, and then another round in six months. This led

GET STARTED WITH DATA ANALYTICS: 5 STEPS

Follow these steps to launch your analytics program:

- 1. Identify a narrow question.** For example, “Can we identify and present auto loan offers to members who are about to pay off an existing loan?”
- 2. Capture and use only a subset of data.** Gather only the data that is most relevant to address the question at hand.
- 3. Take a simple approach.** The term “analytics” can be intimidating. Don’t think you need sophisticated modeling formulas, etc.
- 4. Don’t rush the results.** Give your team time and freedom to explore and research.
- 5. Test and learn.** Based on what you learn from these simple experiments, conduct targeted campaigns to test your preliminary insights.

Source: AdvantEdge Analytics





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to \$50 million in additional loans being made in 2017.

“We found that time of day or weekend vs. evening made no difference,” says Long, referring to the follow-up efforts. “What makes the difference is saving members money. If you provide an opportunity to save money, they will call back.”

In the future, UW Credit Union plans to involve branch staff in following up on leads, leveraging the proximity of the branch to develop richer relationships.

Both Long and Myers advise credit unions to begin by using the tools they have and setting small goals.

“Start with achievable milestones that provide a sense of success,” Myers says. “Focus on bringing about behavioral change in both the staff and membership and on making sure your delivery channels are aligned with members’ expectations.”

Mine your data

Once you’ve collected data, Simpson advises mining the data to find the information that hides within. You might be relying on flawed intuition, and you might not be asking the right questions.

“Once you see the minorities of members producing the extreme majority of balances, debit card transactions, and fees, you’ll naturally want to know more about them,” Simpson says. “They will become a critical segment. You’ll see how they differ from the majority of members. Then you’ll want to know how to get—and keep—more like them.

“Look at the process you use to engage members,” he continues. “We want members to use us as their primary financial institution, so do they have a checking account? Typically, 30% to 40% of members do not. So that’s step one. Then when they have a checking account, do they use it? We don’t achieve success by getting a lot of unused checking accounts.”

Simpson suggests offering an incentive for members to choose your checking account, and walking them through the process. “Provide an instant-issue debit card and then make sure it works by having an employee walk over with the member to use the ATM,” he says. Also, provide incentives for staff who open accounts that are active, Simpson advises.

Focus on execution

Time matters when onboarding new members, says Chris Nicholas, chief analytics officer for CUNA Mutual Group’s AdvantEdge Analytics, a CUNA Strategic Services alliance provider. “This is where you start to collect the data and understand behaviors.”

But it’s not all about the data.

“It’s easy to become enamored with algorithms, analytics, and artificial intelligence,” Nicholas says. “But the ability to execute is key. Execution matters most. Test and learn. And measure.”

Measurement is critical to knowing if you should stop trying to convert an inactive member into one who is engaged. “Identifying a quick ‘no’ or a segment you can’t influence or help is as valuable as finding the segments you can,” Simpson says.

For credit unions that close dormant accounts, test tactics to restore them by measuring your results. Ask



‘There’s a lack of a data-driven culture at most credit unions.’

Steven Simpson

whether spending the money and effort to revive 10 out of 1,000 accounts constitutes success.

What if your credit union doesn’t have the in-house resources to take a deep dive into data? AdvantEdge Analytics and OnApproach offer potential solutions.

Through a secure, encrypted process of integration and translation, OnApproach leverages existing data—from the credit union’s core processor and from data pools—and employs a data scientist to provide solutions.

“We’re the Rosetta Stone of our credit unions’ data,” says Austin Wentzlaff, OnApproach vice president of business development.

As credit unions grow, it becomes harder to provide a personal member experience. But ironically, data analysis might help credit unions to better know their members.

“What’s the cost of not doing it?” Wentzlaff asks. “Becoming irrelevant.”

RESOURCES

- ▶ AdvantEdge Analytics, a CUNA Strategic Services alliance provider: advantageanalytics.com
- ▶ C. Myers: cmyers.com
- ▶ CUNA Technology Council: cunacouncils.org
- ▶ OnApproach: onapproach.com

NCUA's Reorg, Emergency Mergers Rules in Effect

Two items finalized by the NCUA board at its final meeting of 2017 are now effective.

One is the final rule on emergency mergers. The other is a final rule amending NCUA's existing regulations to reflect the already announced changes to the agency's reorganization.

Emergency mergers

The final rule amends the definition of "in danger of insolvency" in NCUA's field of membership and chartering manual.

The definition adjusts two of the three net-worth categories and adds a fourth category.

NCUA lengthened by six months the time periods in which it projects a credit union's net worth will decline:

▶ **Thirty-month** forecast to insolvency.

▶ **Eighteen-month** forecast for a credit union's net worth to drop below 2%.

The third category, which remains unchanged, is the credit union's net worth as self-reported on the call report as significantly undercapitalized, and NCUA determines that there is no reasonable prospect of the credit union becoming adequate-



ly capitalized in the succeeding 36 months.

The new fourth category under the definition of "in danger of insolvency" now includes credit unions that have been granted or received Section 208 assistance in the 15 months prior to the determination of the regional office that the credit union is in danger of insolvency.

Even with these changes, credit unions will still need to meet other requirements for an emergency merger:

▶ **Statutory requirements** indicate an emergency does in fact exist.

▶ **Other** alternatives are not reasonably available.

▶ **The public interest** would be served by the merger.

NCUA reorganization

This final rule is a series of house-keeping amendments to parts 701, 705, 708a, 708b, and 790 to reflect the already announced reorganization changes to NCUA.

Specifically, these changes reflect:

▶ **Elimination** of the Office of Small Credit Union Initiatives.

▶ **Creation** of the Office of Credit Union Resources and Expansion.

▶ **Reorganization** and renaming of the Office of Consumer Protection and Access to the Office of Consumer Financial Protection.

SCRA Foreclosure Relief Extended

In December, President Donald Trump signed the National Defense Authorization Act for Fiscal Year 2018, a section of which temporarily extends the post-active duty service foreclosure protections under the Servicemembers Civil Relief Act (SCRA) to one year following the

servicemember's return from active duty service.

This temporary extension runs through Dec. 31, 2019. As a result, until Jan. 1, 2020, an active duty servicemember will be protected from foreclosure during their term of active duty service and for a

period of one year following their return from active duty.



FinCEN Encourages Participation in New Exchange

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) launched a new program in December.

FinCEN Exchange aims to enhance information sharing between law enforcement and financial institutions.

Credit union participation in the program is voluntary, and the program doesn't introduce any new regulatory requirements.

As part of this program, FinCEN will convene regular briefings with financial institutions to

exchange information on "priority illicit finance" and national security threats to:



► **Enable** financial institutions to better identify Bank Secrecy Act/

Anti-Money Laundering (BSA/AML) risks and focus on high-priority issues.

► **Help** FinCEN and law enforcement receive critical information to disrupt money laundering and other financial crimes.

In addition, FinCEN encourages financial institutions to voluntarily share information with other FinCEN Exchange participants via Section 314(b) of the USA PATRIOT Act (See "Info Sharing Enhances BSA/AML Compliance," p. 38).

COMPLIANCE Q&A by CUNA's Compliance Team

Q A credit union has just approved a new mortgage to be used to construct a new home that will become the member's principal dwelling upon completion of construction. This loan is secured by equity in the borrower's current principal dwelling. Is this mortgage subject to the right of rescission?

A **The loan is subject to the right of rescission** because of a special Regulation Z principal dwelling rule.

The commentary to Regulation Z Section 1026.23(a) 3 states that, generally, a consumer can have only one principal dwelling at a time. The general rule is that when the consumer buys or builds a new dwelling that will become the consumer's principal dwelling within one year or upon completion of construction, the new dwelling is considered the principal dwelling if it

secures the purchase loan or construction loan.

In that case, the transaction secured by the new dwelling is a residential mortgage transaction and is not subject to the right of rescission.

However, the special principal dwelling rule found in Section 1026.23(a) 4 of the commentary states that when the consumer acquires or is constructing a new principal dwelling which is secured by equity in the consumer's current principal dwelling, that loan is subject to the right of rescission regardless of the purpose of the loan.

Q Can a credit union charge a fee for investigating an alleged unauthorized debit card transaction electronic fund transfer (EFT) error?

A According to the Consumer Financial Protection Bureau's staff commen-

tary to Regulation E, **an institution cannot charge a fee** for investigating or resolving an EFT error.

Regulation E's definition of "error" includes unauthorized EFTs, as well as incorrect EFTs to or from a member's account, the omission of an electronic fund transfer from a periodic statement, the credit union's computational or bookkeeping error, and the member's receipt of an incorrect amount from an electronic terminal.

The regulation's definition of error also includes a member's inquiry to determine whether an error exists.

But it does not include a member's routine inquiry concerning the balance in an account, or a request for information for tax or other recordkeeping purposes.

FIND MORE COMPLIANCE Q&As AT

NEWS.CUNA.ORG



Info Sharing Enhances BSA/AML Compliance

FinCEN encourages collaboration among financial institutions.

VALERIE Y. MOSS

THE FINANCIAL CRIMES Enforcement Network (FinCEN) continues to encourage financial institutions to work together to identify threats, vulnerabilities, and bad actors in the financial marketplace.

Section 314(b) of the USA PATRIOT Act permits financial institutions and associations of financial institutions to voluntarily share information with one another—under a safe harbor that offers protections from liability—to better identify and report potential money laundering or terrorist activities.

Many different types of “financial institutions” are eligible to participate in the 314(b) program, including depository institutions (e.g., banks and credit unions), broker-dealers, casinos, insurance companies, money services businesses, and mortgage companies, among others.

According to FinCEN’s 314(b) Fact Sheet, voluntary participation in the 314(b) program can enhance an institution’s Bank Secrecy Act/anti-money laundering (BSA/AML) compliance program with respect to:

- ▶ **Gathering** additional information on members or transactions potentially related to money laundering or terrorist financing, including previously unknown accounts, activities, or associated entities or individuals.
- ▶ **Shedding** more light on overall financial trails, especially if they are complex and appear to be layered across numerous financial institutions, entities, and jurisdictions.
- ▶ **Building** a more comprehensive and accurate picture of a customer’s activities where potential money laundering or terrorist financing is suspected, allowing for more precise decision-making in due diligence and transaction monitoring.

- ▶ **Alerting** other participating financial institutions to members or customers and their suspicious activities.

- ▶ **Facilitating** more comprehensive SAR (suspicious activity report) filing than would otherwise be filed without 314(b) information sharing.

- ▶ **Identifying** and aiding in the detection of money laundering and terrorist financing methods and schemes.



- ▶ **Facilitating** efficient SAR filing decisions. When a financial institution obtains a more complete picture of activity through the voluntary information sharing process, it may determine that no SAR is required for transactions that initially appeared suspicious.

General requirements

Credit unions must comply with certain regulatory requirements to receive the protection of the 314(b) safe harbor, including:

- ▶ **Registering** a “notice to share” with FinCEN, which is effective for

one year.

- ▶ **Designating** a “point of contact” at the credit union for receiving and providing information. Credit unions can designate more than one person to participate in the 314(b) program.

- ▶ **Establishing** a process for sending and receiving information sharing requests.

- ▶ **Taking** reasonable steps to verify that the other financial institution has also submitted the required “notice to share” with FinCEN before sharing any information.

- ▶ **Having** procedures in place to ensure the security and confidentiality of information received from other 314(b) institutions.

Information regarding the 314(b) registration process is available on FinCEN’s website. Changes, updates, or deletions of current 314(b) registration information can be made through FinCEN’s Secure Information Sharing System (SISS).

Permissible 314(b) information sharing

Credit unions are permitted to share information with other participating institutions for purposes of identifying and, where appropriate, reporting activities that may involve possible money laundering or terrorist activities.

FinCEN guidance clarifies that, if 314(b) participants suspect that transactions may involve the proceeds of “specified unlawful activities” (SUAs) under money-laundering statutes, information related to such transactions can be shared under protection of the 314(b) safe harbor (FIN-2009-G002).

SUAs include an array of fraudulent and other criminal activities.

For example, “fraud” is specifically mentioned in terms of transactions involving:

- ▶ **Fraudulent** bank entries.
- ▶ **Fraudulent** federal credit institution entries.
- ▶ **Fraudulent** loan or credit applications.
- ▶ **Computer** fraud and abuse.

According to FIN-2009-G002: “Information related to the SUAs may be shared appropriately within the 314(b) safe harbor to the extent that the financial institution suspects that the transaction may involve the proceeds of one or more SUAs, and the purpose of the permitted information sharing under the 314(b) rule is to identify and report activities that the financial institution suspects may involve possible terrorist activity or money laundering.”

Note that the safe harbor does not extend to sharing of information across international borders.

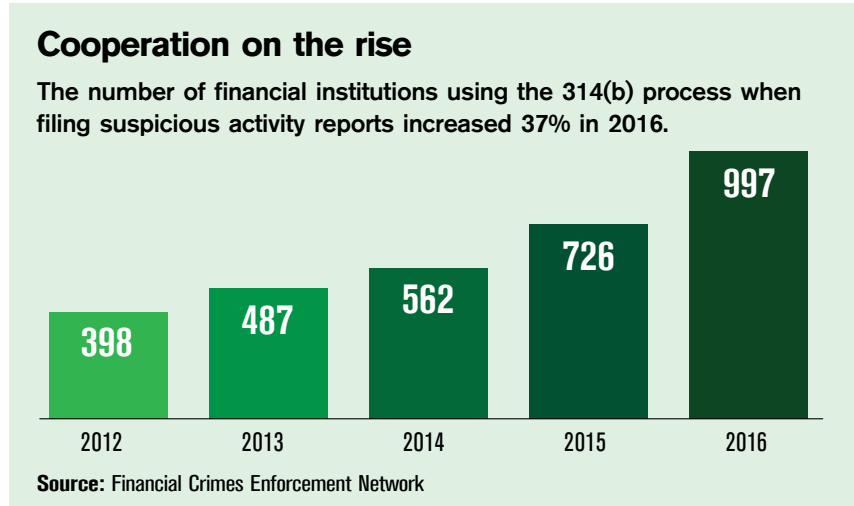
Suspicious activity reports

While information may be shared related to possible terrorist financing or money laundering that resulted in, or may result in, the filing of a SAR, Section 314(b) does not authorize a participating financial institution to share a SAR itself or to disclose the existence of a SAR.

The credit union may use information obtained under section 314(b) to determine whether to file a SAR, but the intention to prepare or file a SAR cannot be shared with another financial institution.

If a credit union shares information under section 314(b) about the subject of a prepared or filed SAR, the information shared should be limited to underlying transaction and member information.

FinCEN encourages financial



institutions to note in the SAR narrative when they have benefited from 314(b) information sharing in order for the agency to identify and communicate specific examples of the benefits of the 314(b) program.

According to FinCEN data, most SARs reporting the use of the 314(b) program in the narrative indicate money laundering as the suspicious activity category, with “suspicion concerning the source of funds” as the most frequently indicated subcategory.

Safeguarding shared information

Credit unions that participate in 314(b) information sharing must establish and maintain procedures to safeguard the security and confidentiality of shared information, and must only use shared information to:

- ▶ **Identify** and, where appropriate, report on activities that may involve terrorist financing or money laundering.
- ▶ **Determine** whether to establish or maintain an account, or to engage in a transaction.
- ▶ **Assist** in compliance with anti-money laundering requirements.

A credit union’s procedures to ensure confidentiality will be considered adequate if they’re similar to the procedures it has established to comply with Section 501 of the Gramm-Leach-Bliley Act for the protection of its members’ nonpublic personal information.

Last, credit unions that choose to share information voluntarily should have policies, procedures, and processes to document compliance; maintain adequate internal controls; provide ongoing training; and independently test for compliance with Section 314(b)’s requirements.

VALERIE Y. MOSS is CUNA’s senior director of compliance analysis. You can reach CUNA’s Compliance Team at cucumply@cuna.com.

RESOURCES

- ▶ CUNA: cuna.org/compliance
- ▶ Financial Crimes Enforcement Network: fincen.gov/section-314b
- ▶ Federal Financial Institutions Examination Council: ffiec.gov

3 Technology Trends to Watch

Watch for these technology-related trends in the coming months, advises Brian Kaas, managing director of CMFG Ventures, the venture entity of CUNA Mutual Group:

1. Nontraditional providers serving “thin-file” consumers, or those with little to no credit history. These consumers historically have struggled to get approved for loans or improve their credit scores.

More nontraditional financial players are using new data sets to clear historic hurdles to meet the needs of these consumers and win their business, Kaas says. “We have already seen companies such as Square apply for bank charters to reach more customers, including new segments that have been underserved to date.”

Targeted, personalized, and data-driven ads on Facebook and Google Maps connect with consumers more directly than ever



before, pushing financial institutions to explore new products and services that can build access to these thin-file clients through new channels and technology.

2. Currency exchange. An influx of companies is addressing the pain of currency exchanges, Kaas says, and credit unions should consider ways to make money transfers and exchanges simple for consumers.

Frictionless payments and access to funds in any medium will continue to be a key consumer expectation in the future.

3. Mobile payments. The accelerated adoption of mobile payment platforms will continue through 2018 and beyond.

Consumers expect frictionless buying experiences regardless of where they are. They want to control how, when, and where their payments are made, accessed, and stored.

“Payment technology has moved beyond computers and mobile devices to voice-activated devices such as Amazon’s Alexa,” Kaas says. “With expanded payment access, this trend also brings evolving security concerns and a higher vigilance to payment security protection.”

“Credit unions must achieve a balance between exploring emerging payment technologies to meet member expectations and ensuring proper security measures are in place,” he adds.

High-Rate Account Sparks Savings

Los Angeles Federal Credit Union in Glendale, Calif., has rolled out a new product to help members save: An “emergency” savings account that pays an interest rate 50 times higher than what other financial institutions pay, up to a certain amount.

The \$925 million asset credit union started the new savings account in the wake of studies showing that many Americans have less than \$500 saved in the event of an emergency. Los Angeles Federal decided to tackle the issue head-on.

Members earn a 3% annual percentage yield (APY) on the first \$500 they save. That’s 50 times more than the .06% APY paid on the average savings account rate at U.S. financial institutions tracked by GoBankingRates as of Nov. 29, 2017.

The account requires a minimum deposit of \$25. The emergency account must be set up to make a minimum \$25 per month deposit into the account by automatic transfer, direct deposit, or payroll deduction. If no withdrawals are made, after one year the member would save \$300.

Emergency savings account balances from \$25 to \$500 earn 3% APY, and balances of \$500 to \$1,000 earn 1% APY. Balances above \$1,000 earn the regular share savings account rate. To earn 3%, members must sign up for online statements and maintain a \$25 monthly minimum deposit.

Members may make one free emergency savings account withdrawal each month. Other withdrawals cost \$2 each.

SNAPSHOT

Why Some Consumers Don’t Use Credit Cards

Afraid of debt/overspending	16.1%
Applied but wasn’t accepted	16.3
Not sure which card to get	7.8
They’re unnecessary	33.9
Other	25.9%

Source: LendEDU poll of 1,000 U.S. consumers over age 21.

'Report Card' Highlights Community Giving

As Barb Bowker puts it, PSECU's Community Report Card is an expression of credit union philosophy.

"We believe the credit union philosophy goes beyond providing high-quality products and services to our members," says Bowker, vice president of marketing and membership development for the \$5 billion asset credit union in Harrisburg, Pa. "It also includes characteristics of good corporate citizenship and support of our greater communities' needs, from financial support of a large num-

ber of worthwhile charitable causes to the provision of financial education."

The report card was among four projects for which PSECU received recognition from the Association of Marketing and Communication Professionals.

"Our Community Report Card aims to demonstrate to our members and partners how we've placed a priority on corporate social responsibility and to helping our members and communities grow healthier and stronger," Bowker says.



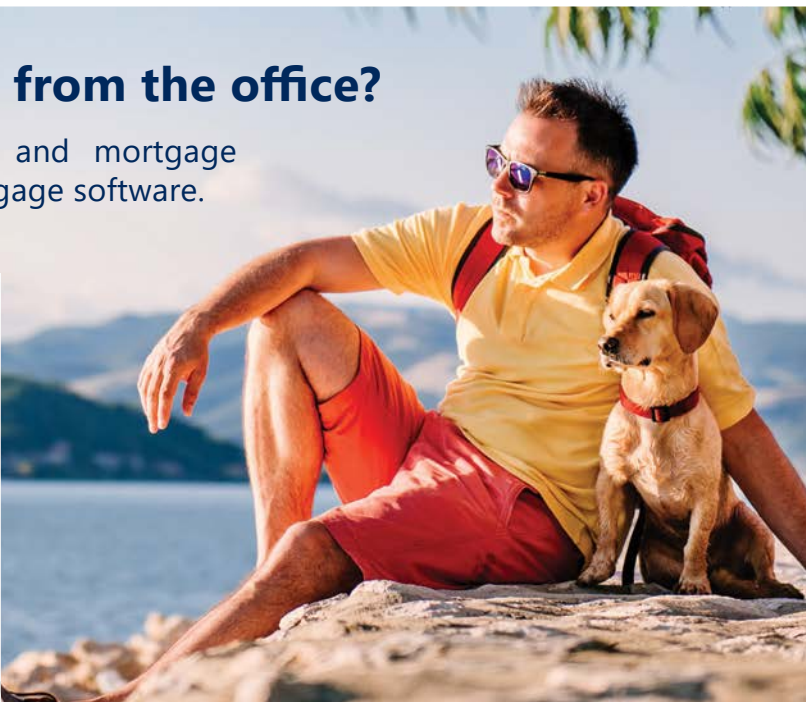
The Association of Marketing and Communication Professionals recognized PSECU for four initiatives, including its Community Report Card.

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Gain Understanding Through Data

Analytics offers insight into member needs and behaviors.

PATRICK TOTTY

SAYING “DATA ANALYTICS” IS a lot like saying “Chinese cuisine.” What you’re offering is a short-hand description of a vast range of approaches, purposes, and results to a particular activity.

Data analytics involves almost every facet of credit union processes, from protection against fraud to meeting regulatory performance standards to better understanding members’ needs and improved portfolio management.

Portfolio analysis and responses to regulator pressure are two tasks where credit unions employ data analytics. “We started helping credit unions understand the risk in their portfolios 10 years ago in the midst of a bad economy,” says Steve Miller, a certified public accountant and president at Twenty Twenty Analytics, a CUNA Strategic Services alliance provider. “It was a time when few financial institutions assumed they needed portfolio analysis. They believed housing values would continue upward. The recession taught us that looking at the extent and value of their data was something credit unions had to do.”

Since that time, NCUA increased its regulatory pressure. Today, there’s a focus on understanding portfolio risks, and that information isn’t

always easy to obtain.

Credit unions must understand the process of “portfolio migration.” This, Miller says, occurs when turnover occurs, or individual members’ FICO scores drop temporarily because they’ve taken out loans or opened new lines of credit. While technically this is a bad thing, it’s what’s called an “expected migration,” where a portfolio’s lending scores can go down temporarily.

“But the loan has been made to a good credit risk whose good performance eventually raises the score,” he says. “Still, migration can go the other way: If a lending category score goes down by a certain percentage, it becomes a ‘bad migration.’”

The most common thread in recent data analytics queries from credit unions is fraud—“hands down,” says Eric Linden, vice president of marketing at ID Analytics. “As banks and online lenders continue to improve their fraud prevention techniques, fraudsters are increasingly shifting their focus to smaller institutions. Some credit unions have even described their fraud growth as exponential.”

Because of those concerns, Linden says ID Analytics focuses on identity, fraud, and credit data. “Essentially, we’re trying to answer, ‘Is this person who they claim to be, do they have malicious intent, and should you do business with them?’ We’ve found that alternative data—facts about would-be borrowers that credit unions don’t usually track—provide the most opportunity for new insights.”

The primary goal is to block fraudsters, Linden says. This reduces the false positives that make it harder to identify and accommodate legitimate loan prospects.



‘IT’S EASIER TO DO DATA

ANALYTICS THAN IT WAS

ONLY A FEW YEARS AGO.’

Steve Miller

“We are also hearing increased concern about synthetic identity fraud, though few credit unions have been able to quantify that problem,” Linden says. “In credit union lending, our clients’ questions tend to be about universe expansion—providing credit to more members without increasing risk. This is especially important for members who have a limited credit history.”

Insights and best practices

One client experienced three surprising insights after using the services of ID Analytics, Linden says. “First, in their fraud process, they were able to score significantly more of their population—from less than half to nearly all—using alternative data, and catch more than twice as many fraudulent applications as before.

“Second, in their card portfolio, new data insights allowed them to create a strategy to increase approved accounts by nearly 25% while simultaneously decreasing their bad credit rate by more than 25%,” he contin-

RESOURCES

- ▶ AdvantEdge Analytics, a CUNA Strategic Services alliance provider: advantedgeanalytics.com
- ▶ ID Analytics: idanalytics.com
- ▶ Twenty Twenty Analytics, a CUNA Strategic Services alliance provider: twentytwentyanalytics.com

ues. “The other big win for this client was that these changes actually reduced their process costs.”

Most risk managers are comfortable with traditional data, linear regression models, and odds charts, Linden says. But when presented with alternative data types and advanced machine-learning methods, it’s easy for the risk manager to feel overwhelmed. Those methods are a critical tool to effectively managing portfolios.

Linden offers two suggestions:

1. Conduct or review a data study on comparable clients to ensure a

new data analytics system will provide the promised lift.

2. Ensure your vendor can communicate how the models work in sufficient detail so your staff is comfortable explaining the models to regulators.

Miller offers a cautionary note about data analytics. Some credit unions assume “that data analytics scores derived at one point will never change, so there’s no need to engage in further analytics,” Miller says. “There’s also a fatigue factor to understand. Credit union staffers manage multiple priorities, and even

though they want to know what their data can tell them, they push analytics to another day.”

Still, says Miller, once credit unions start layering enhanced member data into their portfolios, they perk up. He explains that credit unions’ data quality varies, and the degree of data breadth, depth, and clarity determines how he begins working with a client.

While external pressures force credit unions to have a good knowledge of their databases, “fortunately, it’s easier to do data analytics than it was only a few years ago,” he says.

ADDRESSING THE KNOWLEDGE GAP

CUNA Mutual Group created AdvantEdge Analytics LLC to answer a pressing concern: Help credit unions understand data analytics.

Through a survey of more than 700 credit union executives, CUNA Mutual found that although a majority understand that data analytics can be a game-changer, only 26% actually know how to use analytics.

Blesson Abraham, director of analytics at AdvantEdge Analytics, a CUNA Strategic Services alliance provider, views data analytics as a tool to see and understand member behaviors.

“It can parse data in many different ways, providing fresh insights into member behaviors,” he says. “The iPhone revolutionized member behaviors and expectations, so apps became the main way for members to keep in touch.”

Website enhancement was no longer enough, he says. “This was a digital transformation that required credit unions to understand how members think, where they click or don’t click on

a screen, what channels they prefer to use, and what products they focus on.

“Properly used,” he adds, “data analytics can answer such questions as which members are leaving, whose CD is nearing maturity, and whose debt is approaching delinquency.”

Before delving into the data, credit unions first have to answer an important question: What are we trying to do with our data?

“Sometimes, credit unions will approach this backwards: They’ll build a data house first then ask themselves what to do with it,” Abraham says. “Or they’ll buy a tool without knowing how to use it, and then wonder why it doesn’t deliver hoped-for insights. Extensive data is already there; you just have to learn how to segment it and see what it tells you.”

One educational tool is the 70 pre-built visualizations—charts, graphs, and dashboards—AdvantEdge Analytics can provide clients, each addressing a specific concern.

“Data analytics helped one of our



‘EXTENSIVE DATA IS

ALREADY THERE; YOU

JUST HAVE TO LEARN

HOW TO SEGMENT IT.’

Blesson Abraham

clients see how it could approach members differently to address their reasons for leaving,” Abraham says. “Those insights helped it turn around the situation. The credit union is now \$1.5 million more in the black from successful member retention.”

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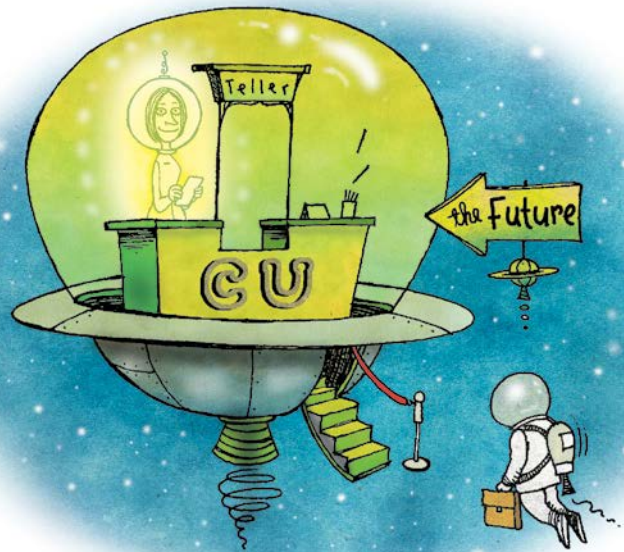
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The Rise, Fall, and Rise of the Branch

Times change, but the branch remains the ultimate billboard for your brand.

JAMES COLLINS



I REMEMBER MY FIRST DAYS IN the credit union, when I'd tie my trusty horse to the hitching post, stride into the parlor, and review the day's telegraphs for news.

Just kidding. Usually, the horse would lay down in the corner of my office.

Back then, business strategy generally involved the location for your next branch. You needed 5,000 square feet, room to park 20 automobiles, and (if you were rural) a few horses. Aesthetically, the buildings modeled one of two extremes: "We spared no expense" or "Really, we didn't spare any expense."

Inside you'd find a pleasant welcome desk, where someone would act as traffic cop. The teller line would be a vast and intimidating wall, while the waiting area would make any state's DMV office proud. Large offices were scattered about like blocks in a Lego set.

The inherent strategy was one of *convenience*. A branch at every corner. Then it all changed for three reasons: These buildings were gawd-awfully expensive, members didn't really like going to them—and someone noticed this "internet thing" was catching on.

Overnight, the new thought was that the brick-and-mortar branch was as extinct as the prehistoric thesaurus. Pundits told us we'd better quit building these shiny temples and invest in something more prac-

tical, like mobile banking, remote deposit capture, and bitcoin.

So, many did. But it didn't work like the pundits said. The credit union branch wasn't unwanted, it just wasn't what was desired.

To many, it was reminiscent of going to a fast food restaurant and only being able to order "New Coke." You wanted a soda, and technically it had carbonation, but we all agree it wasn't a real soda.

Which leads to the question, what should branches look like? There are many ideas floating around, including:

► **The branch of the future.** Probably the most marketing-centric name out there, it envisions hologram tellers, android loan officers, and storm troopers guarding the door. It focuses on self-service for many routine transactions while leaving more personal interactions to staff. Depending on your membership, it can be a stellar hit or the next Microsoft Zune.

► **Shoppertainment.** A newer idea in the financial space, it changes a branch from being utilitarian to an "experience." Creating an event-themed branch can take the mundane out of the branch and make it an occasion. Be warned, however, as the line between classy and superficial is a fine one indeed.

► **Internet hybrid.** These branches remove transactions best left to technology and leave only the

personal part of the relationship. Generally cash-less, they focus on closing loans (when applications were begun online) and providing education on automated tools.

► **Microbranch.** Smaller than your kids' cheapest dorm room, this branch is designed to be compact, efficient, and, above all, miniature. These work well in urban, congested areas, but be warned: These are not full-service in any manner.

Think of it like watching a movie on your 72-inch television vs. a phone. More convenient, yes, but not the same.

► **Full service.** This is still the industry's staple. Big, beautiful, and large enough for a pickup game of basketball when it's slow, they can, and do, everything. This is what many of your members will want to use.

No matter which branch type you use, they come with one additional benefit: Branches are the ultimate billboard for your brand.

The reason internet-only banks never really panned out was a lack of trust of something you can't see, touch, or investigate.

While many members might never come into a branch, it's doubtful they would be members if you didn't have any branches for them to go into.

JAMES COLLINS is president/CEO of O Bee CU, Tumwater, Wash. Contact him at 360-943-0740 or at jcollins@obee.com.

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