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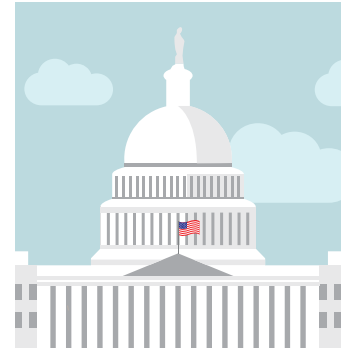
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### 38A

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## Special Report: CUNA Marketing & Business Development Council Conference

The credit union movement's premiere marketing conference features keynoters Tony Hawk, the skateboarding legend who'll address the importance of authenticity, and Kindra Hall, who'll discuss the irresistible power of strategic storytelling.

Other conference sessions will examine content marketing, driving membership growth with digital marketing, the truth behind the data, marketing to millennials, disaster preparation, and business development metrics that matter.



## Podcast: Growth through partnerships

Northwest Community Credit Union in Morton Grove, Ill., was formed in 1939 with a church-based membership, and parishioners comprise most of its membership even today. But in the past two years, President/CEO Jose Garcia has embarked upon two strategic partnerships to diversify and strengthen the \$58 million asset credit union: a student-run branch at a local university and a select employee group relationship with Special Olympics of Illinois.




## Start your advanced analytics journey

The ability to spot trends quickly and present products and services to members at the right time and place doesn't have to be a distant dream. The journey to advanced analytics is a progression. So long as you ask the right questions along the way, you can build a coherent data analytics strategy that will take your credit union to the next level.

## Listen to your members' voices

Do you listen to your members and your staff? You must if you want to ensure a sweet member experience. Follow these five steps to establish a better communication pipeline: Determine whose voices are important, conduct town hall meetings, use information gleaned from targeted members, decide what your credit union would look like if it acted upon members' suggestions, and share your progress with members.






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# Inside the Numbers

*CUNA's advocacy agenda tackles issues at all levels.*

PAGING THROUGH THIS ISSUE, some important numbers stand out: ▶ **360**, as in 360 degrees, which represents CUNA's all-encompassing advocacy approach. It's one that attacks credit union issues at all levels—legislative, regulatory, legal—“Whatever is needed,” says Ryan Donovan, CUNA's chief advocacy officer (p. 22).

▶ **4**, the number of pillars supporting CUNA's advocacy agenda: reducing regulatory burden, expanding and protecting credit union powers, enhancing payment security, and preserving the credit union tax status.

▶ **50,000** and counting: the network of volunteers that exists within the credit union movement. By tapping into that network, CUNA and leagues expect they can strengthen their advocacy voice across the U.S. (p. 28).

Brad Douglas, president/CEO of the Heartland Credit Union Association and a member of CUNA's Volunteer Leadership Committee, explains the impact: “What's beautiful is that volunteers aren't getting paid to do this. If a constituent walks into a congressional office and they're not paid to be there, that's pretty powerful to a member of Congress.”

Count on young professionals to be a part of that movement, too, says Adam Engelman, CUNA's grassroots manager. “It's never too early to prepare a new generation to advocate on behalf of the credit union movement.”

▶ **5**, the number of ways CUNA President/CEO Jim Nussle suggests you can be an effective advocate for your credit union in 2018 (p. 14).

▶ **25**, the number of years since the formation of the CUNA Marketing & Business Development Council, the first of seven professional develop-



**ANN HAYES PETERSON,**  
editor in chief  
[apeterson@cuna.coop](mailto:apeterson@cuna.coop)

ment councils (p. 40).

Today, credit union marketing professionals fill C-suite roles and bring their expertise to the strategic planning table. The field itself has transformed into one that's both art and science, and is increasingly becoming more technology-driven and targeted.

▶ **1,234**, the number of CUNA Marketing & Business Development Council members throughout credit unions today.

▶ **5**, the number of Credit Union Heroes *Credit Union Magazine* honors in 2018.

They include a credit union president who knows homelessness first-hand, a trailblazer for serving Hispanic members, a longtime mentor for up-and-coming leaders, a vice president of community engagement who lives her mission on and off the clock, and a league vice president who believes in the power of education and training.

Don't miss their stories on p. 32, and then vote for one of them as our 2018 Credit Union Hero of the Year at [news.cuna.org/cuhero](http://news.cuna.org/cuhero), sponsored by Trellance.

## MANAGEMENT

**ANN HAYES PETERSON**  
vice president/editor in chief  
608-231-4211 • [apeterson@cuna.coop](mailto:apeterson@cuna.coop)

## EDITORIAL STAFF

**BILL MERRICK**  
deputy editor  
608-231-4076 • [bmerrick@cuna.coop](mailto:bmerrick@cuna.coop)

**MICHELLE WILLITS**  
deputy editor  
608-231-4067 • [mwillits@cuna.coop](mailto:mwillits@cuna.coop)

**ADAM MERTZ**  
associate manager  
608-231-4342 • [amertz@cuna.coop](mailto:amertz@cuna.coop)

**JENNIFER WOLDT**  
senior editor  
608-231-4290 • [jwoldt@cuna.coop](mailto:jwoldt@cuna.coop)

**RON JOOSS**  
senior editor  
608-231-4321 • [rjooss@cuna.coop](mailto:rjooss@cuna.coop)

**CRAIG SAUER**  
senior editor  
608-231-4918 • [csauer@cuna.coop](mailto:csauer@cuna.coop)

**ALEX McVEIGH**  
senior editor  
202-508-6767 • [amcveigh@cuna.coop](mailto:amcveigh@cuna.coop)

## DESIGN & PRODUCTION

**DIANE LONG** • graphic designer  
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vice president  
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## Honoring Wegner Award Winners

The National Credit Union Foundation honors four individuals with 2018 Herb Wegner Memorial Awards, the highest honor in the credit union movement.

The award celebrates the impact of the late CUNA CEO Herb Wegner, whose dedication and innovative ideas revolutionized how credit unions serve their communities.

This year's four recipients are:



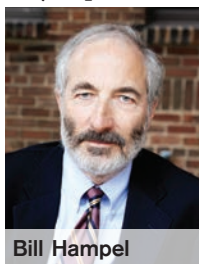
Angel V. Castro

► **Angel V. Castro**, president of Castro y Asociados. Castro receives the Outstanding Individual Achievement award for his

commitment to the credit union system worldwide, including his work creating stable financial systems in Latin America.

"I feel emotionally moved and humbled for being honored as

a recipient of the Herb Wegner achievement award," says Castro, who worked with Wegner personally. "Wegner is indeed remembered as a pioneering credit union advocate and trusted friend who is ever-present in my recollections of my worldwide credit union advocacy experiences."



Bill Hampel

► **Bill Hampel**, former CUNA chief policy officer. Hampel receives the Outstanding Individual Achievement award for a

career spent advocating for the movement and serving as a mentor and inspiration to people throughout the industry.

"It's an unexpected honor,"

Hampel says. "I've admired past awardees for years, and now I'm joining them. Wow."

► **Susan Mitchell**, CEO of Mitchell, Stankovic & Associates. Mitchell receives the Outstanding Individual Achievement



Susan Mitchell

award for spreading the credit union idea worldwide and fostering diverse representation in leadership and membership, including through the World Council of Credit Union's Global Women's Leadership Network.

"It's an honor to be selected for the Herb Wegner Award," Mitchell says. "Thank you to the village of people who stand beside me and are truly making a difference in the world. It touches my heart. This award stands as a shining moment in my life."

► **Chuck Purvis**, president/CEO at \$2.9 billion asset Coastal Credit Union in Raleigh, N.C. Purvis receives the Outstanding Individual Achievement award for his lengthy career and his innovative spirit.



Chuck Purvis

"It validates the value of some of the unique ideas and programs I've brought to the credit union movement over my 36-year career," Purvis says. "To join the list of current and previous winners—all icons—is incredibly humbling and rewarding."

## ONLINE POLL

# 31%

of credit unions pay for executives to earn an MBA.

Source: CUNA News monthly online poll

**Next month:** Does your credit union plan to spend more on social media advertising in 2018?

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# Advocacy: 5 Ways to Go the Distance

*Your voice is critical—make it heard.*



**JIM NUSSLE,**  
CUNA president/CEO

THE CAPITOL HILL HIKE THAT caps the CUNA Governmental Affairs Conference (GAC) is the event's secret sauce—that crucial ingredient that brings the whole dish to life.

If one day of forceful, focused advocacy was all it took to achieve our bold agenda for 2018, we'd be sitting pretty. Five thousand passionate credit union people speaking to the legislators elected to represent them and their members is powerful, and it's why the GAC remains the premier event for political impact in the credit union industry.

But with advocacy, there's never a single knockout punch. You must be prepared to go the distance every time. That's why CUNA and our league partners developed our fierce 360-degree advocacy strategy. To win, we must be unrelenting.

Be an effective advocate for your credit union this year by taking these five actions:

**1. Attend a Hike the Hill event in your state or in D.C.** If you've never attended a Hike the Hill event, either at the state or national level,

contact your league and attend one. In advocacy, nothing leaves a more lasting impression than a face-to-face meeting.

During my career in Congress, many times I found myself moved to action after meeting with someone I had the honor and privilege to represent. It's easy to ignore issues—it's hard to ignore your constituents.

**2. Participate in MAP.** CUNA's Member Activation Program (MAP) allows you to tap into members' advocacy potential. Simply use our plug-and-play content explaining our most important advocacy issues, deliver the content to your members in your brand, and let members find ways to fight for your future.

Imagine if every member were an advocate. If 5,000 credit union voices in Washington, D.C., is powerful, think of what we could accomplish if all 110 million credit union members regularly contacted their representatives about credit union priorities.

**3. Contact your reps—especially when it matters most.** Our professional advocates in D.C. will sound the alarm when there is a crucial decision being made on the Hill. That's when we activate our grassroots apparatus to encourage every credit union professional and member to contact their representatives. This strategy works.

Last year, we kept NCUA out of the congressional appropriations process—preventing a new hidden tax on credit unions—by channeling more than 3,000 messages to Capitol Hill in 12 hours through our grassroots action center.

Right time, right message, right channel. It works every time.

**4. Stay engaged with CUNA.** Follow CUNA News. Read my weekly

*Nussle Report* every Friday, where I highlight the crucial policy, regulatory, and operational developments affecting credit unions. When there's a critical development where we need you to contact your members of Congress, I'll let you know.

Visit [cuna.org/mycuna](http://cuna.org/mycuna) to review your communications preferences and ensure you're receiving the news you need.

**5. Tell your story.** At our Campaign for Common-Sense Regulation website, you'll find a lot of facts about how one-size-fits-all regulations hurt credit unions and their members. But nothing is stickier than your personal story about how rules made in D.C. or your state capital prevent you from serving your members to the best of your ability.

TO WIN, WE MUST BE  
UNRELENTING.

Numbers are important, but the stories about the impact regulations have are critical.

Share your story in your local media. Tell current and potential members that you're a credit union that puts people before profit, and you shouldn't be saddled with punitive rules aimed at bad actors.

If you have a story about how regulations affect your credit union or how advocacy efforts by CUNA and your league have benefited your credit union, I'd also love to hear it. Call me directly at 202-508-6745 or email me at [jnussle@cuna.coop](mailto:jnussle@cuna.coop).

At GAC, we say over and over again, "Your voice is critical. Make it heard." That's true now more than ever.



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# Bursting Banker Bombast

*Contrary to banker rhetoric, credit unions serve everyone within their fields of membership.*



MIKE SCHENK

CUNA, WITH THE HELP OF our league partners and the engagement of thousands of credit union professionals across the country, preserved the credit union tax status in the 2017 tax bill legislation.

That was a huge victory for credit unions and their members—achieved against the backdrop of massive anti-credit union lobbying mounted by bank trade groups.

Of course, we're not resting on our laurels. Anticipated technical corrections to the tax bill raise the specter of more banker assaults.

That's not all. Before the ink dried on the tax overhaul, we discovered the American Bankers Association (ABA) began urging policy makers to impose Community Reinvestment Act (CRA)-like requirements on credit unions.

Congress originally imposed CRA on commercial banks in the late 1970s because banks were found to widely engage in discriminatory lending practices. For decades, the banking industry participated in "redlining," or formally, systematically, and blatantly blocking credit extension in minority and lower-income communities nationwide.

But during the century or so that credit unions have operated in the U.S., they've never engaged in such behavior and have never been accused of such behaviors by anyone who has seriously examined the record.

Since their inception in the early 1900s, U.S. credit unions have had a reputation for offering full and fair service to all members, including those on the lower rungs of the economic ladder. The image of "The Little Man Under the Umbrella," widely viewed as one of the greatest thrift images ever, served as the U.S. credit union logo for decades.

The reputation reflected in that iconic image was—and still is—well-founded. Congress formally recognized this most recently in the preamble to the Credit Union Membership Access Act (H.R. 1151), which states that the provision of service to those of modest means, along with credit unions' democratically controlled cooperative structure, is a foundation of their tax status.

## Serving the working class

Credit union membership remains concentrated in the working class of Americans. National data from the 2016 Federal Reserve Survey of Consumer Finances reveals that 62% of primary credit union members have annual incomes between \$25,000 and \$100,000.

In contrast, 54% of primary bank customers have incomes in that range. At higher and lower income levels, credit union membership is lower. That's because upper-income households are more likely to be bank customers and lower-income households are more likely to be

unbanked. Of course, credit unions still face tight statutory limitations on whom they can serve (i.e., what consumers can hold membership), and most membership fields historically have been limited to various employment groups.

Although these restrictions began to ease in the early 1980s, 65% of credit unions (representing more than one-half of all credit union memberships) remain restricted in service to narrowly defined, single-sponsor occupational groups, multiple-sponsor occupational groups, and/or association-based groups such as religious or fraternal organizations (such as labor unions).

BANKS SEEK TO  
RESTRICT CU SERVICE.

Credit unions seek to serve more Americans, including those in lower-income households. But bankers, led by the ABA and other bank trade groups, have repeatedly used the courts to attempt to block those efforts.

In December 2016, the ABA filed suit against NCUA over recent updates to the field-of-membership rule. The ABA contends NCUA violated the Federal Credit Union Act by allowing community-based credit unions too much authority to expand rural districts and communities based on metropolitan areas.

Bankers clearly don't want credit unions to serve more Americans. They seek to restrict credit union service.

Despite these restrictions and ongoing court challenges to broad-

ening membership access, the record shows credit unions' service provision to consumers compares favorably to that of banks.

In 2016, consumers who were primary bank customers reflected considerably higher net worth than those who were primary credit union members, according to the Fed.

Median net worth among consumers who are primary bank customers is \$108,400 and mean net worth is \$817,000. In contrast, among primary credit union members, median net worth is \$100,600 and average net worth is \$345,000.

Those who are primary bank customers thus reflect median and mean net worth that is 8% and 240% higher, respectively, than consumers who are primary credit union members.

These differences are obvious over a broad swath of history. Using inflation-adjusted Fed data over the past six consumer finance surveys (three-year increments between 2001 and 2016),

CUNA calculates primary bank customers reflect average net worth of \$698,000—2.3 times greater than the \$310,000 average net worth among primary credit union members.

A detailed review of the components of household net worth reveals that primary bank customers report substantially higher asset-holding valuations than consumers who are primary credit union customers.

For example, primary bank customers reflect average home values of \$315,000 and median home values of \$198,000. Those figures are a respective 11% and 35% higher than the values we see among primary credit union members.

Compared with primary credit union members, primary bank customers are about one-third more likely to report they have business equity. The \$1.1 million mean and \$102,000 median valuations of that business equity come in at more than three times higher and more than two times higher, respectively, than the values we see among primary credit union members.



"The Little Man Under the Umbrella" served as the U.S. credit union logo for decades.

### Higher loan approvals

Despite field-of-membership restrictions, credit unions compare favorably in the lending arena as well. Supporting evidence can be found in Home Mortgage Disclosure Act (HMDA) data compiled by the Federal Financial Institutions Examination Council.

HMDA statistics reveal that credit unions make a higher percentage of their mortgages to low- and moderate-income borrowers than do bank lenders.

In 2016, 22.8% of credit union mortgage originations were to those of low and moderate incomes, whereas 20.1% of bank originations were to consumers in that group.

On average, from 2004 to 2016 an average of 24.3% of credit union mortgage originations were to those of low and moderate income, whereas 22.7% of bank originations were to consumers in that group.

The record also shows that consumers who apply for mortgage financing at credit unions are just as likely to be approved for the loans and (by extension) just as likely to be denied for mortgages compared with consumers using banks.

The record is clear: Contrary to banker rhetoric, credit unions perform well in serving all consumers within their fields of membership.

Credit unions do not engage in discriminatory lending practices, and they certainly do not restrict credit extension to certain favored ethnic or economic groups within their membership fields.

There has not been and there remains no sound public policy rationale to saddle credit unions with additional CRA-like reporting requirements, especially given their current field-of-membership restrictions and member-owned, not-for-profit structure.

Telling your story—the whole story—is a big part of our ongoing effort to modernize fields of membership and expand credit union service to our neighbors who need it most.

**MIKE SCHENK** is CUNA's vice president of research and policy analysis. Contact him at 608-231-4228 or at [mschenk@cuna.coop](mailto:mschenk@cuna.coop).



# ‘Zeal’ the Love

*Through fundraisers and personal donations, staff doubles management’s charity pledge.*

A MICHIGAN CREDIT UNION challenged its employees to make a difference in the communities they serve. They responded in true holiday—and credit union—spirit.

The executive team at \$577 million asset Zeal Credit Union in Livonia, Mich., posed a question to staff: “What could your department do with \$250 to help the less fortunate this holiday season?”

The credit union’s 170 employees in 26 departments started brainstorming, ultimately creating the “Zeal the Love” challenge.

staff almost doubled the \$6,500 contributed to its 26 departments, raising nearly \$12,000 in donations for 21 charities.

While the funds were used for monetary donations or to buy items for selected charitable organizations, many employees donated their time as well.

“Everyone pitched in by volunteering hours for shopping, packing boxes, wrapping gifts, walking dogs at the shelter, cooking for fundraisers, and making personal donations,” Fawcett says.

The credit union’s teleservices department selected the Methodist Children’s Home Society, which assists children—mostly boys—who have been affected by childhood trauma.

“I drive past Methodist Children’s Home Society every day on my way into work,” says Sydney Richardson, a teleservices representative who recommended the organization for the initiative. “This charity is very important to me because my mother was adopted by my grandmother when she was very young. I know some of these boys will spend the majority of their lives in foster care, and never really get to experience Christmas the same way I did as a child. It was very important to me that we gave them something memorable, and were able to make them smile.”

Teleservices gave the boys a weight bench with a barbell and dumbbell set. The department also teamed with family, friends, and



Team members of Zeal CU’s teleservices department demonstrate their excitement about items collected for the Methodist Children’s Home Society.



Christie Rothenberg, a Zeal CU employee, and her husband, Mark, walk a dog at the Taylor Animal Shelter.

“The list of organizations and people who need help during the holidays is endless, and we couldn’t do this alone,” says Lisa Fawcett, Zeal’s chief marketing officer. “We could have written a check to a local charity and called it a day. But we knew that dividing up the money and putting it to work through our staff would help us reach more people in need.”

By holding their own fundraisers and making personal contributions,

other contributors to buy a variety of items on the Society’s wish list, including clothing and additional gym equipment.

Meantime, the lending department held two fundraisers—a “Soup for Coats” day in Zeal’s headquarters lunchroom and a chili cook-off in the headquarters café—to boost its share to more than \$500. With that money, team members outfitted 33 children at a local elementary school with new coats, hats, and mittens.

That concept won a staff vote for the best idea, generating an additional \$500 donation from the credit union to the school.

“Our credit union has a long history of supporting the metro Detroit community,” Fawcett says. “This challenge was a way for all employees to experience and participate in the joy of giving back. It also demonstrates the character, empathy, and passion our employees have for our members and the community.”



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# A Passionate Advocate For Advocacy

*Through passion and persistence, Kyle Frick and Mid Oregon Federal Credit Union have shown the value of advocacy as a tool to advance credit union goals. Frick, vice president of marketing and community relations for the \$275 million asset credit union in Bend, Ore., has relied on CUNA's Member Activation Program (MAP) to demonstrate grassroots support for viewpoints he communicates with local, state, and federal legislators.*

**Q Why is advocacy so important to the credit union mission?** Advocacy is the manifestation of our passion for credit unions. It's our chance to tell our story about "why" we do what we do for our members and the communities we serve.

Advocacy allows us to focus on areas where we can make a difference: financial education, meeting member needs, solving community issues, and sharing our voice to influence legislative and regulatory issues. It's simply representing our members and championing issues that affect their well-being.

**Q Can you describe a situation where advocacy played a direct role in generating a favorable outcome?** One of my memorable moments is with our U.S. senator, Ron Wyden (D), whom I've had the opportunity to know through my position on the local chamber of commerce board.

In meetings over time, I remember being persistent about raising my hand to share credit union issues, to the point where he would call me by name and ask, "So Kyle, how do you think the banks would feel about that?" To which I would respond, "This is a credit union issue that has an impact on our members and your constituents."

Years later, the senator recog-

nized me in public and addressed me by my first name. He commented, "I've just been appointed to the Senate Finance and Banking Committee and I have some legislation I'm going to introduce on behalf of credit unions." He did, and became the first Oregon senator to introduce legislation on our behalf.

To provide our representative, Greg Walden (R), tools to deflect banker attacks, we developed and documented support from members, and enlisted key community leaders and organizations to write letters.

That became an advocacy model in the Northwest: "Love Letters" from Spokane, Wash., credit unions generated nearly 7,000 messages from members to the state's federal legislators.

**Q What led Mid Oregon Federal to become the first credit union to sign up for MAP?** Our CEO, Bill Anderson, attended a CUNA-sponsored event at the Governmental Affairs Conference where he was introduced to the program and research results. The direct connection between advocacy and member engagement is clear. We were already advocating in many areas and received positive feedback from members on our efforts, so it was a natural evolution for us to become involved.

Overall, our open rate on emails to members consistently hovers



Kyle Frick

between 20% and 28%, and we see members respond to our calls to action by contacting their legislators. Our legislators—who are members, too—have recognized our ability to give them direct feedback on issues, which helps them in deliberating policy.

**Q What advice would you give someone who wants to be more involved in advocacy?** If you have a passion for what credit unions stand for, then you are a natural to become an advocate.

Start by educating yourself on the issues and you will find that you or someone you know is affected. Ask for other opinions and prepare by being able to articulate both sides of the issue.

Get involved with your local chamber of commerce. Go to a Credit Union Day at your state Capitol or a town hall meeting with your representative or senator. Write a letter or respond to a call to action.

Identify issues that affect your members and find a way to share your message with others who can help you remedy the situation. Advocate for education, health care, affordable housing, or issues that can help your members and community.

# HOW DO YOU DEFINE SUCCESS?

**"WE DIDN'T EXPECT INVITATIONS TO THE VENDOR'S CONFERENCE OR A SIGNING BONUS... WE WOULDN'T HAVE EVEN KNOWN TO ASK FOR THOSE ITEMS."**

**"IT'S GREAT TO KNOW A REPUTABLE COMPANY WILL BE CONTINUOUSLY MAKING SURE WE'RE GETTING THE RIGHT SERVICES AND BEING BILLED PROPERLY THROUGHOUT THE TERM OF OUR CONTRACT."**

**"JMFA SAVED US MONEY WITHOUT US HAVING TO SWITCH CARD PROCESSING VENDORS. THE PROCESS WAS QUICK, EFFICIENT AND THOROUGH – THEY DID ALL THE WORK!"**

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# ALL-ENCOMPASSING ADVOCACY

ALEX McVEIGH

**A 360-degree approach—engaging at all levels and from all directions—will advance advocacy efforts.**

Regulatory relief for credit unions has been a top advocacy priority for CUNA for several years, but it can be easier said than done.

While CUNA has seen several victories leading up to 2017, including privacy notice modernization and credit union parity regarding the Federal Home Loan Bank program, CUNA is always thinking big.

To keep the big picture in mind, CUNA reorganized its advocacy staff and goals, evolving into a 360-degree approach designed to advance credit union priorities at all levels and from all directions, says Ryan Donovan, CUNA's chief advocacy officer.

"In creating a 360-degree advocacy approach, we wanted it to be all-encompassing, attacking credit union issues at all levels—legislative, regulatory, legal—whatever is needed," he says. "This approach gives us the benefit to take advantage of regulatory relief opportunities as they come, but more importantly to create our own opportunities and engage on as many fronts as needed to produce credit union victories."

Heading into 2017 with a new Congress and a new administration presented a fresh opportunity for CUNA and credit unions. This led CUNA to kick off 2017 by launching its bipartisan, pro-consumer Campaign for Common-Sense Regulation.

"Credit unions aren't, and have never been, against regulation in the financial services industry," Donovan says. "But 'common sense' is the key part of our campaign. We're seeking fixes to a one-size-fits-all regulatory regimen that treats credit unions the same as the biggest Wall Street banks—only it's the credit unions struggling to keep up."

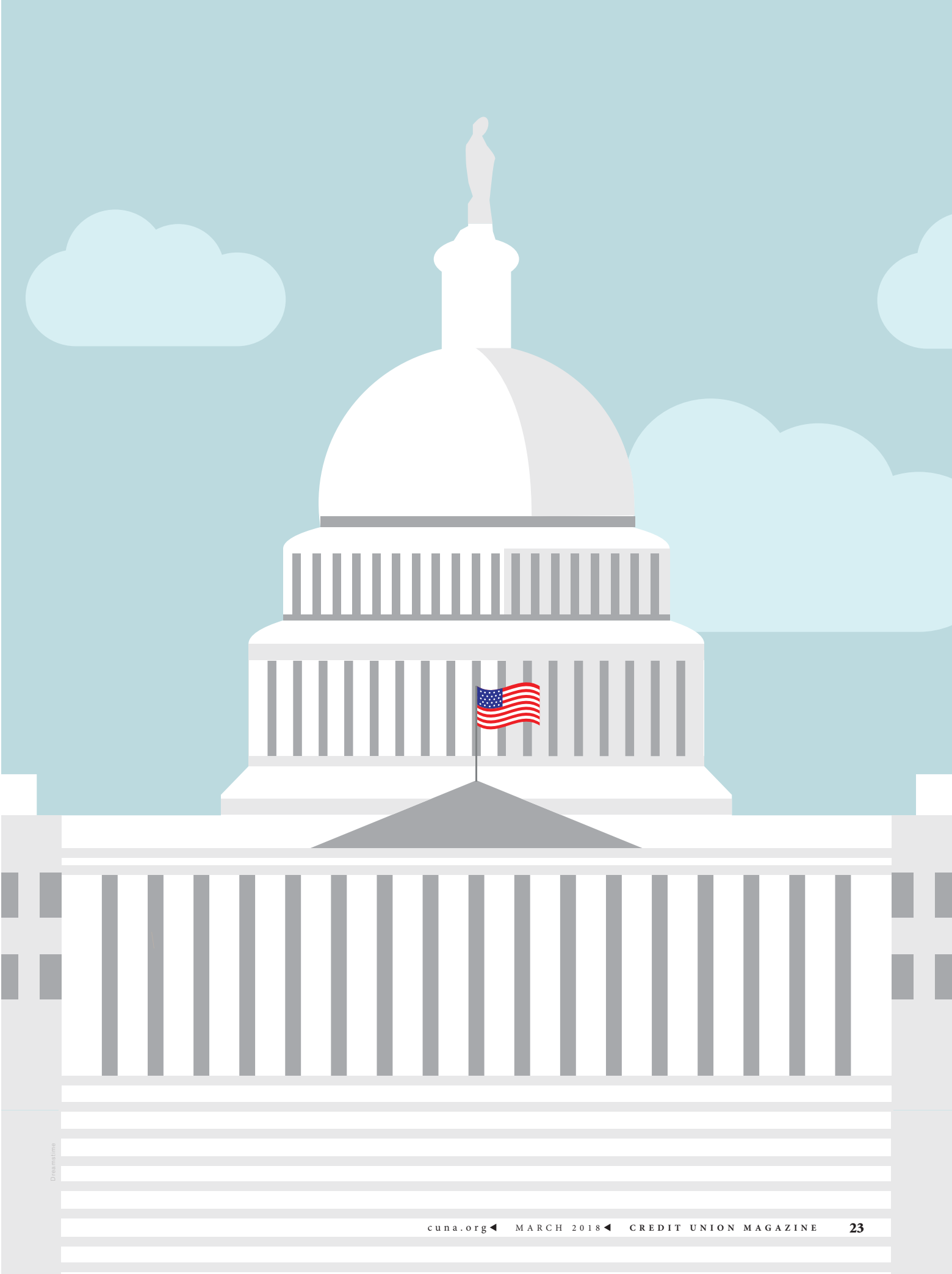
## FOCUS

- ▶ **A new Congress** and a new administration in 2017 presented a fresh advocacy opportunity for CUNA and credit unions.
- ▶ **CUNA monitored several CFPB rulemakings** on the regulatory side.
- ▶ **Board focus:** CUNA reorganized its advocacy staff and goals to advance credit union priorities at all levels and from all directions.

### Keeping our tax status

CUNA dedicates its advocacy, and its very existence, to one primary priority: defending the credit union tax status. As a new Congress and administration took office in January 2017, priorities began to emerge that included





the first major reform of the tax system since 1986.

“CUNA, with the help of the outstanding member services and products offered every day to 110 million members, has amply demonstrated how the credit union tax status is sound public policy, and that any so-called ‘loss’ to the tax base is vastly outweighed by billions in benefits to both credit union members and nonmembers,” Donovan says. “But when issues such as a total tax revamp are discussed, that means everything is on the table, making it incumbent on us to once again show that the credit union tax status continues to serve the purpose for which it was created.”

CUNA and credit unions have discussed the importance of the credit union tax status with members of the new Congress through Hike the Hill visits during the CUNA Governmental Affairs Conference, in-district visits, and other interactions.

## ‘Common sense is the key part of our campaign!’

Ryan Donovan



As the tax bill began to round into shape, CUNA closely monitored bills as they were introduced, discussed, marked up, and voted on, all without any major consideration of changing the credit union tax status.

“While we remain confident that the vast majority of Congress recognizes the benefit of the credit union tax status, the real risk is that during the course of negotiations, as members look for ways to offset various cuts or changes, the tax status could be used as a way to scrounge up a quick \$1 billion to make the numbers work,” Donovan says.

“The fact we didn’t see any real threat during the process, despite numerous banker attacks, shows how well credit union stakeholders got their message out and sustained it as the bill moved forward,” he adds.

### Legislative advocacy

While serious threats to the credit union tax status never fully materialized, other policies that would have affected credit union operations were introduced in Congress in 2017—and each was defeated through CUNA’s advocacy efforts.

Early budget drafts from President Donald Trump’s administration featured cuts to a number of programs,

including a major fund credit unions use to serve their communities. The Treasury’s Community Development Financial Institution (CDFI) Fund awards grants and other funds to certified CDFIs around the country. After being funded at \$233.5 million in the previous fiscal year, it was zeroed out in early budget bills.

CUNA quickly launched a nationwide grassroots support effort to ensure funding. Outreach included working with CDFI-designated credit unions through CUNA’s Member Activation Program to show how they leveraged the CDFI funds many times over within their communities.

Examples sent to congressional appropriators included a Tennessee credit union that turned a \$2.1 million grant into \$10,500 down payment assistance loans for more than 200 families, and a Missouri credit union that used \$849,000 in grant money to make \$22.7 million in auto loans.

Through these efforts, Congress passed a funding bill that not only restored the CDFI Fund, but increased funding levels to \$248 million.

While credit unions earned a win on CDFI funding, an unexpected threat emerged during the appropriations process: a financial services and general government appropriations bill that would have placed NCUA under the appropriations process.

“NCUA is unique among federal regulators in that the institutions it regulates fund the agency, meaning a regulator that operates independent of the annual appropriations process is vital for credit unions,” says Donovan. “As the one sending the resources, credit unions deserve a say in how they are being used.”

Credit union advocates worked closely with Reps. Mark Amodei, R-Nev., and Pete Aguilar, D-Calif., who introduced an amendment to remove the provision from the appropriations bill. The day after Amodei and Aguilar introduced the bill, credit union advocates across the country assembled on a conference call with the expectation that support for the amendment needed to come together within 12 hours.

Over those 12 hours, CUNA, leagues, credit unions, and members used every resource and communication tool available to send Congress more than 3,000 messages stating that placing NCUA under appropriations was unacceptable.

“While the vote ended up happening nearly a week later, lawmakers heard our voices loud and clear, and the Amodei-Aguilar amendment passed by a voice vote,” Donovan says. “It was a true testament to the full advocacy strength of the credit union movement

to see a threat, mobilize, and execute a successful strategy to remove it over the course of a few days.”

CUNA’s legislative advocacy helped secure another regulatory relief win, working with Congress to overturn the Consumer Financial Protection Bureau’s (CFPB) arbitration rule via the Congressional Review Act. The bureau finalized its rule in July 2017, effectively banning the use of predispute arbitration clauses.

While credit unions generally do not use such clauses, CUNA felt the rule deprived consumers of an effective legal alternative to class-action litigation.

“The arbitration rule was inappropriate for credit unions, as member-owned financial institutions, because without arbitration clauses credit union members in a dispute would be forced to litigate against their credit union,” says Leah Dempsey, CUNA’s senior director of advocacy and counsel. “The CFPB had an opportunity to exempt credit unions from the rule, as it does with all its rules. When it did not, we were forced to use other methods to prevent it from becoming effective.”

To overturn a finalized rule through the Congressional Review Act, both the House and Senate must approve resolutions of disapproval, which the president must then sign.

The House passed its resolution relatively quickly, at the end of July. The Senate vote came down to the wire, with Vice President Mike Pence breaking a 50-50 tie in October to approve the measure, which President Trump signed shortly after.

“In a situation where every vote was essential, CUNA’s outreach to members of the Senate about why this rule would hurt consumers—despite what the CFPB and others claimed—made a huge difference,” says Eli Joseph, CUNA’s deputy chief advocacy officer.

## Regulatory advocacy

On the regulatory side, several CFPB rule-makings on CUNA’s radar coming into 2017 would have imposed numerous regulatory burdens on credit unions.

Leading up to the release of the agency’s short-term, small-dollar rule, many in the CFPB’s leadership—including former Director Richard Cordray—touted credit union lending efforts such as the Payday Alternative Loan (PAL) program as products consumers needed additional access to, rather than leaving them at the mercy of predatory lenders.

But the proposed rule swept in numerous consumer-friendly options. While PALs were technically exempt, it would have been difficult for most credit unions to



fulfill the requirements to qualify for the exemption.

“Credit unions offering PALs or other similar loans faced additional burdens under the proposal that would have made it very difficult to offer those products, many of which result in financial losses for a credit union but are offered as a member service,” Dempsey says. “Those and other provisions had major potential for negative effects on access to credit for many Americans.”

Within three weeks, CUNA reached out to the CFPB, directly identifying these concerns before the official comment deadline. CUNA also approached NCUA with those concerns, outlining how PAL (overseen by NCUA) could be threatened.

CUNA’s 61-page commentary included a 21-page legal support letter addressing the rule’s shortcomings and suggesting potential revisions to ensure the rule didn’t harm consumers. In addition to expressing concerns to the bureau through letters, and face-to-face meetings, CUNA’s advocacy reach garnered support through other avenues.

Rep. Steve Stivers, R-Ohio, specifically cited CUNA’s concerns about the effect on access to credit during a July 2016 discussion on appropriations, as an amendment to a funding bill would have delayed the rule’s implementation. The Small Business Administration’s Office of Advocacy also echoed CUNA’s position in its comment letter.

The final short-term, small-dollar rule that emerged in October 2017 addressed many of CUNA’s concerns in its 1,700 pages, and Cordray called CUNA Presi-

dent/CEO Jim Nussle to discuss the changes before officially releasing the rule.

“The CFPB listened to the numerous consumer protection concerns we raised in the 15 months between the proposal and final rule, and made changes that not only enable consumers to access safe, short-term credit but allow credit unions to offer those products without additional hurdles,” Dempsey says. “The sustained push from CUNA, leagues, and credit unions, not to mention other agencies that shared our concerns, played a major part in the substantive revisions we saw in the final version.”

While CUNA’s advocacy efforts secured vital changes to the short-term, small-dollar loan rule during the rule-making process, CUNA also maintained efforts to see changes in rules already finalized.

In 2015, the CFPB finalized its Home Mortgage Disclosure Act (HMDA) rule, which was especially

burdensome for credit unions.

The Dodd-Frank Act requires mortgage lenders to collect and report certain data points. The CFPB’s final HMDA rule required nearly twice the amount of data points as Dodd-Frank, meaning credit union mortgage lenders would need to update systems, policies, and procedures to collect this information.

## ‘The HMDA rule disproportionately penalized credit unions!’

Luke Martone

Since CFPB finalized the rule, CUNA, leagues, and credit unions participated in dozens of meetings with bureau officials and lawmakers to share concerns while advocating toward legislative solutions.

“The HMDA rule disproportionately penalized credit unions with additional requirements despite no evidence of wrongful conduct, making it more difficult for them to effectively participate in the mortgage lending market,” says Luke Martone, CUNA’s senior director of advocacy and counsel.

“This was a multiyear advocacy effort from the entire CUNA/league system to get relief from onerous HMDA reporting requirements that greatly exceed what Congress intended the bureau to collect when passing the Dodd-Frank Act,” he adds.

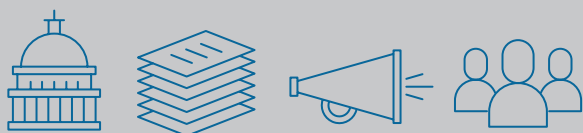
CUNA’s efforts continued through the end of Cordray’s term and as President Trump named Mick Mulvaney acting director. CUNA reached out to Mulvaney as soon as he took the agency’s reins. Those efforts paid off at the end of 2017, as the CFPB under Mulvaney issued a statement that it would not impose noncompliance penalties for nonmaterial errors relating to data collected in 2018 and reported in 2019.

The bureau also announced it intends to use the rule-making process to reconsider changes to the 2015 HMDA rule, including the discretionary data points and tests to determine coverage of both institutions and transactions.

### Legal advocacy

Legislative and regulatory advocacy have long been a part of CUNA’s efforts.

But in the past few years, CUNA has deployed



### A 4-PILLAR ADVOCACY APPROACH

While CUNA, leagues, and credit unions enjoyed a significant string of victories in 2017, advocacy leaders won’t rest on their laurels in 2018.

In fact, this year’s advocacy agenda aims to “revolutionize” credit unions’ operating environment, says Ryan Donovan, CUNA’s chief advocacy officer.

He outlines four pillars supporting this agenda:

- 1 Reducing regulatory burden** so credit union members have access to more efficient and affordable financial services from credit unions.
- 2 Expanding and protecting credit union powers** so consumers and small businesses can more easily access the credit union services they need.
- 3 Enhancing payment security** to reduce the impact merchant data breaches have on credit unions and their members.
- 4 Preserving the credit union tax status** so members continue to enjoy not-for-profit, cooperative financial services.

its legal advocacy efforts both to defend important credit union priorities and to go on the offensive to ensure credit unions receive recompense when they are harmed due to other parties' negligence.

NCUA finalized its member business lending (MBL) rule in 2016, providing regulatory relief by eliminating most requirements not present in the Federal Credit Union Act. In response, the Independent Community Bankers of America sued the agency.

CUNA, which strongly supports the MBL rule, filed an amicus brief in the case arguing that NCUA was well within its authority to issue the rule. Within two months, the U.S. District Court of the Eastern District of Virginia granted NCUA's motion to dismiss the lawsuit.



## **'The money paid into the stabilization fund is much better served with credit unions'**

**Elizabeth Eurgubian**

In its decision, the court said it dismissed the suit on procedural grounds, but also indicated it would have dismissed the suits on its merits.

While defending credit unions' ability to offer loans to business members, CUNA also went on the offensive in the wake of data breaches that left credit unions scrambling to replace compromised cards at their own cost, despite doing nothing wrong.

A 2014 Home Depot data breach left credit unions facing \$60 million in costs to replace 7.2 million payment cards, according to data compiled by CUNA, which joined in a class action lawsuit against Home Depot.

"Credit unions faced significant costs in replacing payment cards that were compromised due to Home Depot's negligence," says Susan Parisi, CUNA's chief counsel. "We felt it was incumbent upon us to stand up with credit unions, pursue every avenue to get merchants to raise their security standards, and give credit unions some financial relief relating to those costs."

Eventually, the sides reached a settlement that led Home Depot to create a \$25 million settlement fund and agree to strengthen its future data security measures. CUNA and state credit union leagues demanded the latter agreement throughout the case.

Payments from Home Depot to credit unions began in January.

When it comes to reimbursing credit unions, CUNA also ensured credit unions started receiving rebates as NCUA considered closing the Temporary Corporate Credit Union Stabilization Fund. The agency created the fund to guide the credit union system through the worst of the financial crisis.

In the summer of 2017, NCUA indicated it was considering closing the fund and merging it with the National Credit Union Share Insurance Fund. Such a merger meant credit unions who paid into the fund would start receiving rebates.

CUNA was the only national trade association for credit unions pushing NCUA to close the fund and start issuing rebates as soon as possible. More than 90% of commenting credit unions backed CUNA's position.

"Simply put, we believed that the money paid into the stabilization fund would be much better served back with credit unions where it could be used to serve members, rather than sitting in an NCUA bank account," says Elizabeth Eurgubian, CUNA's deputy chief advocacy officer.

The NCUA Board closed the fund Oct. 1, 2017, using the closing balance as of Sept. 30. Rebates started this year.

"We had a good year last year, and we're set up for an even better year in 2018," Donovan says. "Our advocacy agenda was built from the ground up with input from leagues and credit unions around the country, so we know we're focused on the issues that will make the biggest difference."

"Credit unions and their members expect big things this year," he adds, "and we're going to stay on the offensive."

## RESOURCES

### CUNA:

1. Campaign for Common-Sense Regulation: [commonsenseregulations.com](http://commonsenseregulations.com)
2. Credit Union Legislative Action Council: [cuna.org/culac](http://cuna.org/culac)
3. Governmental Affairs Conference: [cuna.org/gac](http://cuna.org/gac)
4. Member Activation Program: [cuna.org/map](http://cuna.org/map)

# THE NEW ADVOCACY ARMY

OLIVIA BARROW



# Turn to directors and young professionals to spread your advocacy message.

Twenty years ago, advocates for credit unions and other organizations could send postcards to Congress, rally on the steps of the Capitol, and achieve what they set out to do.

That doesn't cut it today, says Ryan Donovan, CUNA's chief advocacy officer.

"Offices on the Hill get inundated with information, which arrives electronically and in very large numbers," he says. "So, while getting 6,000 letters from CEOs around the country is important, getting 6 million contacts from members is what we need to move the needle."

Increasingly, this involves tapping the expertise and commitment of credit unions' volunteer boards of directors to explain to legislators how credit unions differ from banks, why they deserve their tax-exempt status, and why volunteer directors do what they do.

"If we as credit unions can't tell our story, the banks are going to tell it for us, and it will be inaccurate," says Eric Day, senior vice president of board advocacy and strategic initiatives for \$1.2 billion asset Credit Union of Southern California in Anaheim.

Day says most people outside the credit union industry don't understand how much of a commitment credit union board members make for the unpaid role.

"People are taken aback," he says. "They say, 'You give all these hours and all this work as a volunteer?' It's a lot of work keeping up with the increase in regulations. You have to be sharp and know a lot about the business."

Day is one of the people behind the Volunteer Advocacy Army, a program CUNA formed to engage more credit union volunteers in advocacy efforts.

Day, chair of CUNA's Volunteer Leadership Committee (VLC), started a pilot program in California to

involve more board members in lobbying at the state and national levels. Using a peer-to-peer letter-writing campaign, Day has helped develop a network of more than 40 credit union volunteers in California who now actively participate in advocacy. He hopes to grow that number to 100.

Brad Douglas, president/CEO of the Heartland Credit Union Association, was a fan of Day's peer-to-peer approach from the beginning. He, along with other VLC members, encouraged CUNA to support the program and to introduce it to credit union leagues across the country.

"Our industry has this untapped resource of thousands of volunteers on credit union boards," Douglas says. "Some of them are very engaged, but many of them haven't been exposed to how our system works beyond their own credit unions, and they don't know they could lobby for the organizations they care about so much."

CUNA and the leagues are always looking for more people to attend advocacy events and visit Capitol Hill, Douglas says. By building a Volunteer Advocacy Army, the movement can tap into the nation's more than 50,000 credit union volunteers. continued ►

## FOCUS

- **There's an increased push** toward involving directors and young professionals to spread the credit union advocacy agenda.
- **It's never too early** to prepare a new generation of leaders to advocate on behalf of the credit union movement.
- **Board focus:** The advocacy message from directors is especially powerful because of their volunteer status.

## NEXT-GENERATION ADVOCATES

ALEX McVEIGH

As longtime credit union leaders retire, a new generation of leaders must take the advocacy mantle in the decades to come.

With this reality in mind, CUNA, in conjunction with the New York Credit Union Association, hosted its first young professional advocacy workshop last fall.

"It's never too early to prepare a new generation to advocate on behalf of the credit union movement, especially when so many young professionals are already in place within the system and passionate about not-for-profit, member-owned financial cooperatives," says Adam Engelman, CUNA's grassroots manager and the workshop coordinator.

"CUNA has access to an incredible variety of advocates with years of experience advocating for credit unions, and it only makes sense to connect them with the younger generation," he adds.

The workshop consisted of briefings from CUNA leadership, including President/CEO Jim Nussle, Chief Advocacy Officer Ryan Donovan, and Chief Political Officer Richard Gose. It also featured a panel of congressional staffers and discussions with league staff and outside consultants.

"As someone who previously had only a fundamental understanding of credit union advocacy, I attended the training expecting many learning and networking opportunities," says John Shaner, a lending risk analyst with \$1.7 billion asset Anheuser-Busch Employees Credit Union in St. Louis. "My expectations were exceeded. I enjoyed a well-rounded program of advocacy speakers, presentations, and meetings with lawmakers and their staff. I also

got to know other young professionals and colleagues.

"The knowledge I gained of how elected officials are representing the needs of credit unions, and what our membership can do to effect real change, has given me

**'It's never too early to prepare a new generation to advocate on behalf of the credit union movement!'**

**Adam Engelman**

valuable perspective in my career," he adds.

Michael Mattone, vice president of public relations for \$2.6 billion asset Municipal Credit Union in New York City, agrees. He says the program gave him a good sense of how to bring the credit union message to policymakers.

"We received a very well-rounded perspective of exactly what it takes to make sure you're heard, especially when members of Congress and others take so many meetings from people, all trying to get their message across," he says. "This is the type of experience that is vital to furthering the credit union movement for the next, 10, 20, 30 years."

Both Shaner and Mattone note that hearing from lawmakers gave them newfound confidence in the credit union message, and how to speak with legislators.

**Nearly 50 people participated in CUNA's first advocacy training for young professionals, developed in conjunction with the New York CU Association to strengthen grassroots efforts at all levels.**





“What’s beautiful is that volunteers aren’t getting paid to do this,” Douglas says. “If a constituent walks into a congressional office and they’re not paid to be there, that’s pretty powerful to a member of Congress. Even if you only activate 5% of directors, you’re talking about thousands of voices joining in support of credit unions.”

Douglas introduced the program during a recent meeting with league presidents and received an enthusiastic response. About half of the leagues have expressed interest in the program, and are looking at next steps for participating in the initiative.

For the program to work, it also needs buy-in and guidance from credit union CEOs.

“We don’t want to start reaching out directly to volunteers until we’ve educated or notified CEOs about the initiative,” Douglas says. “What we’d like from CEOs is their support and help in identifying the best candidates for increased involvement in advocacy.”



further and complete the CUNA Volunteer Certification program. The course covers topics such as the fundamentals of credit union financial statements, governance, CEO oversight, board operations, and development.

Peterson completed the certification through a self-study track, but CUNA also offers it as a one-week class at different locations around the country.

She says the certification not only made her better equipped to advocate for the credit union movement as a whole, it made her a better board member.

Douglas agrees with the need for board education. “Anytime you can arm volunteers with more knowledge that is relevant and useful, then you improve the strength of your board,” he says.

**‘By being an educated and active volunteer, you automatically become a great spokesperson!’**

**Jean Peterson**

### **A passion for co-ops**

Jean Peterson, a volunteer at \$128 million asset Aberdeen (S.D.) Federal Credit Union and VLC vice chair, has pushed for the Volunteer Advocacy Army from the beginning.

A passion for co-ops runs in Peterson’s blood. She has worked for credit unions and other co-ops for most of her career, and currently works for an agricultural cooperative in Aberdeen. She’s a firm believer in the credit union model.

“There’s a huge difference between credit unions and banks,” she says. “Everyone should belong to credit unions. They are there for you when you need them.”

Peterson says she is excited to see more volunteers get involved in advocacy, but stresses the importance of education to make sure volunteers understand the big picture.

“By being an educated and active volunteer, you automatically become a great spokesperson for the credit union movement,” she says. “As volunteers, we are not compensated to sit on those boards. Every meeting I go to, I take vacation time.”

While many volunteers can learn much by reading industry publications and taking advantage of league resources, Peterson encourages volunteers to go a step

While the Volunteer Advocacy Army is still a young program, Donovan has high hopes for it.

“Volunteers can be a very important voice for us,” he says. “One of the advantages of credit unions’ structure is that volunteers come from the membership, and the membership comes from the community.”

“So you’ve got real people representing credit unions in advocacy,” Donovan continues, “as opposed to banks, whose shareholders might not have anything to do with the community.”

## RESOURCES

### CUNA:

1. Credit Union Directors Newsletter: [cuna.org/directors](http://cuna.org/directors)
2. National Credit Union Roundtable for Board Leadership: [cuna.org/boardroundtable](http://cuna.org/boardroundtable)
3. Volunteer Achievement Program: [cuna.org/vap](http://cuna.org/vap)
4. Volunteer Certification Program: [cuna.org/vcp](http://cuna.org/vcp)
5. Volunteer Conference: [cuna.org/cvc](http://cuna.org/cvc)

# Community, *Compassion,* and Coaching

JENNIFER GARRETT

**Life experiences have shaped this year's  
Credit Union Heroes.**

A credit union president who knows homelessness first-hand. A trailblazer for serving Hispanic members. A long-time mentor for up-and-coming leaders. A vice president of community engagement who lives her mission on and off the clock. And a league vice president who believes in the power of education and training.

The readers of *Credit Union Magazine* nominated these executives as CUNA's 2018 Credit Union Heroes—those who relentlessly promote credit union philosophy, dedicate themselves to credit union principles, and make a difference in their communities.

Now, we're asking you to select one of them as the Credit Union Hero of the Year, sponsored by Trelance.

Read these profiles highlighting each Credit Union Hero's exceptional leadership and dedication, and how they exemplify the credit union philosophy of "people helping people."

Then visit the CUNA News website ([news.cuna.org/](http://news.cuna.org/)

*cuhero*) to cast your vote. We'll honor the winner at the America's Credit Union Conference this summer in Boston.

## **Paying it forward**

Every hero has a backstory, and Laura Aguirre is no exception.

President/CEO of Hawaii First Federal Credit Union since 1992, Aguirre rose through the ranks by working hard, putting people first, and facing every obstacle head-on with a "why not?" attitude.

Now she leads the only credit union in Hawaii that grants mortgages allowing native Hawaiians to build homes on native lands.

The \$39 million asset credit union in Kamuela also is a nationally recognized low-income designated credit union and a certified Community Development Financial Institution.

Aguirre has received numerous industry awards, including the 2009 Dora Maxwell Award for Social Responsibility, CUNA Rock Star recognition in 2013, and the Circle of Honor Leadership Award from the

Opportunity Finance Network in 2014.

But her story started humbly, with Aguirre living in her car and struggling to get a job.

Whereas many people work hard to hide their trials and tribulations, Aguirre is happy to talk about the challenges she faced and how she overcame them.

Aguirre credits a counselor in a job placement agency for helping her land her first job. She considers him her own hero, and decided to always approach her work the same way—to help each and every person in need.

“I think we all have the power to be a hero to someone,” Aguirre says. “I’m an example of someone who had a hero in my life. It changed my life forever.”

Aguirre figured out how to bring her service mindset to life after attending Western CUNA Management School in 2002. She developed programs that allowed individuals with bad credit to get auto loans so they could buy cars and get to work.

And Hawaii First Federal generated an alternative to payday loans—the Pot of Gold reserve account—that gives members access to funds through a product that simultaneously builds a savings account.

“We’ve been able to invent some really unique products and services that our community needs,”

Aguirre says.

Her willingness to think creatively about problems has also led to some innovative programs within Hawaii First Federal.

Aguirre saw some employees leaving their jobs after having children because of the staggering cost of infant child care.

So Aguirre created the

Infant to Work program, which allows employees to bring their babies to work until they’re six months old. The arrangement reduces employee stress and eliminates child care costs while improving employee retention.

Aguirre is also proud of the two Community Resource Centers (CRCs) she launched through Hawaii First Federal. The CRCs offer financial counseling, job placement support, and other services to help people find the support they need to solve problems—financial or otherwise—in their lives.

Hawaii First Federal is now expanding the CRCs. The credit union has partnered with local employers to bring financial literacy programs to on-site employee training, and Aguirre is looking for more ways to reach more individuals.

“It’s so exciting,” she says. “We’re taking the CRC to the streets.”

### **A difference maker**

Kathy Chartier has always had an eye for unmet needs.

In her early years as president of Members Credit Union (MCU) in Cos Cob, Conn., Chartier noticed the teachers the credit union served lived relatively comfortably, but support staff at area schools often struggled.

Chartier thought constantly about the cooks and the custodians, many of whom were immigrants, and felt strongly that the \$28 million asset credit union could and should help them, too.

“I thought we could make a difference,” she says.

Chartier decided to focus her efforts—and eventually her credit union’s—on serving those without many resources and even fewer options.

Early on, that meant concerted efforts to diversify the MCU staff so area immigrant and minority populations were represented in the branches, where having familiar faces and bicultural employees made the credit union more welcoming.

When MCU became a community-chartered credit union in 2002, it made a conscious decision to serve people other financial institutions would not, while continuing its commitment to existing members.

In addition to having multicultural employees in the branch, MCU offers a Spanish-language website and forms, along with special products and counsel-



**‘We all have the power to be a hero to someone.’**

**Laura Aguirre**

# Your growth. Our guidance.

Hi. We're Trellance, a new company sprouted from the experience and expertise of CSCU to provide powerful new solutions to credit unions. Trellance was created to provide the structure and solutions to help credit unions not just compete, but thrive. We provide next-generation insights, resources, expertise and execution capabilities to credit unions. We're talking about vibrant strategies to grow your community and attract new members, along with powerful tools to keep current members even more engaged. Trellance is here to support your growth.

For more info visit **[trellance.com](https://trellance.com)**.

trellance



**'Becoming a Development Educator changed my life.'**

**Kathy Chartier**

ing geared toward immigrants.

Chartier works closely with area social service agencies to ensure she remains aware of the financial challenges and needs among immigrants and other low-income community members so MCU can offer relevant, accessible prod-

ucts and services.

Last year, MCU became the first credit union in Connecticut to earn the national *Juntos Avanzamos* designation, which recognizes credit unions that serve the Hispanic community.

Numbers tell Chartier that MCU's approach is successful, but feedback from members really drives home the credit union's impact. She has seen individuals go from living paycheck-to-paycheck while racking up debt to buy cars and homes.

Those interactions illustrate the value of financial counseling services, and prompted Chartier to have every MCU employee become a certified financial counselor.

"It makes a difference," she says. "It's an attitude change, and our employees can now better relate to what the member might be going through and offer advice about how to do things differently and better."

While Chartier has a laser focus on her community's needs, she also extends her leadership and expertise to other countries.

Since becoming a Credit Union Development Educator (CUDE) in 1994, she has mentored credit union executives around the globe, including in the Caribbean and Africa. As director of the nonprofit Kenya Foundation, she coordinates the delivery of library books, medical supplies, sports equipment, and more to African communities.

"Becoming a Credit Union Development Educator changed my life," Chartier says. "That's when my international work began. It really opened up my eyes to the needs around the world, which were much bigger than what I saw in my own credit union."

### **A second-chance giver**

Jeff Hayes believes in second chances. Fortunately for Hayes, credit unions do, too.

Before Hayes began working at North Star Community Credit Union in Cherokee, Iowa, 14 years ago, he worked in the banking industry. There, he struggled to find management teams that shared his attitude toward supportive and redemptive services.

It bothered Hayes when banks turned away customers with flawed finances because he believed those people needed expertise and counseling most. Hayes thought there had to be a way to help. And he was right.

"I often looked at certain situations through a different lens," says Hayes, president/CEO of the \$85 million asset credit union. "When I came to the credit union, my thoughts were validated."

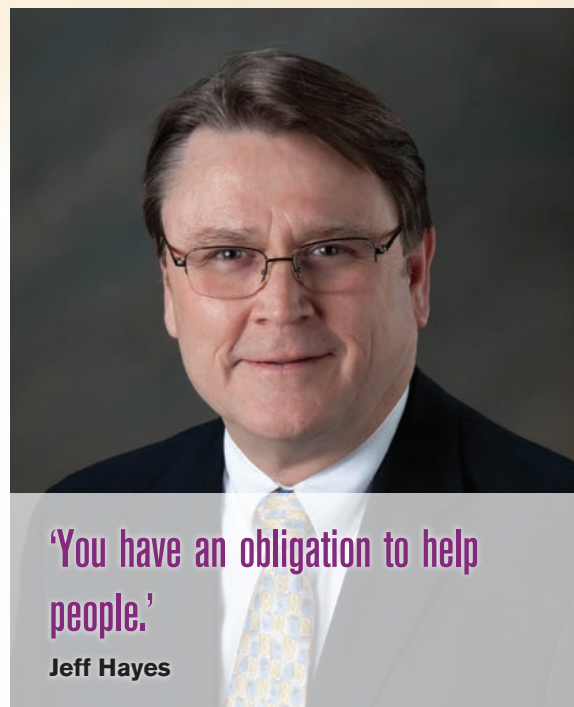
Hayes understands that many people struggle because they made mistakes when they were young or because they lacked financial education. Hayes believes those individuals and their families deserve the opportunity to get their finances—and their lives—back on track.

Credit unions, he says, are in a great position to help them do that.

"When you work in an industry where you have the ability to help people, I think you have an obligation to help people," Hayes says. "I've seen people pull themselves out of the fire with the assistance of a kind, caring loan officer. I'd like to see credit unions do more of that. That's what I think credit unions need to focus on."

Hayes drives that message home at CUNA Management School. Every year, He spends two weeks in Madison, Wis., and countless hours teaching up-and-coming industry leaders, grading assignments, and mentoring students.

North Star Com-



**'You have an obligation to help people.'**

**Jeff Hayes**

munity sent Hayes to CUNA Management School as a student when he joined the credit union, and Hayes found it such a transformative experience that he seized the chance to return as a graduate assistant a few years later.

He's been involved with the program ever since—for a full decade now—and he sees no end in sight for his involvement.

While Hayes enjoys developing the next crop of credit union executives, he also relishes the opportunity to reconnect with credit union philosophy and instill the significance of the credit union difference. "I do get something out of it," he says. "I'm in a good place and I like to play a role in making CUNA Management School a good place. And we can make it even better."

Hayes channels CUNA Management School's energy and mission into North Star Community's practices, policies, and procedures. That often translates to a sustained emphasis on rehabilitative programs and services, and a continued willingness to work with individuals who are ready to correct mistakes, improve their finances, and turn their lives around.

"I've seen that happen," Hayes says. "That's the type of experience I've had, and we all can help out a little bit more."

### **A community engager**

Thirty-six years is a lot of time to rack up accomplishments. Even so, Vicki Hoehn's list boggles the mind.

The vice president of community engagement for Royal Credit Union in Eau Claire, Wis., clearly got straight to work when she started as a part-time teller in 1982. Since then, she has spearheaded, led, or contributed to many of the \$2.8 billion asset credit union's community service projects and initiatives, and has adopted several on her own.

More than a few stand out:

► **The Charity Classic run/walk** has been raising money for Eau Claire charities for 23 years.

► **In the first Community Give Back Day**, Royal branches closed on Columbus Day this past year to allow employees to volunteer. All told, staff logged more than 3,400 hours at 60 organizations in Wisconsin and Minnesota.

► **She led a board of directors** that launched a \$45 million campaign to conceive and build the Eau Claire Confluence Arts Center, scheduled to open this year.

► **She chaired campaigns for United Way** and has served on boards for Rotary Club, the American Heart Association, and the Eau Claire Women's Network.

Also, Hoehn started a member volunteer program at Royal. The idea took root when a member asked her why Royal didn't offer a seniors club that rewarded older members for giving their time to community organizations.

Hoehn liked the idea but wanted to recognize all members' volunteerism. RCU Volunteers launched in 1993 and now has more than 600 active participants. The family of a recently deceased member mentioned the man's years of participation in his obituary.

"When it's so meaningful that families mention it in an obituary, that's when you know you've made a difference," she says.

Hoehn is also particularly fond of the School \$ense program, a school-based financial education project she started in one elementary school in 1993. The program has expanded into 28 elementary, middle, and high schools, with students staffing mini-branches. Participating students made \$541,785 in deposits during the 2016-2017 school year.

Hoehn takes pride in Royal's work instilling good savings habits into children so life might be a little easier to navigate as they reach adulthood. "Our school program, that's probably my baby. That's the one that puts the biggest smile on my face," she says. "We have more school sites than we do branches."

In 2012, Royal leadership formally articulated the credit union's vision and goals, and Hoehn led the process. "I got to facilitate, and it was so easy because I've lived and breathed it," she says. "Credit unions are just special. We do the right thing, so I hope all of our team members are heroes in our members' eyes."

### **A teacher—and learner**

If being a hero means helping people, then Tom McWilliams is happy to be one. Certainly, the word is



**'All of our team members are heroes in our members' eyes.'**

**Vicki Hoehn**

a bit grandiose for his taste, but McWilliams embraces the responsibility of supporting the credit union industry—both its members and employees.

As the senior vice president of the Mississippi Credit Union Association, he does that by leading education programs. He's also the chairman and education director for the Southeast CUNA Management School, which prepares the next generation of industry leaders. He loves the exponential impact of the work—how educating one leader can transform a credit union and the lives of all the members it serves.

"I'm a lifelong learner. I love education. I'll continue to learn and expand and develop and grow and seek new opportunities," says McWilliams, who has worked for the league for more than 30 years.

"At our league," he adds, "that's what our education department is all about—showing people how to be better managers, better leaders, and better employees so they can better serve their credit union members."

Education should be a higher priority in the industry, McWilliams says. Increased competition and rapidly evolving products and platforms have trans-

formed financial services, and McWilliams knows many credit unions—particularly small credit unions—struggle to stay current and competitive as technology grows both more crucial and more complex.

He also realizes that when credit unions face financial constraints, cutting training programs can seem like a necessary decision. But for McWilliams, that's a short-sighted move.

"When you've got a member standing in front of you, you've got to serve that member," he says. "But we have to change that mentality. We've got to help credit union leaders understand that and learn how to improve their organizations. And then they can survive."

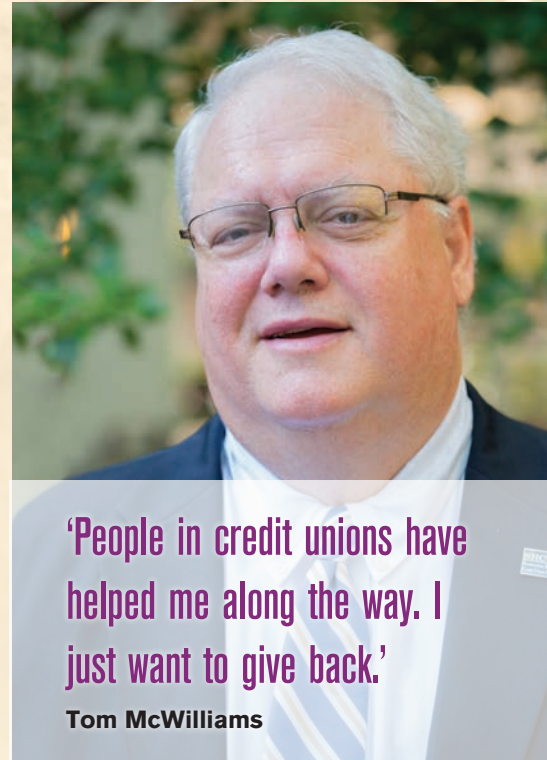
McWilliams worked in a bank before moving to the credit union industry. Decades later, he still marvels at the difference between their philosophies.

Both offer financial services, but McWilliams believes credit unions' core business represents something more fundamental and profound.

"When you've been in this business this long, you've seen lives change," he says. "You've seen where credit unions have made a difference. We have made lives better."

The way McWilliams sees it, credit unions are full of people just like him, all working hard and doing what they can to make life a little easier for friends and neighbors. Moreover, while McWilliams is proud to do work that can reach so many people in so many places, he fully believes he has benefitted as much as anyone.

"We all need someone to help us along the way. I think that's one thing people need to accept," he says. "We all need help. People in credit unions have helped me along the way. They've made me a better person. I just want to give back."



**'People in credit unions have helped me along the way. I just want to give back.'**

**Tom McWilliams**

## VOTE FOR THE 2018 CREDIT UNION HERO OF THE YEAR

It's time to select *Credit Union Magazine's* 2018 Credit Union Hero of the Year, sponsored by Trelance. Voting will take place through April 6. We'll honor this year's winner (or a representative) at CUNA's America's Credit Union Conference, June 28 to July 1 in Boston.

CAST YOUR VOTE AT [NEWS.CUNA.ORG/CUHERO](https://news.cuna.org/cuhero) 



**Laura Aguirre**



**Kathy Chartier**



**Jeff Hayes**



**Vicki Hoehn**



**Tom McWilliams**

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# VOTE FOR THE CREDIT UNION HERO OF THE YEAR

Sponsored by **trellance**

## **It's time to select *Credit Union Magazine's* 2018 Credit Union Hero of the Year!**

A credit union hero embodies the credit union philosophy and ideals, shows dedication to credit union principles and makes a difference in their community.

This year's finalists are:

- // **Laura Aguirre**, president/CEO, Hawaii First Federal Credit Union
- // **Kathy Chartier**, president/CEO, Members Credit Union, Connecticut
- // **Jeffrey Hayes**, president/CEO, North Star Community Credit Union, Iowa
- // **Vicki Hoehn**, vice president community engagement, Royal Credit Union, Wisconsin
- // **Tom McWilliams**, senior vice president, Mississippi Credit Union Association

The winner will be announced at America's Credit Union Conference, June 28-July 1 in Boston.

**Cast your vote by April 6.**

[news.cuna.org/cuhero](https://news.cuna.org/cuhero)



A council is born: Materials from the CUNA Marketing Council (now the CUNA Marketing & Business Development Council) over the years, including graphics from the first conference, white papers, and Diamond Awards.

# 25 & Counting

BILL MERRICK

## The CUNA Marketing & Business Development Council hits a major milestone.

Twenty-five years ago, credit union marketing was decidedly paper-based and “spray and pray”—no data analytics, limited targeting, and pre-internet.

Digital marketing didn't exist, and the member newsletter was king. Plus, marketers had yet to gain the respect their peers in other disciplines experienced. “It was like marketing was all arts and crafts,” says Mary Olson, a former league communicator and retired vice president of marketing at \$5.6 billion asset Delta Community Credit Union in Atlanta.

The formation of the CUNA Marketing Council in 1993 helped change all of this. The council provided a place for marketing and business development professionals to hone their skills, network, and improve their standing within their credit unions. It led the way for the six additional professional development councils that have emerged since then.

Olson and four others who had a major impact on the formation and long-term success of the now CUNA Marketing & Business Development Council explain how the organization came about, how credit union marketing and business development have changed, and what they see for the future of their craft:

► **Trish Shermot**, government relations and engagement officer for \$4 billion asset Visions Federal Credit

Union, Endicott, N.Y.

► **Cindy Morgan**, senior marketing executive for \$1.2 billion asset New England Federal Credit Union, Williston, Vt.

► **Juli Anne Callis Lawrence**, chief strategic officer for Raoust & Partners and a former credit union marketer and CEO.

► **George Towle**, consultant and former vice president of member relations for CUNA.

### **Credit Union Magazine: How did the council come about?**

**Olson:** The Financial Marketing Association had a big conference in April 1993. Then in May, I believe they

## FOCUS

► **Credit union marketing in 1993** was decidedly paper-based and “spray and pray.”

► **Marketing and business development** keeps getting more scientific, technology-driven, and targeted.

► **Board focus:** Marketing has evolved to become a strategic function within credit unions.



said, 'We're disbanding this particular group and we're not going to have a marketing group at all.' We were all taken aback by that.

**Towle:** Basically, the marketers were looking for a new home for professional development.

## 'Concentrate on the business side of marketing.'

Mary Olson



That's when CUNA stepped in. Our main focus was getting a conference together for the following year, and coming up with the Diamond Awards. We had to come up with everything from scratch.

From day one, it was always going to be about marketers, for marketers, and of marketers. This was their organization and their agenda, and they were going to drive it.

**Credit Union Magazine: What challenges has the council faced along the way?**

**Shermot:** The issues facing the council were the same issues facing our members. The impact of regulatory issues, membership growth, compliance, and, most recently, corporate stabilization and the creation of the Consumer Financial Protection Bureau continue to stretch and challenge the industry.

As credit unions and a council, we need to continue to collaborate. With so many new nonfinancial entrants to the market, continually thinking outside the box is imperative for our industry to thrive and grow.

**Towle:** One challenge the group faced was making marketing a strategic function in the credit union. They needed to be part of the executive management

team, which at the time was the CEO, chief financial officer, chief operating officer, and chief lending officer.

We said, "We've got to raise the bar as far as what marketing can do." It's not just getting the newsletter out.

**Credit Union Magazine: It seems like that has happened.**

**Shermot:** Everybody is in marketing now. It's the heart and soul of every organization. You're either marketing to your members, to the community, or to each other.

Once we were able to measure our success, we were part of the discussion for loan rates, and we were definitely part of the toolbox for the C-suite.



## 'Continue to collaborate.'

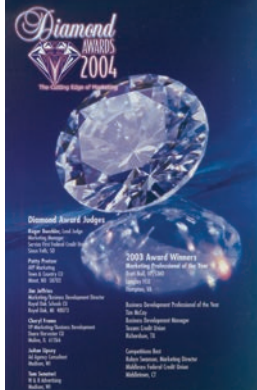
Trish Shermot

**Credit Union Magazine: What are some of your favorite council memories?**

**Lawrence:** The first meeting, when we all met and formulated the concept for all the councils. I've been involved in the Lending Council, Technology Council, and others from day one. I've judged contests and chaired the Marketing Council at one point. Grass-roots networking and collaboration is so critical.

**Shermot:** All of it, from making new friends to navigating the learning curve to participating as a judge for the Diamond Awards to sharing information and ideas as a speaker.

One of my best memories is when Bob Lawhead from Raddon Financial Group and I did a precon-



ference, day-long workshop on Marketing Customer Information Files. Our feedback was amazing, and people referred to us as Batman and Robin. I was extremely lucky to be part of a forward-thinking credit union that embraced target marketing and has been running an MCIF for more than 20 years.

I've been a judge several times for the Diamond Awards, and I used to say to myself, "These people are so much more talented than me."

**'Never stop learning.'**

**Cindy Morgan**



I learned to appreciate all of the talent out there and how we've elevated ourselves over the years.

**Olson:** I got to be a judge as well, and it's incredible. Another highlight for me was watching people win the Hall of Fame, Marketing Professional of the Year, and Business Development Professional of the Year Awards because it's always a secret.

It's neat to see how surprised and grateful they are for the recognition.

**Morgan:** Meeting some great people and forming friendships that I'll have for a lifetime. They come see me in Vermont to this day. It's great to have that kind of camaraderie.

Also, being on the executive committee and collaborating and creating the direction for the council was pretty exciting. It's an experience I'll never forget.

**Towle:** What stands out to me is seeing the elevation of marketing as a strategic function within the organization, and seeing former marketers become CEOs of credit unions.

**Credit Union Magazine: How has credit union marketing changed over the years?**

**Olson:** There was no worldwide web, no email, and nothing digital. Everything was paper-based, and everything was kind of a shotgun approach.

We didn't know how to target groups. It was like, "Throw it out there and see if it sticks."

**Shermot:** I think we called that "spray and pray." For us, the member newsletter was the top priority. That was the conduit to communicate with members. It was hands-on.

In the past you would see titles like "marketing and business development manager," when one person or perhaps a small team carried out the efforts of both roles.

Now, marketing has become so much more digitally engaged, specialized, and integrated with e-commerce, while business development, when done properly, uses our marketing tools to "sell" the credit union story to everyone we come in contact with.



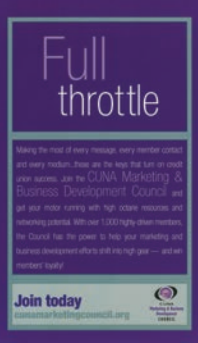
**'Identify your weaknesses.'**

**Juli Anne Callis Lawrence**

**Olson:** Delta didn't have to do marketing because everybody was a member, and we only had a few products. Everybody knew what the rates were for loans and share accounts. It was very different.

**Morgan:** You also had to wear many hats because at that time it was just myself and one other person in marketing.

You had to run at such a fast pace because the technology wasn't there that makes your job so much



easier today, like email and the website.

**Lawrence:** There are so many more tools at our disposal now—wonderful things, like analytics. I love the current environment because you can take data and make it actionable.

Marketing is far more strategic now than it used to be. At the time, marketing with many credit unions was extremely basic. They had some of the art, but little of the science.

**‘Constantly raise the bar.’**

**George Towle**



**Credit Union Magazine: What do you see for the future of credit union marketing and business development?**

**Olson:** I think it keeps getting more scientific, more technology-driven, and more targeted.

**Shermot:** I have to agree. It’s all about demographics, psychographics, and data-driven marketing.

The biggest challenge is getting the next generation of credit union leaders as excited about the credit union industry as we all have been. We need to continue to make our industry attractive to these forward-thinking individuals.

**Morgan:** I think the future is bright because we’re constantly reinventing ourselves, understanding what’s relevant and what’s trending, and continuing to move forward.

We’re constantly looking for new ways to do things, include people, and provide those educational and networking opportunities to understand what’s next.

**Lawrence:** We need to embrace the role of emerging technologies. Communications methodologies have shifted in amazing, wonderful ways.

We need to continue using scientific methods to execute technologies and communication strategy. The

sky’s the limit.

As far as threats go, Amazon is emerging as the one entity that might totally displace traditional banking providers. We’re wasting energy being anti-bank. Community banks are struggling as hard to survive as credit unions are.

I believe in business development as a relationship-building mechanism within the organization. You need to look at the institution’s journey and ask, “Where can we be relevant?” and “How can we stay relevant?”

**Credit Union Magazine: What career advice do you have for today’s marketers?**

**Morgan:** Never stop learning. Keep your eyes open and find what inspires you.

**Olson:** Concentrate on the business side of marketing—the numbers side—as much as you do the creative side.

**Shermot:** Find a mentor, fuel your passion, and learn something new every day. Everyone has a gift, and when you surround yourself with an open mind to learn from others, everyone wins.

Be a catalyst for change and a voice for making lives better.

**Towle:** Never be satisfied. You need to constantly raise the bar because your competition is raising the bar every day.

**Lawrence:** Do the right things for the right reasons strategically, and you will grow your credit union.

Also, identify your weaknesses. I was good in technology and statistics, but I needed some organizational development skills so I got my master’s degree in that.

If you want to move past wherever you are, develop the skill set you need to be more well-rounded.

# RESOURCES

- ▶ CUNA Digital Marketing School: [cuna.org/dms](http://cuna.org/dms)
- ▶ CUNA Marketing & Business Development Council: [cunacouncils.org](http://cunacouncils.org)

# CUNA ENVIRONMENTAL SCAN

CUNA Environmental Scan (CUNA E-Scan) helps credit union professionals stay up to date on recent trends and provides guidance for their strategic planning efforts. With an array of invaluable resources and tools available, CUNA E-Scan equips credit union professionals to prepare their credit unions for what lies ahead.

CUNA E-Scan offers a variety of informative resources in multiple formats, including:

- // CUNA E-Scan Report (Print or PDF)
- // CUNA E-Scan Powerpoint, DVD, Streaming Video
- // CUNA E-Scan Strategic Planning Kit

Endorsed by



## CUNA Offers ADA Website Compliance Resources

CUNA has developed a number of compliance resources designed to help credit unions ward off potential legal threats related to Americans with Disabilities Act (ADA) website accessibility.

Credit unions are facing increasing threats of litigation over ADA uncertainty.

CUNA compliance staff recommend credit unions conduct an ADA compliance audit of their websites and other digital content, and encourage credit unions not to wait for the Department of Justice to issue rules.

Credit unions should:

- ▶ **Assign** website accessibility ownership for initial remediation, as well as ongoing monitoring and maintenance.
- ▶ **Conduct** a thorough risk assessment on credit union websites and mobile applications.
- ▶ **Review** third-party linked sites.
- ▶ **Craft** a website accessibility statement—and supporting processes.
- ▶ **Ensure** content and services are accessible and compatible with

assistive technology.

- ▶ **Adjust** the website's accessibility to minimize risk, if necessary.

CUNA developed an FAQ that explains the current status of potential rulemaking, and advises credit unions on standards they should follow in the absence of federal regulations.

Many website operators use Web Content Accessibility Guidelines (WCAG) 2.0, which the World Wide Web Consortium developed, as a de facto standard.

It contains "success criteria" categorized into three levels: Level A (provides the most basic accessibility features); Level AA (addresses most common barriers); and Level AAA (the highest level of web accessibility).

WCAG 2.0 includes tips for getting started with web accessibility, addressing:

- ▶ **User interface** and visual design.
- ▶ **Writing** and content presentation.
- ▶ **Markup** and coding.

While the Department of Justice



hasn't adopted WCAG 2.0, it's the accessibility standard for federal agency websites.

CUNA's FAQ addresses:

- ▶ **Common website problems** that can cause accessibility issues.
- ▶ **Whether websites** fall under the ADA's "place of public accommodation."
- ▶ **Information** on the "Dominos Disclosure."
- ▶ **Resource links** and other compliance tips.

CUNA members can register to watch a recording of a free webinar at [cuna.org/compliance](http://cuna.org/compliance). Information is also available on CUNA's Compliance Community and in CUNA's e-Guide on the ADA.

## CFPB Finalizes Changes to Prepaid Accounts Rule

The Consumer Financial Protection Bureau (CFPB) has finalized updates to its 2016 prepaid accounts rule, including a delay in the effective date beyond what CUNA requested.

The rule puts in place requirements for treatment of funds on lost or stolen cards, error resolution and investigation, upfront fee disclosures, access to account information, and overdraft features if offered in conjunction with prepaid accounts.

The changes:

▶ **Extend the overall effective date of the rule by one year**, after commenters raised concerns about needing more time to implement the rule, especially to change packaging for prepaid cards sold in stores. The new effective date is April 1, 2019.

▶ **Adjust error resolution requirements** to provide that the error resolution and liability limitation protections apply prospectively, after a consumer's identity has been verified.

▶ **Provide more flexibility concern-**

**ing credit cards linked to digital wallets** to ensure that consumers continue to receive full federal credit card protections on their traditional credit card accounts while making it easier for them to link those accounts to digital wallets that can store funds. The changes also reduce potentially unnecessary complications and expense to consumers who link credit cards to digital wallets.

Find more information at [consumerfinance.gov/prepaid-rule](http://consumerfinance.gov/prepaid-rule).



## NCUA Opens New Credit Union Resources Office

NCUA's Office of Credit Union Resources and Expansion (CURE) opened for business in January and held its first webinar, "Welcome to CURE," highlighting the office's mission and focus of assisting credit unions in areas of growth and expansion.

CURE combines most functions of the former Office of Small Credit Union Initiatives but is also responsible for the field-of-membership and chartering responsibilities overseen previously by the Office of Consumer Protection and Access.

In addition, CURE also manages

NCUA's Minority Depository Institution Preservation Program and is charged with developing resources and training for credit unions through the Learning Management Service.

To receive answers to specific questions for NCUA about growth and expansion opportunities or



questions about NCUA's training initiatives, the bureau has provided the following email contact list:

▶ **Chartering questions:**

*NewFCU@ncua.gov.*

▶ **Community Development Financial Institution Certification:**

*CURECDFI@ncua.gov.*

▶ **Field-of-membership expansions:**

*DCAMail@ncua.gov.*

▶ **Grants and loans:**

*CUREapps@ncua.gov.*

▶ **Learning resources:**

*CURELMS@ncua.gov.*

Direct all other inquiries to *CUREMail@ncua.gov.*

## DOJ Rescinds Marijuana Memos

Attorney General Jeff Sessions released a memo earlier this year rescinding several Department of Justice memos addressing financial institutions that serve marijuana-based businesses in states where it is legal.

Financial institutions have been relying on those previous memos, from 2013 and 2014, to lower risk that comes with serving these businesses, since marijuana remains illegal at the federal level.

The memo advises prosecutors to "follow the well-established principles that govern all federal prosecutions... These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant consideration, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the

community."

Sessions' January memo rescinds the following memos:

▶ **Memorandum for Selected U.S. Attorneys:**

Investigation and Prosecutions in States Authorizing the Medical Use of Marijuana (Oct. 19, 2009) (Ogden Memo).

▶ **Memorandum for U.S. Attorneys:**

Guidance Regarding the Ogden Memo in Jurisdictions Seeking to Authorize Marijuana for Medical Use (June 29, 2011) (Cole Memo).

▶ **Memorandum for All U.S. Attorneys:**

Guidance Regarding Marijuana Enforcement (Aug. 29, 2013) (Cole Memo).

▶ **Memorandum for All U.S. Attorneys:**

Guidance Regarding Marijuana Related Financial Crimes (Feb. 14, 2014) (Cole Memo).

▶ **Director of the Executive Office for U.S. Attorneys, Policy Statement Regarding Marijuana Issues in Indian Country** (Oct. 28, 2014).

## COMPLIANCE Q&A

by CUNA's Compliance Team

**Q** What's the process for filing a corrected or amended Suspicious Activity Report (SAR) in FinCEN's Bank Secrecy Act (BSA) E-Filing System?

**A** According to the Financial Crimes Enforcement Network's (FinCEN) SAR FAQ, **credit unions should check "Correct/amend prior report"** and enter the previous Document Control Number (DCN)/BSA Identifier (ID) in the appropriate field.

The credit union should then:

- ▶ **Complete** the FinCEN SAR in its entirety. Include the corrected/amended information and note corrections at the start of the narrative.
- ▶ **Save** a copy of the filing.
- ▶ **Print** a copy of the filing, if so desired.
- ▶ **Submit** the filing.

The corrected/amended FinCEN SAR will be assigned a new BSA ID.

# NCUA Exams Again Focus on Cybersecurity

*Agency intends to fully implement extended examination cycle by year-end.*

JARED IHRIG

NCUA LAID OUT ITS 2018 supervisory priorities in its annual Letter to Credit Unions No. 17-CU-09 to kick off the year. Not surprisingly, cybersecurity, Bank Secrecy Act (BSA) compliance, and internal controls and fraud prevention top the list.

NCUA also noted that, after implementing its extended examination cycle in 2017, it expects to fully implement the new cycle by the end of 2018.

As outlined in Letter to Credit Unions No. 16-CU-12 last year, a federal credit union is eligible for the extended examination cycle if it meets all the following criteria:

- ▶ **Assets** of less than \$1 billion.
- ▶ **CAMEL** code 1 or 2, in both the composite rating and the management component rating.
- ▶ **“Well capitalized”** under prompt corrective action (PCA) regulations.
- ▶ **No** outstanding documents of resolution items related to significant recordkeeping deficiencies.
- ▶ **Not** operating under a formal or informal enforcement or administrative order, such as a cease and desist order, letter of understanding and agreement, preliminary warning letter, or a PCA directive.

Examinations for federal credit unions eligible for an extended cycle will begin between 14 and 20 months from the prior examination completion date. Examinations for all other federal credit unions will begin between eight and 12 months from the prior examination completion date.

In 2018, examiners will use the streamlined small credit union exam program procedures for credit unions with assets up to \$50 million and CAMEL ratings of 1, 2, or 3.

For all other credit unions, exam-

iners will conduct risk-focused examinations, concentrating on high-risk areas, new products and services, and compliance with federal regulations.

## Cybersecurity assessment

NCUA will implement the Automated Cybersecurity Examination Tool (ACET) to improve and standardize supervision related to cybersecurity.

The ACET provides the agency with a repeatable, measurable, and transparent process for assessing the level of cyber-preparedness across federally insured institutions.

It incorporates appropriate standards and practices established for financial institutions, and aligns with the Cybersecurity Assessment Tool developed by the Federal Financial Institutions Examination Council for voluntary use by banks and credit unions.

NCUA encourages credit unions to continue to self-assess their

cybersecurity and risk management practices using the Cybersecurity Assessment Tool if they don't have an alternative assessment method.

NCUA will begin using the ACET for exams of credit unions with more than \$1 billion in assets. The agency can then create a baseline for the cybersecurity maturity level of the largest and most complex institutions, while it continues to test and refine the ACET through 2018 to ensure it scales properly for smaller, less complex institutions.

## BSA compliance

NCUA remains vigilant in ensuring the credit union system isn't used to launder money or finance criminal or terrorist activity.

Examiners are required to review credit unions' compliance with the BSA and complete the related examination questionnaire at every examination.

The Customer Due Diligence (CDD) regulations for financial



institutions become effective May 11.

Examiners will assess compliance with this new regulation in the second half of 2018.

### Internal controls and fraud prevention

Credit union safety and soundness includes establishing a strong system of internal controls and a comprehensive approach to managing fraud risk.

Examiners will continue to evaluate the adequacy of credit union internal controls, as well as overall efforts to prevent and detect fraud.

### Interest rate and liquidity risk

On Jan. 1, 2017, examiners began using a revised interest rate risk supervisory tool and examination procedures to assess interest rate risk management practices in credit unions.

Because NCUA didn't examine all credit unions in 2017, it will examine some credit unions under the new procedures for the first time in 2018.

NCUA revised its interest rate risk supervision process, given the potential impact of interest rate risk on the credit union system and the National Credit Union Share Insurance Fund.

NCUA developed these new procedures after extensive staff research, analysis, vetting, and testing over the past two years. Stakeholders included credit unions, state regulators, external service providers, and NCUA staff.

Key changes to NCUA's interest rate risk supervision include:

- ▶ **Developing** the Interest Rate Risk Review Procedures Workbook.
- ▶ **Updating** interest rate risk toler-

ance thresholds in the Net Economic Value Supervisory Test, which measures the relative degree of market risk inherent in a credit union's balance sheet under a prescribed interest rate shock scenario using standardized nonmaturity share values.

▶ **Creating** an estimated net economic value tool for credit unions with total assets of \$50 million or less.

## NCUA REVISED ITS INTEREST RATE RISK SUPERVISION PROCESS.

▶ **Revising** the interest rate risk chapter in the Examiner's Guide. NCUA designed these interest rate risk supervision changes to increase its efficiency and effectiveness, and to focus resources toward higher-risk credit unions while reducing the scope, attention, and time for lower-risk credit unions.

The new procedures also should provide greater consistency in the identification and application of risk assessment across the system, according to NCUA.

Examiners also will increase their focus on liquidity risk management practices, given the emerging trends related to on-balance-sheet liquidity.

More information is available in last year's Letter to Credit Unions No. 16-CU-08, which contains a fact sheet about interest rate risk supervision, the revised Examiner's Guide, the Interest Rate Risk

Review Procedures Workbook, and a guide to using the workbook.

### Automobile lending

Examiners will apply additional scrutiny to credit unions with material exposure to higher-risk forms of auto lending.

Specifically, examiners will focus on portfolios with the following concentrations:

▶ **Extended** loan maturities of more than seven years.

▶ **High** loan to value.

▶ **Near-prime** or subprime.

▶ **Indirect** lending programs.

NCUA cautions credit unions to be aware of concentration risk, which it considers any single exposure or group of exposures with the potential to produce losses large enough—relative to capital, total assets, or overall risk level—to threaten a financial institution's health or ability to maintain its core operations.

Examiners need to ascertain whether the board of directors and management understand and actively manage concentration risk. More detail is available in NCUA's Letter to Credit Unions No. 10-CU-03.

### Commercial lending

NCUA's revised regulation for commercial lending—Part 723: Member Business Loans; Commercial Lending—went into effect Jan. 1, 2017.

It reflects a principles-based approach to regulation. The agency designed it to provide greater flexibility to credit unions to meet their members' needs through prudent risk-management practices.

Examiners will continue to focus on the credit union's commercial loan policies and procedures along



with assessing the effectiveness of the credit union's risk management processes.

Credit union officials should be prepared to ensure the policy, practices, and staffing are appropriate for the type of commercial loans their credit union offers.

NCUA's online Examiner's Guide provides guidance on the principles of sound commercial lending and NCUA's supervisory expectations for sound risk-management practices.

Examiners should assess whether a credit union's:

► **Board** of directors understands the risks and provide sufficient oversight.

► **Management** and staff have appropriate experience, expertise, and resources.

► **Commercial** loan policy is adequate and complies with NCUA regulations.

► **Credit** risk ratings are consistent and reliable.

► **Commercial** loan risk management is comprehensive and ongoing.

For more information, see NCUA Letter to Credit Unions No. 16-CU-11 that discusses the addition of member business loans guidance to the Examiner's Guide.

### Consumer compliance

Beginning in the second quarter, examiners will perform limited reviews of quarterly loan/application registers (LAR), when applicable.

They will evaluate federal credit unions' good faith efforts to comply with the Consumer Financial Protection Bureau's October 2015 and August 2017 amendments to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA).

NCUA's review of 2018 HMDA



data will be diagnostic in nature, designed to help credit unions identify compliance weaknesses in collecting 2018 data for submission in 2019, and will credit good faith compliance efforts.

NCUA recognizes the significant systems and operational challenges needed to adjust to the revised regulation for HMDA data collected in 2018 and reported in 2019.

Therefore, the agency doesn't intend to cite violations for data errors found in the quarterly LARs, nor require data resubmission unless data errors are material.

NCUA also doesn't intend to assess penalties with respect to errors in data collected in 2018 and reported in 2019.

Collection and submission of the 2018 HMDA data will provide credit unions an opportunity to identify any gaps in their implementation of amended Regulation C and make improvements in their HMDA compliance management systems for future years.

For data collected in 2017, credit

unions will submit their reports in 2018 in accordance with the current Regulation C using the bureau's HMDA platform.

Examiners will also evaluate credit unions' efforts to comply with the Military Lending Act's restrictions against the use of certain contract terms, as well as the credit card provisions for which compliance began in October 2017.

Examiners also will review credit unions' overdraft policies and procedures for compliance with Regulation E.

*JARED IHRIG is CUNA's chief compliance officer. Contact him at 202-508-6732 or [jihrig@cuna.coop](mailto:jihrig@cuna.coop).*

## RESOURCES

- CUNA: [cuna.org/compliance](http://cuna.org/compliance)
- Federal Financial Institutions Examination Council: [ffiec.gov](http://ffiec.gov)
- NCUA: [ncua.gov](http://ncua.gov)

# CUNA PROFESSIONAL DEVELOPMENT ONLINE

**CPD Online is the only training tool your credit union needs:**

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- // **Eases administration** – managers and HR can easily track and monitor training progress

[cuna.org/cpdonline](http://cuna.org/cpdonline)

# New Interpretive Rule Updates MLA Guidance

*CUNA engages DoD for additional clarification.*



**MICHAEL McLAIN**

THE *FEDERAL REGISTER* published amendments to the Military Lending Act (MLA) guidance from the Department of Defense (DoD) on Dec. 14, 2017.

CUNA has urged DoD, since late 2016, to provide additional guidance to clarify many of the issues in the MLA rule that have caused confusion for credit unions.

CUNA wrote four letters over seven months and met face-to-face a number of times with DoD, in addition to engaging with regulators and members of Congress.

DoD issued its first interpretive rule with 19 questions and answers on Aug. 26, 2016.

This new interpretive rule amends the guidance in three of the previous 19 questions and clarifies a fourth issue the initial rule didn't discuss.

## **Purchase-money vehicle loans**

Question 2 from DoD's August 2016 interpretive rule stated that a purchase-money vehicle loan or personal property loan would lose its exemption under the MLA rule if the credit union loaned additional money beyond the purchase price that was unrelated to the vehicle or personal property pur-

chase itself or if it provided additional cash-out.

Question 2 from the recent interpretive rule amendments clarifies that whether a purchase-money loan loses its exemption from the MLA rule depends on what is financed.

Generally, financing costs that are related to the collateral's purchase won't eliminate the loan's exemption from the MLA rule, but financing credit-related products will disqualify the loan from the exemption.

Loans are still eligible for exemption under the MLA rule if the loan that finances the vehicle:

- ▶ **Is** secured by that vehicle.
- ▶ **Finances** optional third-row seating or an optional GPS display.
- ▶ **Finances** an extended service warranty.

If a covered borrower trades in a motor vehicle with negative equity as part of the purchase of another vehicle, and the loan to purchase the second vehicle includes financing to repay the credit on the trade-in vehicle, the entire transaction is still eligible for the exemption because the trade-in of the first vehicle is expressly related to the purchase of the second vehicle.

But a loan that finances a credit-related product or service is not eligible for the exemption. A loan that includes financing for guaranteed auto protection (GAP) insurance or other credit insurance doesn't qualify.

The new amendments to the interpretive rule restate the concept that a loan that provides purchase-money secured financing of a vehicle or personal property along with additional "cash-out" financing that is unrelated to the purchase doesn't qualify for the exemption and must comply with the MLA rule's requirements.

## **Security interests in deposit accounts**

Question 17 from the December interpretive rule amendments states that the MLA rule prohibits a creditor from using the borrower's account information to create a remotely created check or payment order to collect payments.

The rule does permit a covered borrower to convey security interests to creditors in their checking, savings, or other deposit accounts if they aren't prohibited by other applicable law and the creditor complies with all other MLA rule provisions.

Also, Question 18 from the December interpretive rule amendments states that the MLA rule permits a creditor to exercise a statutory right to take a security interest in a covered borrower's deposit accounts—in connection with all types of consumer credit covered by the MLA rule including credit card accounts—at any time. This includes enforcing statutory liens, provided that it is not prohibited by other applicable law and the creditor complies with all other provisions of the MLA rule.

The language in Questions 17 and 18 of the new interpretive rule doesn't seem to provide any significant change from the same questions in the previous rule.

## **Determining the status of covered borrowers**

In the December amendments, Question 20 clarifies that a creditor qualifies for the MLA rule's safe harbor when it conducts a covered-borrower check when a consumer initiates a credit transaction or applies to establish an account, or up to 30 days prior to the consumer's action.

*MICHAEL McLAIN is CUNA's senior federal compliance counsel. Contact him at 608-231-4185 or at mmclain@cuna.coop.*

# CUNA REGULATORY COMPLIANCE CERTIFICATION SCHOOLS

APRIL 22-27, 2018 // NEW ORLEANS  
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*“This school was excellent! CUNA gave us great information, materials and tools to use. The classes will help you grow your compliance knowledge and help with staying on top of the important issues we face each day. If I could, I would attend every year!”*

- Kristy Carper  
Vice President,  
Compliance  
Atlantic City FCU

## Strengthen your knowledge of regulatory compliance

The CUNA Regulatory Compliance Certification School provides an opportunity for credit union professionals of all backgrounds to learn about compliance issues. Whether you are new to the compliance field or a seasoned veteran, you will learn something new at one of the school's two schools:

- 1. Introduction** teaches students the need-to-know information about credit union regulations, and prepares them to take the exam to earn their Credit Union Compliance Expert (CUCE) designation.
- 2. Update** provides an opportunity to hear about the newest hot topic issues from CUNA and industry compliance professionals. Choose the sessions you want to attend based on your specific needs. Existing CUCEs can also recertify.

## Home Equity ‘Hybrids’ on the Rise

Rising home prices and lower inventories have increased demand for home equity products, according to research from Raddon, a Fiserv company.

Recent regulations have significantly affected the design of home equity products, the research indicates—most notably the TILA-RESPA Integrated Disclosure (TRID) regulations of August 2015.

Since the Consumer Financial Protection Bureau implemented TRID, financial institutions have started offering home equity lines of credit with an option to lock a portion or the full balances into a fixed-rate, fixed-term product.

Some of Raddon’s clients have moved to this “hybrid” model as well. Raddon expects this hybrid

product will grow in popularity and become the new model for equity lending.

Over the past few years, Raddon’s clients have been rolling out the hybrid home equity line of credit (HELOC) products. Consumers apply for these “evergreen” loans once and can continue to use them as long as they remain in their residence.

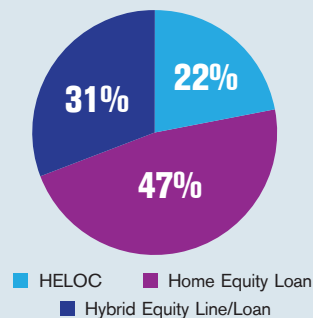
As they pay down the fixed segments of the loan, the available line grows and they can reuse those funds for other purposes.

Raddon’s analytics show stronger household penetration and growth for HELOCs compared with home equity loans. Households with home equity products have a strong relationship with their financial institu-

tion and typically belong to the most profitable household segment, which generates at least \$500 per year.

These households also have strong total deposit and loan balances, Raddon reports.

**Homeowner’s Preferred Type of Equity Loan Product**



Source: Raddon

## Service Assists Members in ID Theft Recovery

In response to the growing threat of fraud and identity theft as a result of data security breaches, \$2.9 billion asset Coastal Credit Union in Raleigh, N.C., is offering a new identification theft recovery service to members.

Named id Ally<sup>SM</sup>, the service is available at no cost as a benefit of Coastal membership.

“We’ve grown accustomed to helping members recover from credit and debit card fraud after merchant data breaches,” says Chuck Purvis, Coastal’s president/CEO.

“But the amount of stolen personal information as a result of the credit bureau breach led us to seek out something more robust to help them recover from actual identity theft,”

he adds.

In the event members suspect they’ve become victims of identity theft, they can call Coastal and the credit union’s member service representatives can put the member in touch with a certified ID theft recovery advocate.

This advocate will work directly with the member and provide all of the necessary recovery work.

“On top of the financial and emotional toll, being a victim of identity theft ends up being a lot of work,” says Paul Narcisse, Coastal’s assistant vice president, fraud.

“Victims often put in hundreds of hours of time to do research, place fraud alerts with credit bureaus, send dispute letters, file police

reports, and more.

“With id Ally, we’ll assign an expert caseworker to do the heavy lifting on their behalf until their good name is restored,” Narcisse continues.

The benefit extends to spouses, parents, and children of the member living in the same household.

Identity thieves stole \$16 billion from 15.4 million consumers in 2016, according to the 2017 Identity Fraud Study, released by Javelin Strategy & Research.

That’s up from \$15.3 billion in identity theft from 13.1 million victims a year earlier.

In the past six years, identity thieves have stolen more than \$107 billion, Javelin reports.



## Omnichannel Experience Must Be Quick, Simple

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 a big challenge for credit unions, which often must deal with a variety of back-end systems, says Sharon Moseley, senior vice president/chief information officer at \$4.1 billion asset Kinecta Federal Credit Union in Manhattan Beach, Calif.

According to Moseley, creating that experience is important in an age when fintech firms are gaining

ground on credit unions.

“Fintechs are making some banking activities so simple, quick, and automated that we could ultimately lose our members to them,” she says. “We must create an experience that is just as easy as the fintechs’ experience—but better because we offer all banking activities at one trusted credit union. And only the credit union has members’ best interests at heart. We must demonstrate that to them consistently.”

Moseley says if credit unions have a sound underlying architecture, it becomes easy to deliver the



new experience in distinct pieces, based on their business priorities.

The key to delivery, she says, is designing an application architecture that addresses the overall vision, and then mapping out incremental deliverables that provide business value immediately.

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## Digital Disruption in Mortgage Lending

Here are the three top technology developments in mortgage lending today, according to Valentin Saporatas, CEO of MortgageHippo, an end-to-end digital mortgage platform:

### 1. Borrower self-service channels.

In today's hyper-connected, instant gratification-seeking world, consumers want access to products and services at every moment, even when you're not around to serve them.

Credit unions must, for example, allow members to apply for mortgage preapprovals after hours.

**2. Automated data collection and single-source validation.** This allows you to collect a borrower's income, assets, credit, liabilities, employment,

identity, liens and judgments in a few short steps. Most of the data you need to complete a 1003 mortgage application is already available digitally.

That data will soon be available directly from the IRS or another financial institution as the mortgage industry moves toward an era of little or no documentation, faster processing and underwriting times, and lower costs.

**3. The digital mortgage ecosystem.** The entire mortgage infrastructure is undergoing a digital transformation, including much-awaited electronic or hybrid closings, which are on track to become standard industry practice.

## SNAPSHOT

### CU Marketing Budgets



were more than **6%**  
higher than in **2016**

Source: CUNA 2018-2019 Marketing & Technology Report

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# CUNA FINANCIAL COUNSELING CERTIFICATION PROGRAM

*“CUNA Financial Counseling Certification Program (FiCEP) has value for participants of all backgrounds; whether you’re a loan officer trying to break into the financial counseling field or an experienced counselor, the program’s rich content will help you develop new skills and knowledge.”*



Laurie Allen, CCUFC  
Empower FCU

CUNA Financial Counseling Certification Program (FiCEP) provides you with the skills and knowledge to guide your members to financial security.

Becoming a financial counselor will enable you to:

- // Acquire skills to help those experiencing financial difficulties
- // Demonstrate the credit union difference
- // Attract new members
- // Grow product and service revenue
- // Reduce delinquencies and charge-offs

FiCEP is available now through an eSchool, as well as self-study print and PDFs.

# Keeping Tabs on Regulations

*Core processors allow easy access to data to tackle complex tasks.*

PATRICK TOTTY

FOR MOST CREDIT UNIONS, regulatory compliance is like chronic ringing in the ears: At best it's an irritant that never goes away or takes a break. It also can come on like a tsunami.

"A flood of new compliance regulations started in 2013 and lasted through 2016—something that was common to all core processors," says Milind Pathak, director, payments and integration, product management at Finastra, a fintech company that provides financial services software. "We were focusing 30% to 50% of our time on dealing with them.

"Fortunately, our clients understood the need for us to do this," Pathak continues. "In 2017, we started seeing a lessening of the flow, and we expect that in 2018 we'll start to see some relief. We now dedicate just 20% to 30% of our time to compliance."

"Most compliance pressure stems from the external regulatory environment—particularly from the implementation of new regulations and associated deadlines," says Paula Taylor, manager, compliance, at Fiserv. Despite the lessening of the volume of regulatory demands, says Taylor, "the largest challenge for credit unions will always be staying in lockstep with the requirements themselves."

New compliance requirements seem to work on a cyclical basis, says Stephen Gilmour, manager, technical products management, at Symitar.

"The IRS issues updates annually, and the same with NACHA, the Electronic Payments Association, while NCUA and others issue regulations more frequently," Gilmour says. "When we know what the

updates might require, we line up projects for our software developers to make additions or changes to our core processor in anticipation. When new regulations become official, we're prepared with updates."

## Addressing compliance issues

Pathak's compliance team keeps watch for new regulations from all sources, including federal agencies and NCUA. "We also do individual case management, where we respond to a particular credit union's concern," he says. "If a credit union raises an issue, we respond immediately.



EXPECT SOME RELIEF

FROM COMPLIANCE

REGULATIONS IN 2018.

Milind Pathak

"We publish a monthly newsletter where we include a list of compliance items our credit union clients should be aware of, ranked by dates due and level of criticality," he adds.

Outreach is a key factor at Symitar. Each quarter, the company holds a compliance town hall, where as many as 140 credit unions participate. "The presentation offers attendees the latest insights into compliance regulations and our own core processor updates," says Gilmour. Additionally, Symitar has an Incident Advisory Board, where credit unions can voice their concerns, and Symitar presents webinars that cover specific aspects of compliance.

The Finastra core processor is "an open system that meshes well with third-party components," says Pathak. "That's because client requirements vary. Some clients don't want a total, out-of-the-box solution, which means they want to be able to mesh our solution to other components."

"On rare occasions, because of our open architecture, a client might be tempted to go outside the box and apply our software to problems that are outside what we've designed it to handle," says Patricia O'Loughlin, senior product manager, enterprise solutions, at Finastra. "Our service bureau can catch this misapplication pretty quickly, and often the client itself will come to us to report a problem."

Gilmour describes one interesting compliance matter Symitar covered—meeting the requirements of the 2016 Military Lending Act, which capped interest rates and fees that could be applied to military personnel.

"In many cases, a credit union might have had only a few military people among its members, so sifting through its database to find those people was a huge task," he says. "We developed a module that



STAYING IN LOCKSTEP

WITH REGULATIONS IS

ALWAYS CHALLENGING.

Paula Taylor

tracked those names for them and would display all pertinent rates. It saved clients a lot of time.”

Core processors routinely handle complex tasks such as data and document tracking and updating, notifications, the Home Mortgage Disclosure Act (HMDA), the Truth-in-Lending Act-Real Estate Settlement Procedures Act (TILA-RESPA), and more.

“Core systems handle all these common capabilities and information types,” says Taylor. “But the exact way information is made accessible will vary from core system to core system. More importantly, specific credit union circumstances and policies will affect how these tasks are handled.

“For example,” she adds, “if a credit union has only a few loans that are subject to a specific regula-

tion, such as the HMDA, it may choose to track those manually, outside of the core environment.”

Industry changes such as same-day automated clearinghouse payments (ACH) often serve as a catalyst for the evolution of a core processor’s compliance capabilities.

“Same-day ACH is a great example,” Taylor says. “The transition became effective over three phases, allowing financial institutions and businesses to acclimate to a faster processing environment. Existing support for same-day processing on the majority of our core systems smoothed implementation of this requirement for our clients.”

While core processor companies take pride in the range and capabilities of their systems, Gilmour offers a cautionary note: “We don’t guarantee that our core system will keep a credit union in compliance. We provide a tool the credit union uses to maintain compliance. It’s up to the credit union to use the tool correctly.”

Regulations often create a need for new types and combinations of data, Taylor notes.

“Some might require credit unions to track information they have not tracked before, or to report in different ways,” she says. “Credit unions should work with their core provider to match evolving compliance reporting needs to the capabilities of their core.”

## RESOURCES

- ▶ Finastra: [finastra.com](http://finastra.com)
- ▶ Fiserv: [fiserv.com](http://fiserv.com)
- ▶ Symitar: [symitar.com](http://symitar.com)



## MAKE THE DATA ACCESSIBLE

For core processors, data accessibility is critical.

“Data is key when it comes to compliance, and it’s incumbent on the credit union to ensure data is accurate and entered properly,” says Paula Taylor, manager, compliance, with Fiserv. “The core’s most critical compliance role is to enable access to data so the credit union can utilize it as needed. The ability to readily generate reports so staff can access that data is an essential core system function in the context of compliance.”

The core is “the central hub for all financial institution data, and its main role in compliance is providing access to that data,” Taylor says. “While technology can facilitate compliance, you should never rely on it as the sole solution. It’s crucial that credit union leadership and staff take an active role in compliance and are up to date on regulations that apply to their institution. Technology is an aid to established processes and procedures.”

Are credit unions seeing any compliance demands or regulatory changes now that the Trump administration has been in place for more than a year? Will auditors have fewer demands?

“In any particular year, we often observe auditors focusing on a certain issues and aspects of compliance,” says Stephen Gilmour, manager, technical products management, at Symitar. “Sometimes, it almost seems that auditor’s whim determines what will be scrutinized. We note that and can deduce from it what we can do to help a credit union be prepared.”

Other factors can also impact how auditors approach the credit union industry, Gilmour says. Those factors can include political events—anticipated or unexpected—and the performance of financial markets.

“Right now, in the case of anticipated changes, we haven’t really seen anything yet,” Gilmour says.

## Program Change Aids Local Kids

*Online donation option allows non-branch users to raise funds for CMN Hospitals.*

Members at Desert Financial Federal Credit Union have always participated in fundraising efforts for Children’s Miracle Network (CMN) Hospitals through in-branch change drives.

Those in-branch change drives have raised more than \$100,000, and have been a core component of the credit union’s fundraising efforts for its local CMN Hospital, Phoenix Children’s Hospital.

But 50% of Desert Financial Federal’s members don’t use branches, leaving them without the opportunity to take part.

“We knew there was great potential to raise significantly more funds if we could take our coin collection campaign to members who do all their banking online and would never see a coin canister in a branch. So, we started brainstorming,” says Ron Amstutz, executive vice president of the \$4.3 billion asset credit union in Phoenix.

Desert Financial integrated a donation program into its online banking platform, allowing members to “donate change.” Within their bill pay account, members have two options available:

► **One-time immediate “change” donation.** Members donate the change in their checking account balance.

For example, if a member’s checking balance is \$765.43, the member donates 43 cents to CMN Hospitals.

► **Monthly recurring “change” donation.** Members donate the change from their checking account on a specific day each month.

Members also can choose to make a one-time immediate flat donation or a recurring flat donation.

Since its launch in 2014, nearly 15,000 members have used the online donation program, raising \$149,000 for CMN Hospitals and driving a 45% increase over Desert Financial Federal’s branch-only fundraising totals.

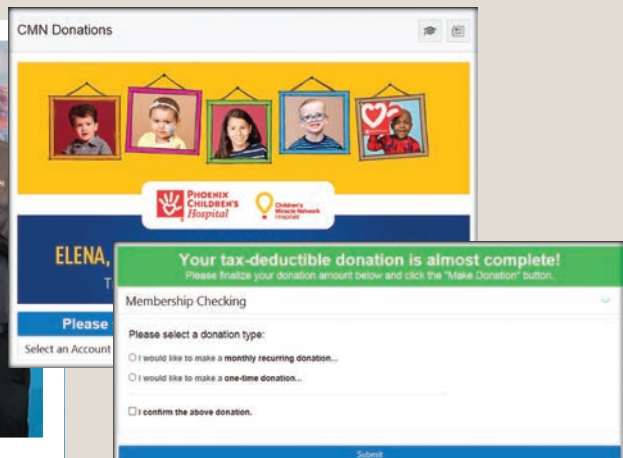
Also, this solution delivers the credit union’s community engagement message and its vision for shared prosperity to a broader audience in the Arizona Valley.

It’s an opportunity that could change the way credit unions raise funds for CMN Hospitals.

“The online change program has the potential to revolutionize our member-facing fundraising efforts,” says Joe Dearborn, senior director of Credit Unions for Kids. “For the first time, we’re able to engage those members who bank exclusively online and offer them the opportunity to support their local Children’s Miracle Network Hospital throughout the year.”



Desert Financial FCU members raised more than \$600,000 for CMN Hospitals in 2017. From left: Steve Schnall, Phoenix Children’s Hospital; Jeff Meshey, Desert Financial FCU; Susan O’Donnell, Phoenix Children’s Hospital; and Ron Amstutz, Desert Financial FCU.



Desert Financial FCU members now have the option to make a donation to CMN Hospitals through its online banking platform.

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# Alexa: The Latest in Financial Education?



*These devices don't just monitor what's going on, they can change behavior.*

JAMES COLLINS

IF YOU HAVEN'T HEARD OF Alexa, it's time to come down from that mountaintop hut and try new inventions like ATMs and indoor plumbing.

Alexa (along with competitors such as Google Home, Apple HomePod, and Microsoft's latest failure) are part of a new concept of home automation devices. These devices allow the user to talk to a smart speaker, which is connected to a cloud-based personal assistant.

For example, you could control the lights in your home, order merchandise, or even turn on a blaring AC/DC guitar riff in your kid's room when they ignore your demand to get up and moving.

I currently have two of the monsters (Alexa devices, that is; I have three of the human kind). Do I technically need two? Not really, but I enjoy the personal thank-you card from Amazon CEO Jeff Bezos every time my hard-earned cash goes to polish the gold filigree on his wash-room handles.

Alexa is rather slick and works well. Most times it understands what I say and accomplishes the task at hand—something I cannot say about my teenagers.

If you ask her about the news, she will recite the day's headlines. If you ask her about sports, she'll rattle off the current scoreboard. And if you ask her about the weather, she'll say, "It's raining." But since I live in Seattle, so that's a gimme.

What impact will these personal assistants have on credit union members? Right now, not a lot. Most of the current applications do what you would think they should do: check account balances, transfer money, pay bills—helpful, but not earth-shattering.

But it's not about what these devices do today, it's where they're going.

Here, for example, is an app today:

**Me:** Alexa, open the credit union app.

**Alexa:** Done.

**Me:** How much money do I have?

**Alexa:** You have \$256.78.

**Me:** How much is my loan payment?

**Alexa:** Your Visa loan has a payment due of \$25. Do you wish to pay it?

**Me:** Yes.

**Alexa:** Done. You now have a balance of \$231.78.

But here is the app in three years:

**Me:** Alexa, open the credit union app.

**Alexa:** Done.

**Me:** How much money do I have?

**Alexa:** Not enough for whatever you are planning.

**Me:** How much is my loan payment?

**Alexa:** Your Visa loan has a payment due of \$25. Of course, it could be less if you'd quit getting takeout every night. Plus, you agreed to start exercising. I see that you put in your diet choice as "deep fried."

**Me:** Quit being judgmental and make my payment.

**Alexa:** Done. You now have a balance of \$231.78. Now, why don't you

use that gym membership that keeps hitting your account?

The point here is that these devices have the power not only to do your bidding but interact in such a way as to change your behavior. It's like having a debit card that sends a mild electric shock to the cardholder once they've passed their limit.

These devices don't just monitor what's going on—they can change it.

Too often, members make bad financial decisions, like not saving enough or overspending. Normal financial education programs help, but far too few people use them.

With personal home assistants connected to the credit union, we at last have the potential to influence these decisions before they're made—in a nonthreatening and secure way:

**Me:** I want that new fishing rod.

**Alexa:** That's a bad choice. It's \$100 and you still need to make rent.

**Me:** I need that fishing rod.

**Alexa:** Did you not hear me? It's way too expensive and there are bills to pay.

**Me:** I am getting that fishing rod.

**Alexa:** Foolish human: Watch this cat video.

**Me:** OK.

Perhaps this is the financial education tool we've been looking for all along.

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





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