

MAY 2018

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#### ABOUT THE COVER

Jon Sexton, senior vice president of culture and leadership development, hosts a quarterly book club devoted to fostering leadership at Vibrant Credit Union, Moline, Ill.

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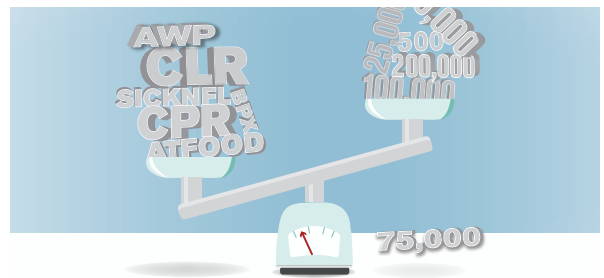
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# CUNA ENVIRONMENTAL SCAN



CUNA Environmental Scan (E-Scan) combines industry trends, expert insights and forecasting data to provide strategic planning guidance for credit union professionals. Based on future-focused insights and filled with financial industry application, this annual report supplies the information and resources credit unions need to compete.

The 2018-2019 CUNA E-Scan Report is available in print and digital formats, along with several complementary resources to assist in presentations and planning.

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## Special Report: CUNA CFO Council Conference

The credit union movement's premier event for chief financial officers (CFOs) will cover a wide variety of topics for finance professionals, including the evolving role of the CFO, current expected credit loss, cybersecurity, community involvement, and more.

Keynote speakers include futurist Mike Walsh, who'll examine the future of financial services, and entrepreneur Vinh Giang, who'll address the psychology of illusion.



## Four hot topics from Finovate Europe

Four hot topics of note are a window into the coming wave of fintech breakthroughs:

1. **Open banking.**
2. **Authentication.**
3. **Blockchain.**
4. **Investment** and insurance technology.

Marketplace lending solutions, however, were notably absent from the agenda due to challenges faced by some early movers in the space.



## Recovery efforts continue for Hurricane Maria victims

Credit unions continue to assist victims of Hurricane Maria, which devastated Puerto Rico on Sept. 20, 2017. First Tech Federal Credit Union in Mountain View, Calif., compiled a video detailing the story of how the organization came together to support and assist its membership and employees in Puerto Rico in the wake of the storm.



## CUNA News Podcast: Build a better brand

Branding, says marketing guru Mark Arnold, is everything from the board room to the break room to the back room. "Everything impacts your brand at the credit union," he tells the CUNA News Podcast.

On this episode, Arnold dissects branding and reflects on his life's pivotal decisions—including when a former boss told him he'd never make it as a marketer.

A promotional graphic for the 'Credit Union Rock Star' contest. The background is a bokeh of warm, golden lights. The text 'CREDIT UNION ROCK STAR' is prominently displayed in a bold, sans-serif font, with a yellow star replacing the letter 'A' in 'STAR'. Below this, a smaller text box asks: 'Do you know someone who embodies excellence in the credit union industry? Nominate them as a Credit Union Rock Star today!'. At the bottom, it says 'SPONSORED BY fiserv. news.cuna.org/nominaterockstar'.



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# Beware the ‘Talent Curse’

*High-potential employees can feel pressure to fit a mold and bury the qualities that make them special.*

DO YOU IDENTIFY YOUR RISING stars or high-potential employees? That’s a common strategy for building a leadership pipeline. But be mindful of what *Harvard Business Review* researchers call the “talent curse.”

That happens when aspiring leaders work hard to live up to others’ expectations, and so the qualities that made them special—those that helped them excel and feel engaged—tend to get buried, researchers say.

The curse can show up in companies that invest heavily and genuinely in employee development. Three signs of trouble are when employees:

**1. Shift** from *using* their talent to *proving* their talent. Once they move into a high-potential pool, they often experience additional pressures due to new leadership expectations. They become more calculating about where and how they apply themselves.

**2. Become** preoccupied by image. While many companies invite employees to “bring themselves” to work, people on a high-potential track often bring only those aspects that say “leadership material.” This squelches authenticity.

**3. Postpone** meaningful work. High potentials view their current work as instrumental to their future opportunities. They imagine their future work will be much more meaningful. Who they will be becomes more important than who they are.

If you see this happening, researchers suggest encouraging employees to:

► **Own** their talent—but not be possessed by it. Once your talent



**ANN HAYES PETERSON,**  
editor-in-chief  
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becomes your identity, every challenge to it feels like a challenge to the self.

► **Bring** their whole self, not just their best self, to work. Why? Employees’ greatest talents often spring from wounds and quirks; from their rougher, less conformist sides. It’s important not to fight these sources but learn to channel them.

► **Value** the present. Consider the expectations, pressures, and the doubts as challenges all leaders face. They aren’t tests for leadership; they’re features of leading. So now is the time to learn how to manage them over the long run.

Organizations should learn how to redraw the boundaries around traditional images of leadership. This will release the pressure your high-potentials might feel to fit in a standard, predetermined mold.

Speaking of leaders: It’s time to nominate our 2018 class of Credit Union Rock Stars. Visit [news.cuna.org/nominaterockstar](http://news.cuna.org/nominaterockstar) to nominate someone today.

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# NOMINATE A CREDIT UNION ROCK★STAR

Do you know someone who embodies the credit union spirit of people helping people? Someone who is so creative, innovative and passionate that they push their entire organization forward?

If so, nominate your peer as a Credit Union Rock Star! Submit your 2018 nominations before June 15, 2018, at [news.cuna.org/nominaterockstar](https://news.cuna.org/nominaterockstar). Those selected as Credit Union Rock Stars will be featured in the October issue of *Credit Union Magazine*.

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## How to Foster a Winning Team

Employee retention is more essential to a company's success today than ever. But at the same time, it's more challenging for companies than it has ever been.

According to the 2017 Deloitte Millennials Survey, 38% of millennials expect to leave their job within two years. And a recent Indeed report indicates more than 60% of employers are looking to hire more people this year than last year.

In order to ensure they have a winning team for years to come, employers need to be vigilant and creative not only in how they invest in new talent, but also how they retain the employees they currently have, says George Myers, senior vice president/chief human resources officer at \$11.5 billion asset Golden 1 Credit Union in Sacramento, Calif.

Securing talent is a difficult task,



especially in a tight employment market, he says. According to the Indeed report, more than 40% of employers are concerned they won't find employees with the needed skills.

Retention programs take on many forms, but some common threads include investing in employees' professional development and demonstrating employee appreciation.

"We view every day as an opportunity to engage our employees by demonstrating they are valued, and by offering chances to grow and develop," Myers says. "We make every effort to foster an environment

where employees feel motivated and appreciated."

Two years ago, Golden 1 launched Career Connections, a semiannual event that gives employees the opportunity to learn about other Golden 1 departments. During each event, a leader from a participating department discusses potential career opportunities, and the skills, expertise, and experience required for various positions.

"Keeping quality talent is a winning strategy," Myers says. "It's important that company leadership understands and fully supports retention efforts."

## ONLINE POLL

60%

of credit unions offer domestic partner benefits.

Source: CUNA News monthly online poll

**Next month:** How often do you talk to the board about compensation?

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

## Are You Ready for a Disaster?

Effective disaster recovery and business continuity plans will help credit unions address large and small disruptions to minimize the impact to the credit union, staff, and members.

"Crisis management is 99% preparation and 1% execution," says Casey Boggs, president of Merit, a crisis management company. "You don't want to have to call a PR guy at the 11th hour when your house is already on fire."

Perhaps the most important element of crisis preparation is staff training, says Jeanne Pickens, chief operations officer at \$1.4 billion asset

Rogue Credit Union, Medford, Ore.

"You need to train for the smaller-scale disruptions," she says, "and drill for the big stuff, such as tsunamis and earthquakes. Training makes you more nimble as an organization, and develops the team's capabilities. This reduces risk and member impact."

The executive team at \$700 million asset Tropical Financial Credit Union in Miramar, Fla., drills twice a year as part of its disaster preparation, says Amy McGraw, vice president of marketing. "We're in South Florida—the hurricane capital," she says.

## People are Key to a Digital Transformation

A unique set of people challenges is emerging as credit unions undergo digital transformations.

“Organizations are making meaningful investments and commitments to digital agendas because they view them as critically important to the organization,” says Gus De Camargo, practice leader with KornFerry, during a recent CUNA Councils webinar. “But many organizations are struggling. They don’t feel they have the ability to execute a digital transformation or

the skills to reach their goals. The roadblock is the people dynamic.”

De Camargo suggests using a “digital people lens” to:

- ▶ **Define** your outcome. What does the organization want to accomplish?
- ▶ **Identify** what must happen to achieve the outcome. How can the organization reach that outcome?
- ▶ **Understand** the people-driven structure and capabilities crucial to these activities. What will the organization need people to do to get there, and how should they be

organized?

- ▶ **Delineate** jobs and job families associated with digital. What will jobs look like and how does technology integrate into the job?
- ▶ **Create** a coherent framework for defining and assessing digital talent and leadership. What kind of people does an organization need to do the work? What’s the profile? How should these people think and behave?
- ▶ **Supercharge** digital leadership and talent through development, performance management, rewards, and engagement. How can an organization make people successful on the digital journey?

“You’ve got people who want to work differently,” De Camargo says, “and that translates to having their performance and rewards managed differently.”



CUNA COUNCIL MEMBERS CAN WATCH AN ARCHIVED VERSION OF THIS WEBINAR AT [CUNACOUNCILS.ORG](http://CUNACOUNCILS.ORG)

## Skateboard Legend Hawk: ‘Stay Authentic’

Skateboard legend Tony Hawk encouraged credit union leaders to “stay authentic,” at the 25th annual CUNA Marketing and Business Development Council Conference in San Francisco.

Hawk regaled attendees with stories from the rise of his skating career, his work in developing video games, and other business ventures.

Some takeaways from Hawk’s keynote:

▶ **Don’t be afraid** to get hurt in the pursuit of progress. Hawk says he got a lot of bruises perfecting his tricks when he was a young man and just starting out, but it was worth it in the long run.

▶ **Keep social media fun.** Think of it as a focus group at your fingertips, he says. Keep posts fun and “don’t just be a corporate message center.”

▶ **Control your brand.** Hawk says that when he started to gain fame,

he wasn’t savvy about controlling how his name and brand were used in licensing deals. But it is critical to authenticity to be involved in how your name is used, he suggests.

▶ **Don’t get stressed by haters.**

With success, Hawk says he faced many “haters” along the way. But if you believe in what you are doing, don’t fret.

“I knew in my heart I was representing skateboarding well,” he says.



# ADA Advocacy: A 360-Degree Approach

*How we're tackling frivolous website-accessibility lawsuits.*



**JIM NUSSLE,**  
CUNA president/CEO

WE BEGAN HEARING ABOUT legal threats against credit unions almost two years ago. The charge seemed absurd: that credit unions were putting up barriers to some members by failing to comply with the Americans with Disabilities Act (ADA).

You would be hard pressed to find organizations more service-oriented and inclusive than financial cooperatives. So the notion that our industry would exclude some of our most vulnerable members is an anathema to everything the credit union movement stands for.

Furthermore, credit unions want to comply with all parts of the ADA, but they don't know how because the law offers no guidelines for having an ADA-compliant website. No wonder this is such a vexing issue for credit unions. Imagine being falsely accused of something that damages your reputation and questions your values, but no one in government has taken the time to write the rule book.

Finding a permanent solution for this problem is one of CUNA's top advocacy priorities. Tackling thorny

issues like this one is why CUNA developed our 360-degree advocacy approach: Multifaceted problems require multifaceted solutions.

Here are the three fronts in our mission to end these lawsuits.

## 1. DOJ and lawmakers

Plaintiffs' lawyers are exploiting ambiguities in the ADA for profit at the expense of credit union members. Often, it's the same lawyers and law firms targeting hundreds of credit unions.

To solve this problem, we've been meeting with top officials at the Department of Justice (DOJ). We've asked for clear rules to comply with this issue, as well as clarity around issues currently before the courts in these cases—including whether websites are even subject to the law.

At the same time, our professional advocates have been urging members of Congress to address this issue. As a result, an unprecedented 61 members of Congress sent a letter to the DOJ demanding a solution.

And when the House passed the ADA Education and Reform Act, written to stop "drive-by lawsuits" targeting businesses' physical locations, Rep. Ted Poe, R-Texas, and Rep. Rob Woodall, R-Ga., made it clear a similar solution is needed for credit unions facing frivolous lawsuits aimed at their websites. We continue to garner support about the need for clarity.

## 2. Courtroom

Our legal strategy consists of working with leagues and credit unions to make the strongest arguments in various jurisdictions, and charging forward until good precedent for credit unions is set in stone.

As of this writing, we've coordinated with leagues to file amicus briefs in support of credit unions in six such cases. In Texas, a judge threw out a lawsuit eight days after we filed our brief.

In the 4th Circuit, where there have been some favorable decisions, the first credit union case is now about to move to the appellate level. We will be supporting efforts to preserve this good precedent and defend the credit union.

## 3. Compliance

Since we became aware of the threat of lawsuits, we've supplied several compliance resources to help credit unions—absent any federal guidance—be as accessible as possible.

While not legally required to do so, credit unions can use the Web Content Accessibility Guidelines to ensure website accessibility.

VISIT OUR ADA WEBSITE  
ACCESSIBILITY PAGE AT  
[CUNA.ORG/ADA](http://CUNA.ORG/ADA).

This will put your credit union in the best possible position to defend itself if a law firm targets you for an ADA website accessibility claim.

Visit [cuna.org/ada](http://cuna.org/ada) to review our compliance resources. Our members-only webinar and frequently asked questions are great places to start.

There's more work to be done, but together we'll fight back against these predatory legal actions. These lawsuits may be frivolous, but they're doing real harm by diverting resources to lawyers rather than to serving our members.

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# Driverless Cars an Accelerating Trend

*This development could have a substantial effect on auto lending.*



**JORDAN VAN RIJN**

CREDIT UNION MANAGERS are justifiably concerned about the potential for driverless cars and rideshare services such as Uber and Lyft to significantly decrease car ownership and the demand for auto loans.

As of year-end 2017, auto loans represented 34.5% of credit unions' outstanding loan balances, and 36.2% of the growth in loans over the past 10 years.

A look at millennials provides some clues as to what the future may hold. Between 2000 and 2015, new vehicles purchased per 100 people fell 30% among adults age 16 to 34, from five vehicles per 100 to 3.5. Many believe this trend will accelerate as self-driving cars hit the market.

It's unknown when this will occur or exactly what new vehicle ownership will look like. But some possibilities include vehicle subscriptions where people subscribe to use a vehicle a few hours a day; fleets of self-driving minivans, buses, and taxis for commuters; and renting personal vehicles to others while cars would otherwise remain idle.

While this may all sound like a far-

off futuristic world, companies like Turo already facilitate personal vehicle rentals, and numerous car companies are already designing vehicles for the driverless world and experimenting with different ownership models.

For example, Waymo, the self-driving tech unit of Google, has begun public trials of self-driving minivans in Phoenix, and Uber has been testing self-driving vehicles with passengers on the streets of Pittsburgh since 2016.

There is little doubt these changes will be good for the average American consumer.

In addition to fewer accidents and casualties, Deloitte Consulting estimates the cost of personal car ownership could drop from 97 cents per mile today to less than one-third of this amount, and Intel Corp. estimates 250 million hours of consumers' commuting time could be freed up each year.

CONNECT WITH  
MEMBERS TO  
UNDERSTAND THEIR  
HOPES, NEEDS, AND  
CHALLENGES.

But the negative impacts on credit unions could be substantial. Not only would the demand for auto loans fall, but collateral used for current loans could significantly diminish in value.

For example, many auto loans now have terms of 72 to 84 months. But if the demand for used vehicles drops over that period, the resale value of those vehicles could fall as well.

However, the changes are likely to be gradual, and most transportation

experts believe truly self-driving vehicles are still decades away, especially given safety concerns in the wake of tragic accidents with autonomous vehicles. The good news is that credit unions have time to adapt and innovate. But they'll need to adjust at some point.

What can credit unions do to better innovate and prepare for the future? We recommend connecting more with members—particularly younger members—to better understand their hopes, needs, and challenges.

This could be accomplished through surveys, focus groups, or one-on-one conversations. The information gleaned could bring to light new areas of financial innovation and experimentation.

For instance, a recent Federal Reserve study on the economic well-being of U.S. households found that consumers' biggest financial concerns were issues related to health and medical expenses, retirement, and the cost of education.

Credit unions could explore possibilities to offer innovative student loans, or consolidate medical bills.

They also could continue their strong growth in business lending, which has grown from \$3 billion in outstanding loans in 1996 to \$70 billion today—an annual growth rate of more than 17% for two decades.

As credit unions continue to explore new opportunities, understand members' needs and challenges, and experiment with new products and services, they will continue to play a vital role in serving their members well into the future.

**JORDAN VAN RIJN** is CUNA's senior economist. Contact him at 608-231-4286 or at [jvanrijn@cuna.coop](mailto:jvanrijn@cuna.coop).



# 'Why Guy' Fosters Change

*Steve Langley, senior vice president of member services and chief retail officer at \$1.9 billion asset Schools Financial Credit Union in Sacramento, Calif., is always looking for new, improved ways to serve members. The recipient of the 2017 CUNA Operations & Member Experience Council Professional of the Year Award, Langley shares how he shakes things up.*



**STEVE LANGLEY**

**Q One of your favorite questions is, “Why do we do that?” Why?** I’ve always been a “why” guy, raising my hand when something didn’t make sense. So it was a natural reaction coming to Schools Financial in 2014 to ask, “Why do we do that?” when I’d review a report, process, or procedure that didn’t make sense.

Sometimes the answer was, “because we’ve always done it that way.”

Other times my questions would be received with an excitement to the possibility of change. One such change was the practice of giving a free GAP [guaranteed auto protection] waiver to every member who refinanced their auto loan with us, regardless of the value.

When we started asking “why?” we learned members didn’t know or care about the waiver, and it wasn’t a factor in their decision to refinance with us.

By discontinuing this practice and making some other adjustments, we increased our GAP income tenfold in just one year, from \$70,000 to more than \$700,000—just because we asked “Why do we do that?”

**Q What’s the hardest part of changing long-standing practices?** Some say change is good. I say “change is change,” and it’s often met with resistance by those used to the status quo.

I’ve come to realize that while creating change can be powerful, we must have the buy-in of those who will execute it.

**Q How do you meet your revenue needs while acting in members’ best interests?** The first question we ask ourselves when looking at a product or service is, “Will this benefit our members?”

As the industry looks for new ways to develop sources of income, we need to ensure we don’t lose sight of putting members first. We want to give members an exceptional deal, and if we can’t, we pass on that source of income.

You can’t be all things to all people. You need to focus on what you do best.

**Q What principles do you rely on for leading and inspiring staff?** I understand I cannot be successful without a supportive, self-directed team. I need to know they will get the job done.

My team also needs to know that I care about them. I want to be there to support their goals and aspirations, share in their successes and failures, laugh and cry with them, and be authentic.

The most important job I have is to surround myself with people who are smarter than me so when I leave this organization, someone will be there to step into my shoes, and business will continue without a blip.

**Q What have you learned from your year as Honorary Commander at Travis Air Force Base?** It has been amazing and a privilege to serve as the Honorary Vice Wing Commander at Travis

Air Force Base.

Just as the Air Force has a mission—Fly-Fight-Win—so does the credit union industry. One thing is clear: people are people. Whether an airman or executive, we all want to do what’s best for our communities and country.

**Q Which accomplishment in your credit union career are you most proud of?** My greatest accomplishment has been to develop some strong leaders around me. It warms my heart to see the folks I’ve mentored thrive in their professional endeavors.

**Q What does receiving the CUNA Council’s Professional of the Year Award mean to you?** Wow—that’s all I can say.

I’ve worked in this amazing industry for over 25 years, and certainly this award was the pinnacle of all I’ve worked for. Without my wife, children, and family; my amazing co-workers and my phenomenal CEO, this achievement would not have been possible.



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At Vibrant Credit Union in Moline, Ill., leadership development starts with the hiring process, says Jon Sexton, senior vice president of culture and leadership development (standing). From left, Samantha Torres, Steve Ducey, Matt McCombs, and Megan Anderson participate in Sexton's quarterly book club for leaders. (Photo: Stephen Folker/Giraffe Photography)

# Build YOUR Bench

LUCY HARR



## Leadership development programs cultivate top talent.

In the summer of 1934, a delegation of credit union leaders including Edward A. Filene and Roy F. Bergengren traveled together by train to Estes Park, Colo., to form the Credit Union National Association.

But Bergengren was dismayed. He had walked through the train looking for a representative from Kroger Co., a grocery chain that had established multiple credit unions for its employees.

He had overlooked a 24-year-old woman named Louise McCarren, and upon learning who she was, Bergengren scowled. “Here we are going to an important conference like this and the Kroger Company sends me a young brat,” he muttered, walking away in a huff.

McCarren, later becoming Louise Herring, sub-

sequently organized some 500 credit unions and became known as the “Mother of Ohio’s Credit Unions.” CUNA named its Philosophy-in-Action Award for her. While McCarren didn’t resemble the credit union leaders of her day, she certainly

### FOCUS

- ▶ **Identifying** potential leaders starts with the hiring process.
- ▶ **Talent assessments**, individual development plans, and cross-training can help credit unions build their bench strength.
- ▶ **Board focus:** One-third of credit union CEOs plan to retire within the next five to seven years.



## Developing employees' skill sets reinforces their commitment to the credit union.

Michelle Grabicki

proved her leadership mettle. "It's important to realize what got us here may not be what we need to take us forward," says Lauren Culp, manager of The Cooperative Trust. The organization offers resources for young credit union professionals, including the Crash program, with the support of CUNA and the Filene Research Institute, and help from credit union leagues and associations.

"The marketplace is rapidly changing, and you need strong leadership and employees to stay ahead of the curve," says Michelle Grabicki, vice president of corporate culture at \$2 billion asset Numerica Credit Union in Spokane Valley, Wash.

There's also the potential leadership gap as a wave of CEOs retires. According to Dan Santangelo, senior vice president for association services at the Mountain West Credit Union Association and executive director of the Mountain West Credit Union Foundation, 30% of credit union CEOs are expected to retire over the next five to seven years. "And that's a conservative estimate," he says.

To build a bench that can step up to the C-suite as well as the corner office, the foundation's Center for Credit Union Leadership is developing executives through training in leadership principles, operational skills, and credit union philosophy; internships where emerging leaders pair up with an executive coach; and organizational leadership development.

Participants conduct self-assessments to evaluate their development needs. "We want them to ask 'what's missing?' as they imagine themselves sitting in front of a board of directors in an interview," Santangelo says.

### Individual development plans

At Vibrant Credit Union in Moline, Ill., "identifying leaders starts with the hiring process," says Jon Sexton, senior vice president of culture and leadership development at the \$653 million asset institution. "We strive to attract talented people who are great fits for our culture and whose strengths align well with their roles. From there we rely on leaders within the organization to identify and develop staff members who demonstrate strong leadership potential."

Leadership development is a constant process at \$2.9 billion asset Summit Credit Union in Madison, Wis. "We believe strongly in developing our leaders from within, and are always looking for our next leaders," says Nancy Kasten, senior vice president of human resources and organizational development.

Summit performs a talent assessment annually to gain insight into employees who show leadership competencies and aspirations. Then, Summit's leadership implements development plans for those potential leaders.

"We strongly encourage an individual development plan for every employee," Kasten says. "Those with leadership aspirations, or who are in leadership roles, attend one of our Leadership Academy programs, which were created a couple years ago to put a focus and importance on the development of our leaders."

Identifying and nurturing leaders is an essential function at Numerica as well. "We embrace a culture that empowers our employees to take an active role in their career development," says Grabicki.

Employees have monthly discussions with their managers about personal leadership goals and opportunities for development. "Strong performance in their current role is also a basis for identifying the next level of leadership," Grabicki says.

Those in leadership roles at Vibrant attend quarterly managerial coaching sessions. During these confidential conversations, managers can openly discuss and process leadership challenges and frustrations, quarterly performance goals, overall team engagement, and individual employee strengths using Gallup's StrengthsFinder Assessment as a lens.

"This process has shown to be invaluable to both seasoned leaders and those who've just taken on entry-level management responsibilities," Sexton says. "These structured coaching conversations allow leaders to explore their individual strengths at a deep level and develop strategies to engage each of their direct reports."

Coaching conversations also focus on discussing staff with strong leadership potential and developing their ability to take on additional responsibilities, he says.

Vibrant emphasizes the development of young leaders because “they in turn can mentor and develop the next generation of leaders,” says Sexton. “So often organizations focus solely on identifying new leaders while neglecting the fact that existing leaders need ongoing support and development.”

The credit union also hosts a quarterly book club for those in leadership roles. Sexton selects several titles from which to choose, and the credit union provides a copy of each book to participants.

He hosts three or four structured conversations for each title to ensure leaders can process and discuss challenges they face related to the book’s content.

“These discussions offer a unique environment for established leaders—including our president and CEO—to share ideas and best practices with one another,” Sexton says. “And they provide unique mentoring opportunities for entry- to mid-level leaders.”

### Trading places

Summit encourages its employees to pursue positions in other departments, even if that means taking a lateral position, to broaden their knowledge and gain experience within the credit union, Kasten says. This also exposes staff to multiple leaders with different leadership styles, she adds.

For the past few years, Numerica employees have participated in a swap in which C-suite members assume responsibility for areas outside of their expertise. “This demonstrates our learning culture and encourages people to seek new opportunities,” Grabicki notes. “It is exciting to see the transitions of staff from one business line to another, and to see the growth and mentorship they experience.”

The Center for Credit Union Leadership’s internship program also takes cross-training to a new level. “Emerging leaders are assigned to a credit union other than their own,” says Santangelo.

There, they connect with a group of mentors and complete a work plan to help that credit union accomplish an objective.

People with outstanding leadership potential need an opportunity to develop their skills, says Sexton. “Some of the strongest leaders to develop over time

## WHAT DO YOU LOOK FOR IN A LEADER?

While leaders might not always be readily identifiable, many have similar character traits.

“We look for those who are mission-driven and have a demonstrated passion for helping people,” says Nancy Kasten, senior vice president of human resources and organizational development at \$2.9 billion asset Summit Credit Union in Madison, Wis.

“We believe strongly in developing our leaders from within, and we’re always looking for our next leaders,” she says. “Those who want to serve our members are friendly and compassionate, and show engagement, a collaborative spirit, integrity, and, potentially, an innate ability to motivate and share that with others.”



Nancy Kasten

Jon Sexton, senior vice president of culture and leadership development at \$653 million asset Vibrant Credit Union in Moline, Ill., cites the ability to learn and retain technical knowledge, an outstanding service philosophy, and a strong work ethic. “In addition, we look for several intangible characteristics such as integrity, humility, outstanding interpersonal skills, and an ability to inspire and motivate others.”

Leaders are collaborative and empathetic, and they hold people accountable to a high standard, adds Larry Bier-nacki, leadership coach with Cardwell Leadership. “If credit unions have leaders with these characteristics, they won’t be successful—they’ll be wildly successful!”

Numerica Credit Union in Spokane Valley, Wash., identifies potential leaders by asking, “Who is consistently recognized by peers? Who takes the initiative? Who consistently exceeds expectations?”

“And then we ask, ‘What can we provide that will help them continue to develop?’” says Michelle Grabicki, vice president of corporate culture at the \$2 billion asset credit union.

Dan Santangelo, senior vice president for association services at the Mountain West Credit Union Association, points to a 2016 Center for Credit Union Leadership study identifying characteristics of high-performing CEOs.

Top performers, the study reports, have integrity, relationship-building skills, leadership development acumen, a commitment to goal setting, a community service mindset, the willingness to seek advice from other leaders, the ability to communicate a clear vision, and the capacity to place people in the right roles.



## [A Crash event] opened my eyes and changed everything. ]

Sara DeLance

will begin with reservations about stepping into a role where they're responsible for others. Owning the growth and development of a team of people can feel like a daunting task for someone who has never done it."

Summit's Emerging Leaders program offers a curriculum for those newly promoted or hired into leadership roles. "This helps them learn and master leadership skills with their peers in a safe environment," says Kastan.

A leader's most important job is to hire great people and help them fulfill their potential, Kastan says. "Find team members who have the traits that will continue to reinforce the credit union's mission and strengthen your team and the organization. You can't teach a desire to serve, a smile, or a friendly personality, but you can teach job responsibilities and culture.

"Also, seek and be open to feedback about yourself so you continue to grow," she continues. "Develop your own style and approach. To be your best for your team, you have to be true to yourself."

Sexton believes credit unions need to grow people internally while identifying external leaders to bring in. "This balance ensures a dedication to the growth of internal employees while external talent continually challenges ideas and identifies blind spots in strategic direction," he says.

### 'Make yourself replaceable'

Advancement comes when you make yourself replaceable, says Larry Biernacki, leadership coach with Cardwell Leadership and a retired credit union CEO. "If you're irreplaceable, you're not promotable."

Biernacki warns against cloning yourself when hiring. "You need a team with different perspectives."

Developing employees' skill sets reinforces their commitment to the credit union, Grabicki says. "It helps employees see their professional work as a career, not just a job."

That's what a Crash event through the Cooperative Trust provided Sara DeLance, senior vice president of retail at \$467 million asset Heritage Family Credit Union in Rutland, Vt.

DeLance joined Heritage Family 14 years ago

because she needed a job. But crashing the Association of Vermont Credit Union's annual meeting "opened my eyes and changed everything," she says.

The National Credit Union Foundation's Development Education (DE) program furthered her understanding of credit union philosophy and the opportunities available in credit unions.

Now DeLance and her DE classmate and fellow crusher Brian Lee, chief financial officer at \$161 million asset Landings Credit Union in Tempe, Ariz., are paying it forward.

As members of CUNA's Young Professionals Committee, whose charge is to help credit unions attract, engage, and retain young professionals, they helped launch an inaugural CUNA conference for young professionals in collaboration with the Cooperative Trust, which takes place this month.

"We polled CEOs to find out what content they wanted to see," DeLance says.

Using this feedback to craft the sessions, the organizers hope to show young professionals how to align personal development goals with their credit unions' goals, as well as better understand credit union history and advocacy.

"Leaders have the ability to learn quickly, adapt to change, and challenge the status quo," says Culp. "It's also important to have a high energy level, stay positive, and help others stay positive."

## RESOURCES

### ► CUNA:

1. CUNA Management School: [cuna.org/cms](http://cuna.org/cms)
2. Emerging Leader Institute: [cuna.org/eli](http://cuna.org/eli)
3. National Young Professionals Conference: [cuna.org/lypconference](http://cuna.org/lypconference)

### ► CUNA CEO Council: [cunacouncils.org/ceocouncil](http://cunacouncils.org/ceocouncil)

### ► Cardwell Leadership: [cardwellleadership.com](http://cardwellleadership.com)

### ► Cooperative Trust: [trust.coop](http://trust.coop)

### ► National Credit Union Foundation: [ncuf.coop](http://ncuf.coop)

# 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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# FEES

## Reducing fees can be an opportunity to improve financial performance.

TED GOLDWYN

In January, Bank of America began the demise of its free checking account, long a magnet to attract new customers. To avoid a \$12 monthly maintenance fee, customers are now required to either maintain a monthly minimum account balance of \$1,500 or have one direct deposit per month of at least \$250 with the banking behemoth.

Credit unions shine in comparison: 83% of credit unions that offer checking accounts have at least one free option, with no monthly or per-check fee regardless of the member's balance, according to the 2017-2018 CUNA Fees Report.

While fees are an important part of credit union balance sheets, accounting for 14% of gross income, some credit unions put a greater focus on improving access to their products and services. This bolsters both the members' and credit union's financial capacity.

Coastal Federal Credit Union, for instance, announced



# EARN MORE

in December 2016 the elimination of many “nuisance” fees, such as charges for overdraft transfers and incoming wires, that were unpopular with members. The decision resulted in a \$600,000 giveback to members in 2017.

“Charging for overdraft transfers has been one that we had heard from members quite a bit over the years,” says Joe Mecca, assistant vice president of communications at the \$2.9 billion asset credit union in Raleigh, N.C. “Our members would link their checking account to a different deposit account or a line of credit. If they were going to overdraw the account, the system would automatically move the money over to cover the payment, and we would charge a \$3 fee.”

Even though the transfer fee was significantly less than a true overdraft fee—and much lower than the average overdraft transfer fee charged by competitors—members complained about it regularly.

“That one fee accounted for about half of the revenue of all the fees we eliminated,” Mecca says. “But it was also a service issue. Every time a member was charged, we’d either have to explain it or have a conversation and

then waive it anyway.”

Regarding the incoming wire fee, Mecca says, “If someone wants to put money in the credit union, we probably shouldn’t put up any hurdles.”

Fee reductions are just one way Coastal demonstrates value to its members. Including an annual loyalty bonus worth more than \$2.5 million, Mecca estimates Coastal provided \$23.5 million in “member givebacks” in 2017.

Royal Credit Union in Eau Claire, Wis., decided to reduce or eliminate a slew of “punitive” fees beginning

## FOCUS

- ▶ **Credit unions** are much more likely to offer free checking options than their for-profit competitors.
- ▶ **When members incur fees**, consider this an opportunity to speak with and educate the member.
- ▶ **Board focus:** Improving members’ financial health can only benefit the credit union.

in 2012. The list included everything from notary fees and coin and currency charges to fees for money orders, duplicate statements, stop payments, and domestic incoming wires.

The \$2.2 billion asset credit union also reduced fees such as international wire transfers, withdrawals at non-Royal ATMs, and check certification.

This has resulted in more than \$15 million in savings for members since 2012, and \$3.5 million in 2017 alone, says Brandon Riechers, Royal's CEO. "Our core

purpose is to create a positive impact in the lives we touch."

### Focus on education

Overdraft and other checking account charges account for nearly half of credit unions' fee income, according to the CUNA Fees Report. Credit unions are a better deal than banks: The average credit union courtesy-pay fee is \$27.24 vs. \$33.04 for banks.

Coastal offers overdraft protection but has implemented an overdraft forgiveness program that allows members to fix a negative balance by the end of the day.

Plus, the credit union charges just one cent for overdraft transfers, Mecca says. "That way it doesn't hit members in the wallet but it shows up on their statement: 'We recognize you had an overdraft, and you see you had an overdraft, but you fixed it, and there's no real penalty for that.' It's been a differentiator for us."

Northwest Community Credit Union in Morton Grove, Ill., doesn't allow members of its student-run branch to overdraw their accounts. The \$58 million asset credit union focuses on educating its student members on how to manage their finances, which includes ensuring they maintain enough funds in their accounts.

"We came up with some financial literacy models that educate our students how to manage their checking accounts," says Jose Garcia, Northwest Community's CEO. "Checking accounts are the central nervous system of an individual's personal finances. Anytime a fee hits your checking account, that's a signal that something has gone in the wrong direction."

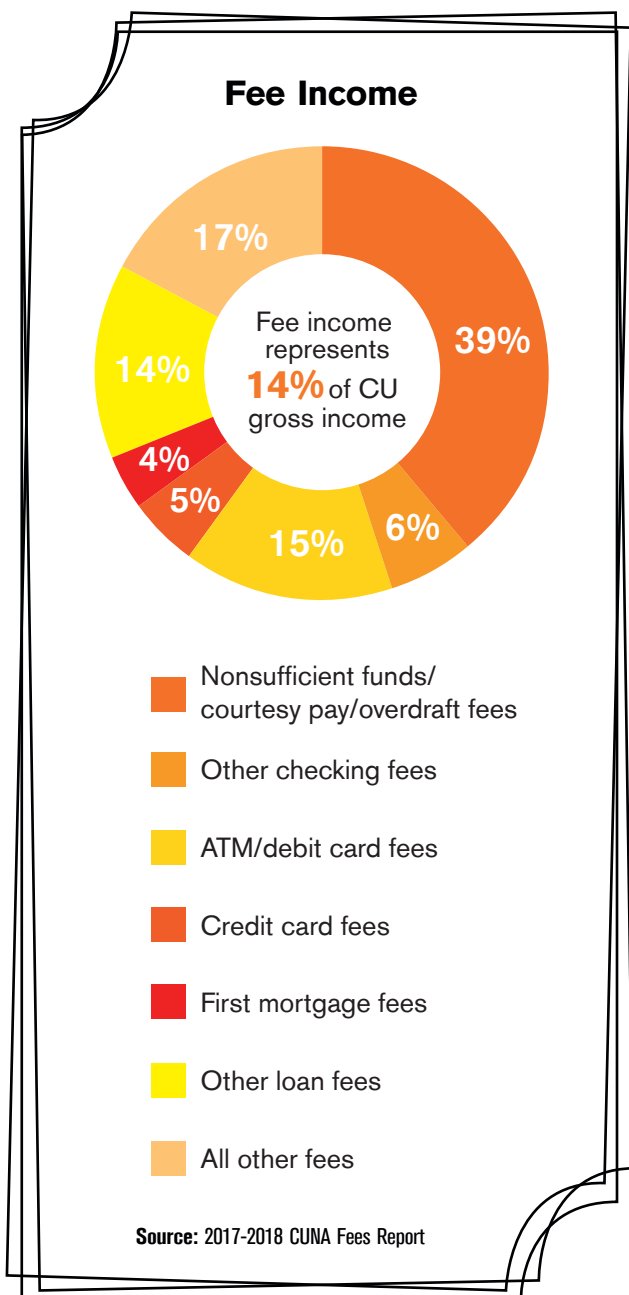
When a student bounces a check, Northwest Community attempts to contact the member to discuss the situation. If the circumstances warrant, Garcia says the credit union will reverse the fee, but an educational component is built into that discussion.

"We try to do it from an educational standpoint," Garcia says. "We have to let our students know that writing a check with insufficient funds is not good financial behavior."

Patelco Credit Union in Pleasanton, Calif., also educates members to help them avoid fees. For example, the \$6.1 billion asset credit union waives overdraft fees on the first instance.

"When our members have an overdraft, we'll reach out to them to talk through it," says Melissa Morgan, Patelco's chief retail officer. "We talk about how it happened so we can help them avoid it in the future. It's important to get them on the right path going forward."

Patelco coaches members on overdraft protection, setting up direct deposit of payroll, and managing daily transaction activity to eliminate surprises.



## Reaching the underbanked

According to CareerBuilder, 78% of Americans live paycheck to paycheck and 46% couldn't come up with \$400 for an emergency. For minority households, the situation is even worse. The Filene Research Institute estimates that 50% of African-American and Hispanic households are "unbanked" or "underbanked."

With this in mind, Filene is working with credit unions to test and scale innovative, low-cost, low-fee financial services that help grow membership, particularly among underbanked populations. Credit unions that participate in these programs are serving a market need, increasing their memberships, and boosting revenue.

New offerings include individual taxpayer identification number loans for noncitizens, nonprime auto loans, and the Employer-Sponsored Small Dollar Loan program through which credit unions and employers provide safe, affordable loans to help employees avoid the high cost of payday lenders.

"Often there's a myth out there that serving underserved populations can be very risky," says Adam Lee, incubator director at Filene. "When programs are done right, they can be more successful than many standard loan programs. Just getting over that initial mindset to serve these populations can result in a successful, financially sustainable enterprise."

## Fee advice

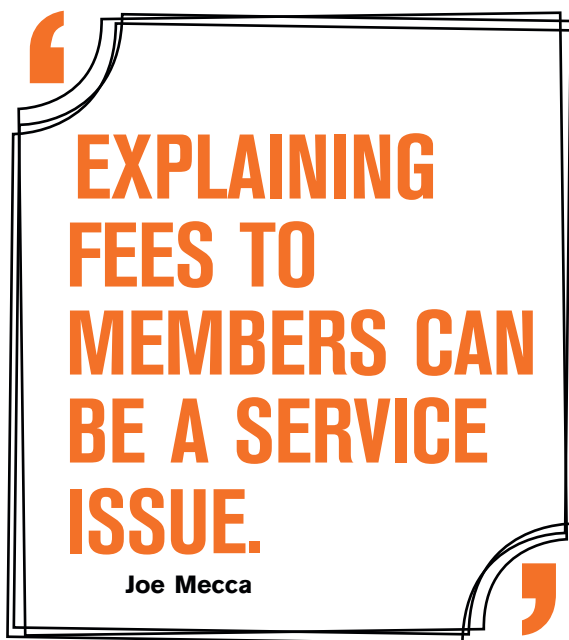
For credit unions looking to differentiate themselves from their competitors through the elimination of fees, industry experts offer this advice:

► **Eliminate fees that have no value.** "Providing convenient, short-term financial assistance has value," says Richard Miller, executive vice president at John M. Floyd & Associates, a financial services consulting firm and CUNA Strategic Services alliance provider. "If you're not offering that help, someone else will. The result is the member will pay a fee to an outside provider instead of to the credit union."

► **Educate members about your overdraft programs and the opt-in process required by Regulation E.** "Make sure your members understand the pros and cons of opting in under Regulation E, including the benefit it provides when they need to make a purchase and are short of funds in their checking account," Miller says. "If you haven't, you're likely missing out on potential income from members who want to use the service."

► **Focus on acceptable fees.** When examining your credit union's fee structure, pay attention to fees members will accept or see as valuable, rather than what the competition is charging.

Lower fees increase consumers' access to your credit



union, Lee adds.

"Low fees, access to services, and serving financially vulnerable members of your community has been a credit union recipe for success in the past, and should be moving forward," he says. "Providing members with programs that add value to their lives and build financial well-being creates a financial win-win for the credit union and the member. If credit unions take care of their members, members will take care of the credit union's financial health through increased use of services and loyalty."

"This is the credit union difference," Lee continues, "and it must continue if credit unions want to remain relevant and grow."

## RESOURCES

### ► CUNA

1. 2017-2018 CUNA Fees Report: [cuna.org](http://cuna.org), select "shop."
2. Research and policy analysis: [cuna.org/economics](http://cuna.org/economics)

► CUNA Operations & Member Experience Council: [cunacouncils.org](http://cunacouncils.org)

► Filene Research Institute: [filene.org](http://filene.org)

► John Floyd & Associates, a CUNA Strategic Services alliance provider: [jmfa.com](http://jmfa.com)



# Many Happy Returns

OLIVIA BARROW

## Four ways to boost your investment portfolio performance.

Chad Bostick has seen a dramatic improvement in the performance of the investment portfolio he manages at \$496 million asset Matanuska Valley Federal Credit Union since adopting a more disciplined approach three years ago.

He has developed a new perspective on what it takes to build a winning portfolio.

“We stopped giving any time to our bad habits,” says Bostick, chief financial officer (CFO) at the Palmer, Alaska-based credit union. “We stopped rate guessing. We stopped using metrics such as duration, yield, average life, and spread to effectively measure risk and reward. We would have had very different financial results in 2016 and 2017 if we hadn’t made this move.”

The new approach enabled Matanuska Valley Federal to earn \$750,000 in additional income in 2016 and \$1.25 million more in 2017. “At our size, that makes a difference,” he says.

Without that additional income, the credit union wouldn’t have weathered the mini-recession Alaska’s economy has experienced the past four years as well as it did, Bostick says. The investment income offset a decline

in loan income due to the low interest-rate environment and paved the way for Matanuska Valley Federal to expand its membership and delivery channels.

As any CFO will tell you, it takes hard work to build and maintain an investment portfolio that maximizes returns and manages liquidity effectively year after year.

A white paper from the investment advisory firm Performance Trust Capital Partners contains a blueprint credit unions can follow to optimize their investment

### Focus

- ▶ **Adopt** a more disciplined approach to your investments, phasing out chronically underperforming sectors while exploring new areas.
- ▶ **Embrace** metrics that produce beneficial results and build a truly balanced portfolio reflecting a spectrum of risk.
- ▶ **Board focus:** In consultation with your CFO, regularly evaluate your investment policies to allow for involvement in new sectors.



## EDUCATION GUARANTEES RETURNS

Investing in your own education will always be worthwhile. If you take the time to educate yourself—whether that means taking a weeklong class or just reading everything you can get your hands on—you’ll be less likely to fall into bad habits.

CUNA’s Investment Certification Schools, in alliance with the investment advisory firm Performance Trust Capital Partners, offer options for:

► **Fundamentals**, addressing basic investment structures, developing risk/return requirements, corporate governance, regulatory exam preparation, and portfolio management.

► **Advanced**, examining the economic cycle, the use of conventional analytics, fixed-income decision making, risk/reward decision making, scenario analyses, and more.

Both levels culminate in a CUNA Certified Credit Union Investment Professional exam.

“We’ve never encountered someone who ‘just couldn’t understand bond math’ once it was properly taught,” according to a white paper from Performance Trust. “And we’ve never found anyone—no matter where they were starting from—whose portfolio management skills didn’t dramatically improve through practice and the development of effective habits.”

Visit [cuna.org/investments](http://cuna.org/investments) for more information.

portfolio performance. Following are four operating principles to keep credit unions on the right investment path.

### 1 Examine new options

Many financial institution portfolio managers look at only eight to 10 sectors of investment options even though federal regulations permit credit unions to use more than 200, according to Performance Trust.

It’s easy to get stuck in a rut where you just keep buying the same investment vehicles over and over, says Tim Smith, CFO at \$1.6 billion asset Workers Credit Union in Fitchburg, Mass.

“You’ve got to constantly re-evaluate your position, the needs of the credit union, and changes in the market,” he says.

That’s especially true when new investment opportunities come online. Until 30 years ago, most financial institutions invested solely in Treasuries, bullet agencies, and municipal bonds, Performance Trust reports.

If a credit union hasn’t updated its investment policies, it might miss out on many of the staple investment vehicles of top-performing portfolios, such as mortgage-backed and asset-backed securities, collateralized mortgage obligations, and structured agency securities.

Bostick notes that expanding your choices isn’t always as simple as just calling up a broker. Some credit unions have policies that severely restrict their options, as Matuska Valley Federal once did.

“We expanded the sectors that were permissible to us, which required us to completely overhaul our investment policy,” he says. “The board approves that policy. Every new sector we added, I had to understand what it was, how it worked, how it would perform in different scenarios, and how it would complement the investment portfolio and the balance sheet. That required asking a lot of questions of the folks offering those bonds, then presenting that information to our board of directors.”

“We look at anything and everything,” adds Shelby Beil, CFO at \$1.8 billion asset TTCU Federal Credit Union in Tulsa, Okla. “We don’t have any sort of filters based on a label. No matter what the sector is, it’s going to come down to the cash flows.”

### 2 Bonds: Compare apples to apples

It’s easy to look at the wrong numbers when evaluating whether to buy a bond. That’s because bond brokers tend to put the most emphasis on the number that should probably command the least attention.

“A bond adviser’s motivations are different than yours,” Smith cautions. “They have an inventory of bonds that they bought at a certain price. Their agenda is to sell them at a profit. It’s easy to disguise a bad bond by focusing on a high yield.”

Yield is the red herring of the bond market, he says. It’s supposed to represent the return on investment you’ll achieve by buying a certain bond. Instead, it’s a calculation based on the projected earnings of the bond divided by its current price.

Brokers often draw attention to the yield rather than the underlying structure to make bonds look more attractive than they are. The problem stems from the fact that yield calculation is based on several assumptions that will impact a bond’s future earnings.

If any one of those assumptions is false, there’s a huge chance that bond won’t achieve the advertised yield.

“Make sure you’re buying what you think you’re buying,” Bostick says.

To better understand a bond, Performance Trust sug-



## **‘You can’t overstate the value of consistent cash flow.’**

**Shelby Beil**

gests focusing on the cash flow. The firm’s advisers break down this analysis into three questions to ask about every investment:

- ▶ **How much** money does this investment cost?
- ▶ **How much** money will this investment produce over the holding period?
- ▶ **When** will the credit union get a return on its investment?

These questions will allow you to distinguish between your investing options. “If you don’t understand the structure, there’s no way to compare two unlike bonds,” Bostick says. “You have to get to a common denominator. That’s where counting the dollars comes into play.”

### **3 Prepare for all scenarios**

You can’t predict what will happen with interest rates in the future, just like you can’t predict the performance of the Dow Jones Industrial Average. But too many financial institutions build portfolios based on guesses about the future.

Bostick has seen firsthand how detrimental this approach can be. “When rates were down, all you heard was, ‘Prepare for rates to rise,’” he says. “We did that quite a bit. What it amounted to was earning little on that investment portfolio while waiting for rates to rise.”

It can be hard to ignore conventional wisdom. But building a portfolio based on one scenario of future rates is like playing baseball without a bat, Beil says.

The key, according to Performance Trust, is to build a truly balanced portfolio that considers all possible solutions. When you’re counting the dollars for an investment, you need to lay out the results in multiple interest-rate scenarios to see the hidden risks and opportunities in the investment.

Then, build a portfolio that wins in most scenarios.

“It’s not about every single bond always winning,” Beil says. “That’s just not possible. You’re going to have some bonds that, because of how rates end up moving, don’t perform well. All that matters is that you’re having success overall.”

### **4 Learn from past successes and failures**

While past performance is no predictor of future success, you can still learn many lessons from

your previous decisions. Performance Trust encourages investors to regularly review investment performance, comparing instruments’ actual performance with their pre-purchase projections. This enables you to check your estimating methods and learn from your mistakes.

If, for example, you felt confident about your bond portfolio but your total return was less than you expected, you’ll realize you might have made an error in judgment. Bostick started the transformation in Matanuska Valley Federal’s strategy with this process. It revealed significant flaws in his strategy.

“When we looked back, we saw that our investments weren’t performing as well as we expected,” Bostick says. “Previously, we weren’t getting these dollars back when we planned. We were having to react in situations where we didn’t want to. Spending more time looking at the right [factors] allowed us to manage the performance of the portfolio rather than react to its performance.”

Beil brings a rigorous process to his bond performance reviews using Bloomberg Terminal to look back at one year, three years, and the date he either sells the bond or it pays off. He has learned the importance of taking a hard look at the human elements of the collateral backing an investment.

A bond backed by mortgages might have an appealing total return. But the promised cash flow comes with the risk that the people who own those mortgages might miss some payments. “You can’t overstate the value of consistent cash flow,” Beil says.

Another hidden risk can come in the form of investments backed by loans. If the loan count is low, the risk and volatility of the investment will be higher. “That’s not to say we won’t buy those investments,” Beil says. “But you have to be mindful of those risks.”

## **RESOURCES**

- ▶ CUNA CFO Council: [cunacouncils.org](http://cunacouncils.org)
- ▶ CUNA Investment Certification Schools, Aug. 13-17 in Chicago: [cuna.org/investments](http://cuna.org/investments)
- ▶ Performance Trust Capital Partners: [performancetrust.com](http://performancetrust.com)

## NCUA Seeks Input on Potential Bylaw Changes

NCUA approved an Advance Notice of Proposed Rulemaking at its March meeting.

The NCUA board says it's considering some significant changes to standard bylaws to provide greater operational flexibility and reduce regulatory compliance burdens.



The agency's Regulatory Reform Task Force has recommended that changes to the bylaws may be necessary because they haven't been updated in almost 10 years.

The agency is open to suggested improvements to any of the sections in the Federal Credit Union (FCU) bylaws.

Specifically, it is considering:

► **Bylaw amendments.** How can the amendment process be improved when federal credit unions submit amendment requests so the response by NCUA's Office of Credit Union Resources and Expansion is timely, with greater transparency, and with more accountability?

► **Limitation of service and expulsion of members.** Should the section on limiting services to members be removed from the bylaws and placed in NCUA's regulations? Are there ways to improve this section so policies on limiting services don't conflict with federal or state law—or are misused?

► **Recruitment of federal credit**

**union directors.** What improvements can be made to the section covering elections? Should there be guidelines for the nominating committee when selecting prospective directors?

Should the bylaws detail safeguards to protect against conflicts of interest?

► **Increasing member attendance at annual and special meetings.**

Should members receive more advanced notice than what is already given? Should annual and special meetings be available via tele/e-conference? Is there technology available that would allow for secure voting if meetings were available by e-conferencing?

► **Elimination of overlaps between FCU bylaws and NCUA regulations.** Suggested areas for deletion include member confidentiality, conflicts of interest, record retention, and the availability of books and records to members.

Should these be removed from the bylaws with corresponding adjustments to NCUA regulations to maintain protections?

## U.S. Court of Appeals Overturns DOL's Fiduciary Rule

The U.S. Court of Appeals for the 5th Circuit decided 2-1 in March to vacate the Department of Labor's (DOL) fiduciary rule.

This overturns a Texas court decision that upheld the rule in 2017.

The majority held that DOL exceeded its statutory authority under the Employee Retirement Income Security Act (ERISA) in promulgating the regulation.

The appellate judges criticized the rule's best-interest-contract exemption (BICE).

The court stated that "BICE supplants former exemptions with a web of duties and legal vulnerabilities," and that "[e]xpanding the scope of DOL regulation in vast and novel ways is valid only if it is authorized by ERISA Titles I and II."

It is unclear whether DOL will

request a rehearing of the case. The 10th Circuit issued a conflicting decision upholding aspects of the rule.

Therefore, the matter could ultimately end up in the Supreme Court.

In addition, the partially implemented rule also remains under DOL review per President Donald Trump's February 2017 memorandum.



## Fed Proposes Amendments to Regulation J

The Federal Reserve Board issued a proposed rule requesting comment on amendments to simplify Regulation J (collection of checks and other items by Federal Reserve Banks and funds transfers through Fedwire) and to make it conform more closely with Regulation CC (availability of funds and collection of checks).

The proposed amendments are intended to align the rights and obligations of parties, including the Federal Reserve Banks, with

the board's 2017 amendments to Regulation CC. These amendments reflect the evolution of the nation's check collection system from one that is largely paper-based to one that is virtually all electronic.

The proposed amendments would:

- ▶ **Clarify** and simplify provisions of Reg J.
- ▶ **Remove** obsolete provisions.
- ▶ **Improve** consistency between Reg J and Reg CC.
- ▶ **Clarify** that electronically created

items (check-like items created in electronic form that never existed in paper form) aren't "items" that the Reserve Banks are authorized to handle under Reg J.

The board has also proposed amending Reg J to clarify that financial messaging standards for Fedwire funds transfers, such as the international common format standard ISO 20022, do not confer or connote legal status or responsibilities with respect to Fedwire funds transfers.

## COMPLIANCE Q&A by CUNA's Compliance Team

**Q** How can our credit union report the ethnicity and race information required under the Home Mortgage Disclosure Act when the borrower is a business, not an individual?

**A** In this situation, **you would report "NA"** ("not applicable") on both data points because the borrower is a business entity and therefore can't have a race or ethnicity. This is also true even if you know the race and ethnicity of the business owner or the guarantor of the loan—you do not report the race and ethnicity on these persons. The business is the borrower, thus you use "not applicable."

**Q** We are seeing a much broader range of service animals entering the credit union with members who are not obviously using them to perform specific tasks. What are our obligations under the Americans with Disabilities Act (ADA) to ensure that our members with disabilities are protected from discrimi-

nation, while maintaining a safe environment for all members?

**A** The ADA defines "service animal" as "any dog that is individually trained to do work or perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual, or other mental disability. Other species of animals, whether wild or domestic, trained or untrained, are not service animals for the purposes of this definition."

The ADA also states that the work or tasks performed by a service animal must be directly related to the individual's disability. Generally, **a credit union may not make inquiries about a service animal** when it is clear that an animal is trained to do work or perform tasks for an individual with a disability.

A credit union must not ask about the nature or extent of a person's disability, but may make two inquiries to determine whether an animal qualifies as a service animal:

▶ **Whether** the animal is required because of a disability.

▶ **What** work or task the animal has been trained to perform.

A credit union must not require documentation, such as proof that the animal has been certified, trained, or licensed as a service animal.

While a credit union must modify policies, practices, or procedures to permit the use of a service animal by an individual with a disability, there are some exceptions.

A credit union may ask an individual with a disability to remove a service animal from the premises if:

▶ **The animal** is out of control and the animal's handler does not take effective action to control it.

▶ **The animal** is not housebroken.

If a credit union properly excludes a service animal, it must give the individual with a disability the opportunity to obtain goods, services, and accommodations without having the service animal on the premises.

# HMDA Implementation Challenges Continue

*CUNA answers most common questions raised on data collection and more.*

WHITNEY NICHOLAS

COMPLIANCE NEVER SLEEPS, and this year is no exception. Since the Home Mortgage Disclosure Act (HMDA) rule became effective in January, CUNA has received a near constant stream of HMDA-related compliance inquiries.

Credit unions face implementation challenges with this long and complex regulation—and with good reason. Capturing the additional data points, relying on vendors for timely system changes, and getting staff up to speed on the new changes are just a few of the many challenges institutions have grappled with in the wake of the new rule.

While the questions about HMDA are all over the board, credit unions seem to face common issues. This

article will focus on the most frequently asked HMDA questions we have received at CUNA in hopes that they can help clear up any lingering concerns as your credit union moves forward with implementation.

**Q Are business loans now reportable under HMDA?** Business-purpose loans and lines of credit are reportable only if they are secured by a dwelling, and only if they are home purchase loans, home improvement loans, or refinancings. The new rule adopts a dwelling-secured standard regardless

of loan purpose, so if the business loan is secured by a dwelling and it's a purchase, home improvement, or refinancing, it is reportable under HMDA.

Under the new rule, a “dwelling” is a residential structure, whether or not attached to real property.

If you are making a business purpose loan that's secured by one of these “dwellings” you need to capture and report HMDA data. This is a big change for many commercial lenders who have never had to collect and report HMDA data until now.

**Q How do I report government monitoring information on race and ethnicity when the new Uniform Residential Loan Application (URLA) form is not effective until 2019?** For all loans with a date of final action on or after Jan. 1, 2018, HMDA requires that you use the new disaggregated categories to report a borrower's race and ethnicity. While the old categories were limited to broader categories such as “Asian,” an applicant can now select from more specific subcategories such as Asian-Indian, Filipino, Japanese, Korean, Chinese, Vietnamese, or “Other.”

These categories will be incorporated into the new URLA form that becomes effective in 2019. But the current version of the URLA contains the old aggregated categories that are not sufficient for compliance.

Many credit unions ask how they should capture this information on their loan applications. The best way to do this is to use the form the Consumer Financial Protection Bureau (CFPB) provides in Appendix B of the HMDA rule to collect the updated demographic



## What makes a dwelling?

### Single-family structures

### Multifamily structures

### Mixed-use purposes

Dwelling	Dwelling	Dwelling
<ul style="list-style-type: none"> <li>Principal residences</li> <li>Second homes</li> <li>Vacation homes</li> <li>Manufactured homes or other factory-built homes</li> <li>Investment properties</li> <li>Individual condominium units</li> <li>Detached homes</li> <li>Individual cooperative units</li> </ul>	<ul style="list-style-type: none"> <li>Apartment building or complexes</li> <li>Manufactured home communities</li> <li>Condominiums buildings or complexes</li> <li>Cooperative buildings or complexes</li> </ul>	<ul style="list-style-type: none"> <li>Mixed-use property if primary use is residential</li> <li>Properties for long-term housing and related services (such as assisted living for senior citizens or supportive housing for people with disabilities)</li> <li>Properties for long-term housing and medical care if primary use is residential</li> </ul>
Not a dwelling	Not a dwelling	Not a dwelling
<ul style="list-style-type: none"> <li>Transitory residences</li> <li>Recreational vehicles</li> <li>Boats</li> <li>Campers</li> <li>Travel trailers</li> <li>Park-model RVs</li> <li>Floating homes</li> <li>Houseboats</li> <li>Mobile homes constructed before June 15, 1976</li> </ul>	<ul style="list-style-type: none"> <li>Transitory residences</li> <li>Hotels</li> <li>Hospitals and properties used to provide medical care (such as skilled nursing, rehabilitation, or long-term medical care)</li> <li>College dormitories</li> <li>RV parks</li> </ul>	<ul style="list-style-type: none"> <li>Mixed-use property if primary use is not residential</li> <li>Transitory residences</li> <li>Structures originally designed as dwelling but used exclusively for commercial purposes</li> <li>Properties for long-term housing and medical care, if primary use is not residential</li> </ul>

information. That form is available on CFPB's website. Another frequent question related to government monitoring information is how to report race and ethnicity for dwelling-secured business loans when the borrower is a corporation or LLC, and not a natural person. In this situation you would report "NA" for not applicable since a business entity does not have a race or ethnicity, even if the guarantor of the loan or owner of the business is known. You do not report the race or ethnicity of that person; instead you report NA for the business.

**Q Do we have to report all preapproval or prequalification requests now?** The collection, recording, and reporting of preapproval requests that are approved but not accepted used to be optional under Regulation C. As of Jan. 1, 2018, covered institutions are now required to collect, record, and report information for approved but not accepted preapproval requests for home purchase loans.

Preapproval requests for open-end lines of credit, reverse mortgages, and home purchase loans to be secured by multifamily dwellings are not covered transactions under the new rule. The appendix to the rule states that incomplete preapprovals should not be reported.

However, prequalification requests are treated differently under the rule. Reg C does not require an institution to report prequalification requests on the HMDA loan application register (LAR), even though these requests may constitute applications under Regulation B for purposes of adverse action notices.

Make sure your credit union is using the terminology correctly and

the prequalification is not actually a preapproval under the rule. The important factors are whether a full credit underwriting with a commitment to lend takes place, or if the approval is an informal estimate of an amount for which an applicant "might" qualify. What the credit unions calls the approval is not the controlling factor.

**Q Does my credit union have to post the new signage if we are not currently a HMDA reporter? What about the legal entity identifier (LEI) number?** We have received many questions about the new lobby signage requirements. Hopefully if you are a HMDA reporter, you already have the proper notice posted in your home office and the lobby of each branch containing the notice directing members to the CFPB website to review HMDA data.

Many credit unions have asked if they are required to post the new sign even if they are not currently reporting HMDA data. The answer is no: You do not have to post the sign if you are exempt from HMDA or until you are covered by the rule. The same goes for the LEI number: you do not need to obtain one until you are covered by the rule.

**Q Which rate spread calculator am I supposed to use?** The date of final action will determine which calculator you use. Use CFPB's new calculator on the bureau's website for HMDA reportable loans with a final action date on or after Jan. 1, 2018. Use the prior rate spread calculator on the Federal Financial Institutions Examination Council site for loans with a final action date before Jan. 1, 2018. In CFPB's new calculator, the

lien status (or higher-priced mortgage loan status) has no bearing on the rate spread being reported on the 2018 HMDA-LAR. You simply enter the date the rate was set, the annual percentage rate, and the term of the loan, and then report the rate spread that's given (whether it's positive, negative, or zero).

**Q Is there a safe harbor for HMDA compliance as credit unions get up to speed?** Technically there is only a safe harbor in place for bona fide errors resulting from use of a new CFPB geocoding tool that credit unions may use to identify census tracts for a single address or batches of addresses. But this tool is still not available on the bureau's website.

However, Director Mick Mulvaney issued a statement right before the effective date indicating that the bureau would not be assessing penalties on data collected in 2018 and reported in 2019, effectively putting enforcement under the new rule on hold. Additionally, it said the CFPB does not intend to require financial institutions to resubmit data unless data errors are material, or to pay penalties with respect to data errors. While it is technically not a safe harbor, it is a huge benefit for credit unions clambering to get into compliance.

This doesn't mean we can throw HMDA out the window. But knowing that regulators will not be looking for every technical error or mistake will certainly ease the implementation burden for many credit unions.

*WHITNEY NICHOLAS is CUNA's senior federal compliance counsel. You can reach CUNA's Compliance Team at [cucomply@cuna.coop](mailto:cucomply@cuna.coop).*

# Mortgage Borrowers and Bankruptcy

*CFPB final rule allows more latitude for periodic statements.*



**MICHAEL MCCLAIN**

IN EARLY MARCH, THE Consumer Financial Protection Bureau (CFPB) issued a final rule that permits mortgage servicers more latitude in providing periodic statements to borrowers either entering or exiting bankruptcy than initially provided by the agency's 2016 mortgage servicing rule. This final rule is effective April 19, 2018.

CFPB's 2016 mortgage servicing rule amended certain requirements under Regulation Z and Regulation X that became effective in October 2017. The amendments also required that servicers send modified periodic statements or coupon books to certain borrowers in bankruptcy. These requirements were set to become effective April 19, 2018.

The rule also covered the timing requirements for servicers to provide or cease to provide modified periodic statements to borrowers entering or exiting bankruptcy.

However, based on feedback, CFPB found that certain aspects of these requirements could create unintended challenges and be subject to different legal interpretations.

In October 2017, CFPB issued a proposed rule that would eliminate the unintended challenges and differ-

ent legal interpretations inherent in the 2016 mortgage servicing rule.

The proposed rule was finalized in early March. This final rule provides a clear single-statement exemption for servicers that replaces the previous single-billing cycle exemption from the 2016 mortgage servicing rule.

Once a borrower enters bankruptcy, a servicer must transition from providing unmodified periodic statements or coupon books to providing periodic statements or coupon books with bankruptcy modifications.

Similarly, when a borrower exits bankruptcy, a servicer must generally transition back to providing unmodified periodic statements or coupon books.

The March final rule provides that a servicer is exempt from the requirements of Reg Z Section 1026.41 with respect to a single billing cycle when the payment due date for that billing cycle is no more than 14 days after the date when:

- ▶ **The borrower files** bankruptcy.
- ▶ **The borrower is discharged** from bankruptcy.
- ▶ **The servicer ceases** to qualify for an exemption.

## **Modified periodic statements**

Generally, for borrowers who are not in bankruptcy, the credit union must comply with the content and format requirements of Reg Z Section 1026.41 regarding periodic statements.

Certain modifications apply to periodic statements or coupon books for borrowers in bankruptcy or for borrowers who have received a discharge of personal liability for the loan through bankruptcy.

In a Chapter 7 or 11 bankruptcy, certain modifications are permitted to the disclosure of the amount due,

whereas disclosure of a late payment fee, length of delinquency, notification of possible risks if delinquency is not cured, and the first notice or filing for any foreclosure process information may all be omitted.

Additional bankruptcy-specific modifications to the delinquency information and other account information include:

- ▶ **Account** history.
- ▶ **Amount** due.
- ▶ **Explanation** of amount due.
- ▶ **Transaction** activity.

Reg Z Appendix H contains sample forms H-30(E) and H-30(F) that show modified periodic statements for borrowers in bankruptcy. Your credit union may use terminology other than that found on the sample periodic statements in Appendix H-30 as long as the new terminology is commonly understood.

In addition, you may modify a periodic statement or coupon book as necessary to facilitate compliance with the U.S. Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, court orders, and local rules, guidelines, and standing orders.

## **Statement modifications**

Reg Z provides that the bankruptcy exemption for providing modified periodic statements and coupon books ceases to apply if the borrower reaffirms his or her personal liability for a loan. A borrower who has reaffirmed personal liability for a loan is not considered a debtor in bankruptcy.

Therefore, upon a borrower's reaffirmation of a loan, the servicer must provide a standard periodic statement or coupon book without the bankruptcy-specific modifications.

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

# ENGAGE WITH CUNA NEWS

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- // Compliance guidance and analysis from CUNA's compliance experts

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- // Inspiration and innovation
- // Leadership and engagement
- // Insights and analysis



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## 'Supercharge' Your Digital Marketing: 3 Steps

Phil Lockwood has a message for those who've jumped entirely on the digital marketing bandwagon: Traditional marketing is not dead.

Lockwood, founder and managing partner of the digital marketing firm, Creation Chamber, and Danella Soeka, the company's director of client strategy, offer three ways to "supercharge" your marketing by combining online and offline elements:

**1. Postcard retargeting.** This tactic combines an online touchpoint—a website visit—into an offline touchpoint—U.S. mail.

To implement, design a postcard and upload it as a PDF to a geo-tracking platform that uses GPS to see where visitors come from.

Set targeting preferences, and place the tracking code on your

website. When someone clicks on the offer online, they receive a postcard in the mail with an offer.

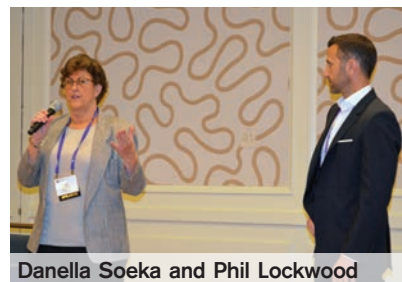
**2. Reputation management program** to boost online ratings and generate more reviews.

"It's tough to go anywhere today without seeing stars," says Soeka, referring to online ratings on Amazon, Facebook, and other outlets. "Ratings make a big difference in peoples' purchase decisions."

She cites research showing that four of five people will reverse purchase decisions based on negative online reviews.

**3. Paid social advertising to offline lists.** This entails displaying targeted ads to current and prospective members using lists with limited contact information.

To do so, compile a list and cre-



Danella Soeka and Phil Lockwood

ate a Facebook advertisement manager account. Create a gated offer and send people to your "squeeze page," Lockwood says, which is a landing page designed to capture email addresses.

"This gets your promotions and messaging in front of specific lists of people, even if they've never given you an email address, visited your site, or heard of your institution," he says.

## The Power of Storytelling

Do you want members to remember your credit union? Tell them a story, advises Kindra Hall, author, communications expert, and "professional storyteller."

Hall divides the storytelling process into three parts:

**1. Find the stories.** Make a list of your values, services, and promises, and when you see those being demonstrated. "Our stories attach themselves to the nouns in our life: people, places, things, and events," she says. "Focus on the nouns."

**2. Craft the stories.** Start with the normal, then the "explosion"—the event that happens—and then the new normal, Hall says. "We usually start with the explosion," she says.

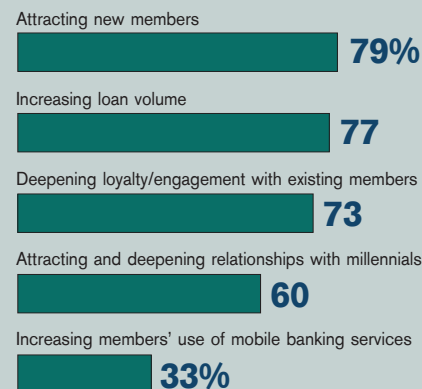
"Where stories go wrong is when we skip the first part. We want people to think, 'That sounds like me,' so when the explosion hits they can say, 'That could be me.'"

When crafting a story, consider the audience, set the scene with people and place, be specific and vivid, and include emotions: the struggle and the hope.

**3. Tell the stories.** Tell your stories on your website, via social media and email, and in conversations with members. "Stories beget stories," Hall says. "If you give a little story, members will respond with a story. Anytime you give a presentation, start with a story to engage your audience."

## SNAPSHOT

### Top marketing priorities for the next 12 to 18 months



Source: 2018-2019 CUNA Marketing & Technology Report

# 'No Estate is too Small'

*Wealth management services aren't just for members with large portfolios.*

PATRICK TOTTY

EASY ACCESS TO HIGHLY qualified—and high-priced—financial expertise has always been a prerogative of the wealthy. But what about middle-class consumers with much smaller estates?

In yet another David-vs.-Goliath scenario, credit unions are in a position to offer high-value wealth management services that match what big banks offer.

“Credit unions’ primary goal is full service,” says Alex Spencer, director of financial institution programs at SWBC Investment Services. “One important way they can do that is to offer onsite wealth management expertise, either one of our employees or one of theirs, who has been trained in financial management.”

For credit unions that don't have the resources to assign an employee to wealth management services, third-party providers are available.

“We can place one of our employees inside a branch to handle wealth management, or the credit union can have its own employee who has been trained by us,” says Valorie Seyfert, founder/CEO of CUSO Financial Services.

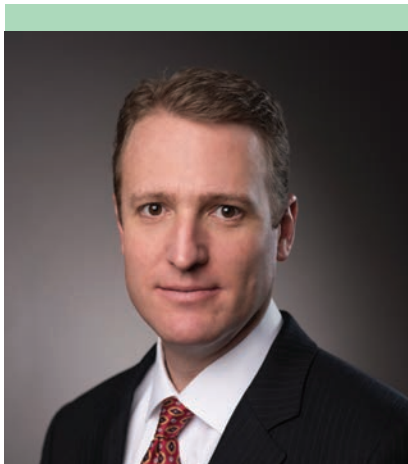
Is there a point where a member's estate size is too small for wealth management?

“Credit unions offer the same services to all members, so no estate is too small,” says Rob Comfort, president of CUNA Brokerage Services Inc. “There are various products and solutions that make sense for smaller investors. That said, 43% of credit union members have assets of \$100,000 or more available to invest. They're not uber-wealthy, but they can grow their wealth with the proper assistance.”

However, the options and

strategies available to members with smaller portfolios—between \$250,000 and \$750,000 not including their home's value—may not be as numerous as what's available to a member with a large portfolio.

“For many of these middle-class members, certificates of deposit [CDs] are the extent to which they've invested for their retirement,” Spencer says. “A credit union package for them should include annuities, mutual funds, and other fairly safe options that offer higher returns.”



ROBO FINANCIAL

PLANNING SERVICES

'COMBINE ART AND

SCIENCE.'

**Alex Spencer**

While studies show that consumers prefer to do online research about wealth management and like being able to learn their financial standing, when it comes to taking the next step, they prefer face-to-

face contact with a financial adviser, Spencer says.

The trouble is, even though credit unions can compete for a slice of the wealth management market, few take advantage of it.

Credit unions began to offer wealth management services in the mid- to late '90s, but it's a service that hasn't fully caught on yet.

“It's not a real mature business yet among credit unions—roughly 16% of them, usually larger ones, have wealth management programs,” says Comfort. “In other cases, credit unions might have started financial and investment advice programs but have let them languish. They're not committed to the service.”

Even when credit unions offer wealth management services, few people typically use them.

“Another drawback is that only 2% of investors use credit union financial management services,” Comfort says. “Why haven't more credit unions jumped into this segment? One reason, especially among smaller credit unions, is fear that they're competing against their own assets—member investors will place their money elsewhere. But our data shows that when members enjoy the traditionally close relationship with their credit union, they are more likely to bring more money into it.”

Plus, it's another way credit unions take care of their members, Comfort says. When members learn a credit union offers wealth management, there's often an element of surprise. “But after that initial pleasant shock, many will sign on.”

Demographics play a large role in the use of wealth management services. “One driving force in the market is retiring baby boomers,” says Spencer. “For them, it's a total



**'VIRTUAL FACE-TO-FACE HAS REPLACED ACTUAL FACE-TO-FACE.'**

**Valorie Seyfert**

paradigm shift: No more paycheck or steady, reliable income stream. CDs offer little return, certainly not enough to live on. So their focus becomes the rate of return and actual portfolio worth.

"Credit unions can counsel members whose portfolios fall short of sustaining retirement life, helping them reinforce goals, maximize Social Security and Medicare benefits, and minimize expenses as much as possible," he continues. "For some

members the advice is to work longer and save aggressively."

**Technology's role**

Wealth management products are changing faster because consumer preferences have changed, Seyfert says. "Twenty years ago, most people would come into a branch to do face-to-face transactions. Now they conduct those transactions on their smartphones, laptops, or personal computers. Virtual face-to-face has replaced actual face-to-face. All in all, the change in media helps credit unions reach more and more people."

Spencer says robo financial planning services are an aspect of wealth management "that combines art and science. Robo algorithms can do the science—the calculating of wealth and possible investment targets—while humans educate and advise."

Seyfert says her company's robo adviser capabilities allow members to go online, input data and financial preferences, and receive algorithm-generated answers. "They also receive an annual review. If they want, they can contact a real person to discuss matters. They also can use our 'E-Vision,' a self-directed tool. And if a credit union's wealth manager gets overwhelmed or tied up, they can team up with our experts until the rough patch ends."

Seyfert describes how wealth management works with a smaller investor. "You have to know when, what income level they'll need, and what their current financial state is. Then we present a financial plan where we plug in the products or services they'll need to reach their goals."

Often, members don't have the means to retire at the level they hoped for, Seyfert says, and they must consider other options, such as spending less, or getting a second part-time job.

"It's a reality check," Seyfert says.



**BEST PRACTICES**

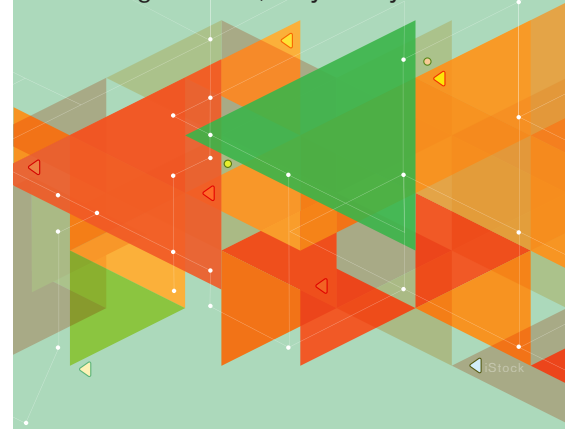
Experts offer these tips to credit unions implementing their own wealth management services:

► **Tailor your offerings.** For less advanced investors, for example, focus on CDs, mutual funds, and other safer options, says Rob Comfort, president of CUNA Brokerage Services.

► **Ask for employee input.** "Ask employees to look at their own financial concerns, such as retirement, college tuition, and mortgage debt," says Valorie Seyfert, founder/CEO of CUSO Financial Services. "Your members have the same concerns."

► **Staff the program properly.** "We once dealt with a \$1 billion asset credit union that had only one wealth management expert to serve 30 branches," says Alex Spencer, director of financial institution programs at SWBC Investment Services. "There was no way one could create a wealth management program over such a vast span."

► **Offer integrated services.** "Members want to be able to see their investment accounts simultaneously with their banking accounts," Seyfert says.



**RESOURCES**

- CUNA Brokerage Services Inc.: [cunamutual.com/products](http://cunamutual.com/products)
- CUSO Financial Services: [cusonet.com](http://cusonet.com)
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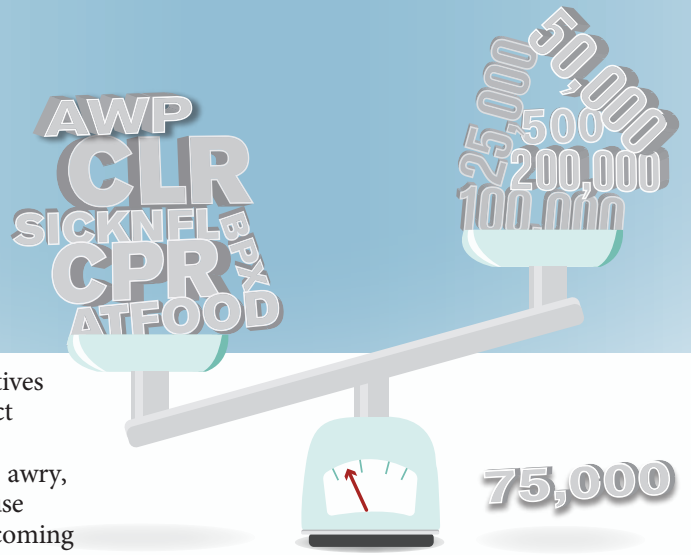
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# Watch These Lesser-Known Ratios

*Know your return on assets, return on equity, and Return of the Jedi.*

JAMES COLLINS



ANYONE IN FINANCE KNOWS that ratios tell a story.

The actual numbers may be meaningless—for example, a net profit of \$100,000 may be great for a small credit union but could be seen as catastrophic for a multi-billion dollar organization.

As with any measurement, context is key—hence ratios.

Ask any chief financial officer, and she'll rattle off a dozen of them: return on assets, return on equity, Return of the Jedi.

All of these have some meaning, and comparing them to peer groups or to your history can provide useful insights into your organization.

But did you know of some lesser-known ratios—those that really, truly show how your organization is doing?

These ratios are so powerful the NCUA has ignored them, with the hopes that you'll do the same.

So don't expect any of these to be included in an automated report from regulators:

▶ **Annual Meeting Attendance to Quality of Food Ratio (ATFOOD)**

When this goes up, either two things happened: Your event planner switched from steak to mini-corn dogs, or members are taking an interest in what is happening at the credit union no matter what you may be feeding them.

▶ **Sick Pay to Quality of NFL Team (SICKNFL)**

This is normally only valid during football season, but this should be relatively constant.

Those in Philadelphia, for example, probably saw a surge in sick leave around the last playoff rounds

while Cleveland natives probably had perfect attendance.

If you see this go awry, generally it is because people are truly becoming sick.

▶ **Blood Pressure Ratio (BPX)**

Take the CEO's blood pressure one week before and then during an exam cycle. The amount of change is directly linked to the energy they spend arguing, blustering, and cajoling.

If their blood pressure goes up, it was a tough exam.

If it goes down, the process went smoothly.

If your manager is in intensive care, then it really, really did not go very well.

Note to regulators: The reverse also works—take your examiners' blood pressure.

▶ **Comments to Post Ratio (CPR)**

Not only does the average number of comments per post indicate the engagement level you have with members on social media, the types of comments can tell you just as much.

For example, a simple "like" is evidence of a member who glossed over the entire post and did the minimum.

A high number of angry emojis indicates members did not appreciate your marketing message.

And if you have a large number of comments fixing various grammatical errors in the post, your field of membership is probably teachers.

▶ **Anti-Wellness Percentage (AWP)**

Your human resource director can probably tell you what percentage of employees have signed up for and are actively involved in your wellness program.

Now test this theory by catering a smorgasbord first of healthy items (veggies and stuff) and then one from Chick-fil-A. Because I can almost guarantee higher attendance for the latter, we take the ratio of the two to be your "anti-wellness" ratio.

This will discern how susceptible your staff is toward real, rather than processed, food.

▶ **Chicken-Little Ratio (CLR)**

This is the number of times per month that you, your board, or your senior management hear words to the effect that if you don't do something right now—and they mean *right now*—your entire organization will fall into a deep abyss inhabited only by old ABBA albums and "Knight Rider" reruns.

If this number seems to be rising, go out and take a walk—you are listening to the doomsayers too much.

On the other hand, if this number appears to be falling, find your fellow credit union managers and take them for a walk.

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



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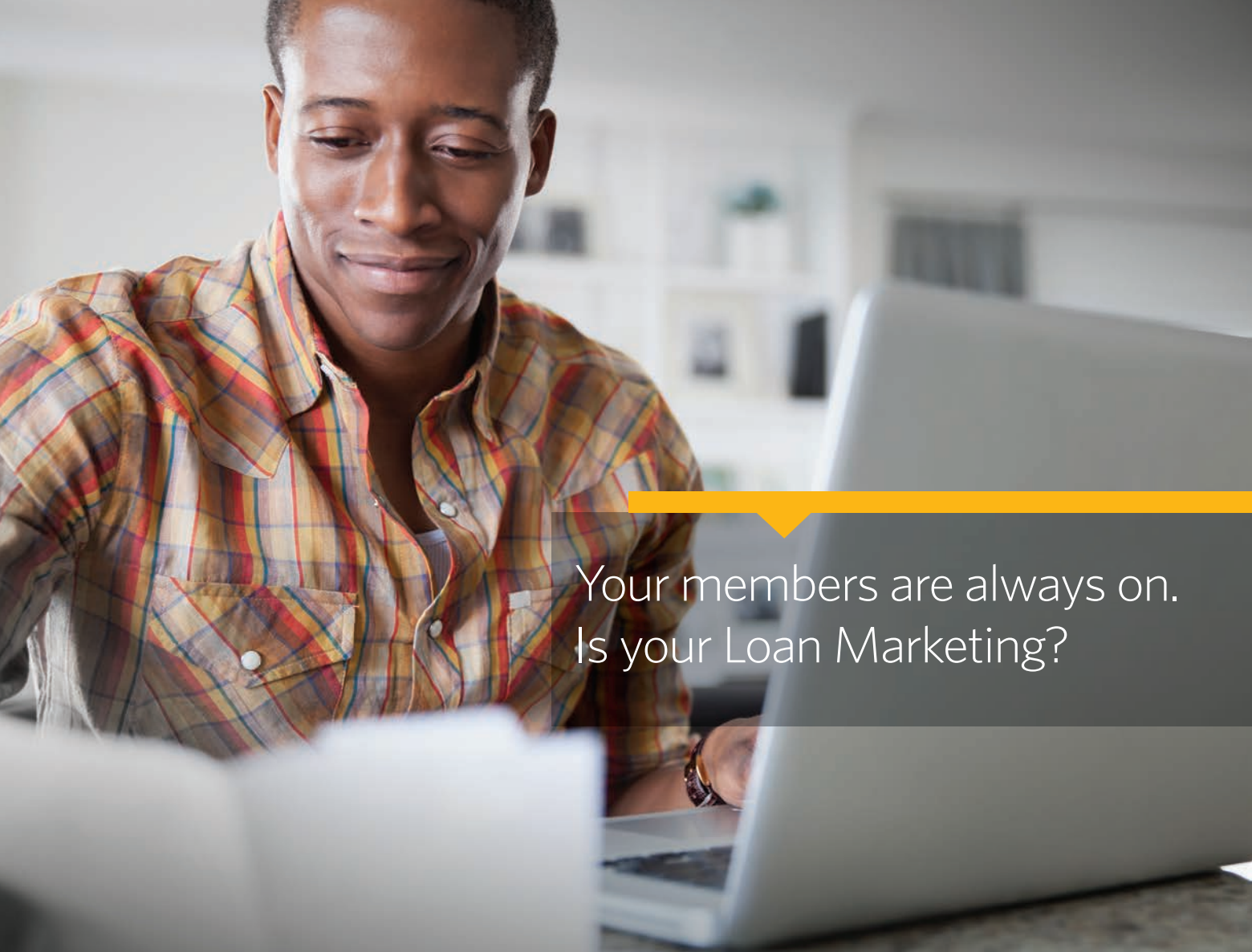
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