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IS THE ONLY WAY**



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(Photo courtesy of Georgia United Credit Union)

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VISIT OUR WEBSITE DURING DECEMBER FOR THESE ONLINE EXCLUSIVES.

Identity theft and BSA compliance

Synthetic fraud—the practice of creating a credit reporting agency file using fraudulent information—isn't new, but it's one of the biggest threats credit unions face today. When the fraud unravels, no true person exists—but the losses can be staggering.

Watch for certain red flags and warning signs of synthetic fraud, and learn how compliance programs and practices can address this crime.



Lending opportunities and challenges

Michael London expects strong loan growth in 2019 for \$1.3 billion asset Georgia United Credit Union, where he serves as chief lending officer. But London, CUNA Lending Council Executive Committee chair, also expects growth to slow relative to the pace of the past few years.

“We see a few things affecting growth,” London says. “For starters, we’re in a rising-rate environment for the first time in a decade. This affects borrowers’ ability to afford credit and acts as a psychological barrier as our members have to adjust to seeing higher rates.”

Convenience to drive auto lending


While credit unions have experienced an auto lending joyride over the past few years, the biggest driver in the future may not be rates and terms, but rather the growing importance of ease and speed.

Technology gives consumers quick and convenient access to vehicle information, which has caused buyers to alter their purchasing behavior. Now, car buyers regularly conduct research online and make a decision even before visiting the dealer. As more consumers conduct research online, vehicle financing is responding accordingly.

Seven keys to a successful card campaign

A successful credit card campaign starts with a simple task: having a goal, says Michelle Goepfner, director of credit product strategy at Alliant Credit Union in Chicago. When developing a card promotion campaign, she suggests keeping seven best practices in mind—including testing, studying analytics, reducing irritants, and investing in technology.







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NOMINATE A CREDIT UNION HERO TODAY!

Credit Union Magazine is seeking nominations for 2019 Credit Union Heroes, those who serve as examples for the entire movement through their service, advocacy, and commitment to credit union ideals.

Qualified individuals:

- // Are credit union system employees or volunteers;
- // Are working or retired;
- // Are unsung heroes, going above and beyond to promote credit union philosophy;
- // Take a stand or exhibit a firm belief in credit union values;
- // Show dedication to credit union principles; and
- // Make a difference in their communities.

Credit Union Magazine will feature those selected as Credit Union Heroes in the March issue. Then, readers will vote at news.cuna.org to decide the 2019 Credit Union Hero of the Year, who will be honored at the America's Credit Union Conference, June 17-20, 2019, in Orlando.

Nominations will be accepted online from Nov. 1 to Dec. 7.

news.cuna.org/nominatehero

Intentional Partnerships

Community connections demonstrate commitment.

LIMITED SCHOOL BUDGETS and funding constraints are all too common in districts throughout our country.

But Georgia United Credit Union in Duluth has a vision to change that.

The credit union provided facility upgrades, or “makeovers,” for eight schools this year as part of its School Crashers program. Over the past five years, George United has “crashed” 33 schools with grants and in-kind donations.

The financial impact on the community so far is about \$1.1 million. But to CEO Debbie Smith, it’s about more than money.

“As a business partner in education, we want students to have the best environment possible to learn and to play,” she says. Plus, such programs demonstrate the credit union’s community commitment.

CUNA’s national award programs—Desjardins Financial Education Award, Dora Maxwell Social Responsibility Recognition Award, and the Louise Herring Philosophy-in-Action Award—in conjunction with state leagues all highlight community impact through partnerships, financial literacy outreach, and new services.

Some winners from 2017:

► **Financial Center First Credit Union** in Indianapolis grew concerned about studies showing how Americans struggle to answer basic personal finance questions, and wanted to close this knowledge gap.

It devotes two full-time staff to lead its literacy program, which connects with members, not-for-profit organizations, churches, schools, businesses, and immigrant groups.

► **Patterson Federal Credit Union** in Arkadelphia, Ark., partners with the public school district—which has a



ANN HAYES PETERSON,
editor-in-chief
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free or reduced lunch rate of 60%—to assist Project CARE.

This program sends food home with children so they have sustenance during weekends and holidays. Patterson Federal collected more than 18,000 individual items, providing food for more than 100 children per week for nearly the whole year.

► **St. Louis Community Credit Union** takes a holistic approach to helping people gain economic independence. The credit union and its affiliate nonprofit Prosperity Connection opened two area wealth accumulation centers.

Each facility consists of a traditional branch, an Excel Center for financial education and community development services, and a RedDough Money Center, a nonprofit alternative to payday lending and check cashing.

We’re sure your credit union is just as intentional about its community partnerships. We’d love to hear your success stories.

THOUGHTS? QUESTIONS?
COMMENTS? SEND THEM TO
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Prepare to Lead in a Crisis

When a crisis strikes, the No. 1 thing a leader should do is stay calm.

This holds true whether your credit union is affected by a hurricane, robbery, or major power outage.

“It’s imperative to think clearly—that means do not panic,” says Scott A. Wilson, president/CEO of \$550 million asset SeaComm Federal Credit Union in Massena, N.Y. “You cannot think strategically if you’re upset.”

“Leadership During a Crisis,” a white paper from the CUNA CEO Council, outlines the skills and characteristics leaders need to be effective during a crisis, and how to ensure their actions are a response rather than a reaction.

Remaining calm will allow you to set the tone and be an example to others on the senior leadership team.

This creates a stable environment when quick decisions are required, says Brett Martinez, president/CEO at \$4.4 billion asset Redwood Credit Union in Santa Rosa, Calif.



“Your staff need to know you’re in this with them,” he says. “They’ll feel that when you’re walking around, being engaged, listening, sharing information, and being involved throughout the response to the crisis.”

While having those skills is

important, preparation is the most critical part of crisis management. This means creating and testing a plan to make sure there are no missing pieces, says Heather Walter, president/CEO of \$126 million asset Jefferson County Federal Credit Union in Louisville, Ky.

Being prepared also will ensure you respond properly during a crisis, making the right decisions instead of merely reacting. “Times of crisis call for the right decisions to be made,” Walter says. “That’s the difference between responding versus reacting. Responding is putting into practice what you have prepared and trained for.”



CUNA COUNCIL MEMBERS CAN DOWNLOAD THE FULL VERSION OF THE WHITE PAPER AT CUNACOUNCILS.ORG

OVERHEARD

“WE CAN’T WAIT FOR THE CAVALRY. WE ARE THE CAVALRY.”

Bill Bynum, CEO of Hope Credit Union, Jackson, Miss., on the need to take the initiative to serve members of modest means (“Growth through inclusion,” p. 24).

Jump-Start Your Data Analytics Journey

Your credit union has collected the data, now it’s ready to begin analyzing this resource to improve leadership’s decision making. But where do you start?

Jim Minge, CEO at \$1.2 billion asset Texas Trust Credit Union in Arlington, and a presenter at the CUNA CEO Council Conference, offers three tips on how to start your analytics journey:

1. Empower employees with information. When you have a single source of information that can produce consistent answers across departments, areas, and branches, you

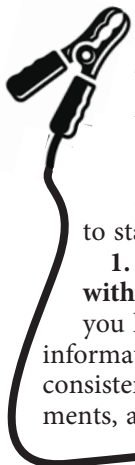
can build momentum.

“People feel like, ‘OK, if I ask a question and I get a report, I can actually use that and rely on that data to make a good decision,’” Minge says.

2. Choose the right partner. Be careful who you pick, and make sure it’s a good fit.

3. Devote sufficient resources for the work. This isn’t an easy process, Minge says.

“If you’re going to go through the process of listening and trying to solve issues for your employees, you need to have somebody who can dedicate the time to do that,” Minge says.



Find Value in Three Seconds

Do you know how to craft a message that will capture your members' attention?

The key, says digital leadership expert Erik Qualman, is to make people understand why that nugget of information is important to them.

"Attention spans are shrinking from 12 seconds to seven seconds, which is less than a goldfish," Qualman recently told the CUNA



Erik Qualman

News Podcast. "The No. 1 thing we need to do—which is hard—is to take the perspective of the recipient, or the viewer."

Many organizations brag about why they're great and what they do well.

And while this isn't necessarily the wrong approach, an era of short attention spans requires companies to craft their message, share its meaning, and present it in a way that shows the end user that the information—or the credit union—can benefit them in their pursuit of financial goals.

"Get out of your own way and ask, 'What's the value to the user?'" Qualman says.

But how do you determine whether information—regardless of whether it's in an email,

a tweet, or a Facebook post—has value for your members or other stakeholders?

"It only becomes spam in email when it's not of value to the user," Qualman says. "The same holds true on social media. If you're always providing value, you can post as many times as you want during the day."

He suggests using the three-second rule when deciding whether to share information: "If it takes more than three seconds to determine whether something is of value to the end user, it's not. It should be a no-brainer within three seconds."



HEAR MORE FROM QUALMAN ON
THE CUNA NEWS PODCAST
AT [NEWS.CUNA.ORG/PODCASTS](https://news.cuna.org/podcasts)

Competitive Environment Requires Agility

Maintaining an edge in today's competitive environment depends on an organization's ability to be nimble, moving from one task to the next with purpose yet without rigid coherence to a defined process.

The agile methodology is based on adaptive planning, early delivery, and continuous improvement with the mindset of responding to change quickly and naturally.

"The agile methodology just fits with today's environment," says John Janclaes, president/CEO of \$1.7 billion asset Partners Federal Credit Union in Burbank, Calif. "It fits hand-and-glove with the speed and complexity that defines competition today."

Janclaes explained how Partners Federal has implemented agile methodology during a session at the CUNA CEO Council Conference.

Traditional project management, often referred to as the "waterfall methodology," is linear and sequential. After completing a step, you go on to the next and there's little room for error or backtracking. The process doesn't account for the recipient's evolving needs.

The agile methodology is an incremental approach in which developers start with a simple project design and work on small modules, which are completed in small bursts or sprints. These sprints unearth bugs and incorporate cus-

tomers' feedback into the design.

Four advantages of the agile methodology:

1. Changes can be made after the initial planning.

2. Adding new features is easier.

3. More frequent evaluation is possible.

4. There's flexibility in launch dates.

"There's always risk when you commit money to a project," Janclaes says. "Everybody understands how that works. The way to de-risk that is to make small moves, learn, and then move again. Then your instinct becomes clearer and you're moving incrementally—always moving forward."



A Not-So-Wonderful Life

Imagine a world without credit unions.



MAURICE SMITH,
CUNA board chairman

ONE OF MY FAVORITE HOLIDAY movies is “It’s a Wonderful Life,” the 1946 classic featuring Jimmy Stewart, Donna Reed, Lionel Barrymore, and Thomas Mitchell. The story features a timeless lesson about the human spirit and the difference we make in others’ lives.

Stewart plays the role of George Bailey, a small-town community banker. George is discouraged with his life and longs for the excitement of traveling to faraway places. He believes his life in Bedford Falls has little impact.

One reason I like this movie is its resemblance to the challenges and opportunities credit unions confront every day. For all practical purposes, the bank in the movie could have easily been scripted as a credit union.

As member-owned cooperatives, we recognize the hard work of serving our communities. We identify with the heartfelt needs of consumers. We know how challenging it can be to help members with life’s hardships.

When George was at his lowest point, he received a visit from an angel named Clarence. Clarence

shows George what his town would have looked like if not for his many good deeds over the years. George gets a glimpse of the lives his friends, neighbors, and family would have endured without his contributions.

After watching this movie for the nth time, I wondered what life would be like without credit unions. I don’t need a Clarence to show me. I can imagine such a world for myself.

In a world without credit unions, consumers’ lives would be very different. Many wouldn’t have affordable alternatives for financial services. We would be left to fend for ourselves in a marketplace of institutions who only seek profits for a few shareholders.

Without credit unions, predatory practices would run rampant in our communities because bad actors would not fear the competitive pressures from our cooperatives. Consumers would face exorbitant prices and unfair practices. The ability to grow family wealth, improve our communities, and build our lives would be greatly hindered.

In a world where credit unions never existed, many consumers would be largely uninformed on how to make prudent financial choices. They would lack access to the emphasis credit unions place on financial literacy. Here, the conflict that exists between institutions and customers would lead to inequality disfavoring the consumers.

In this world, people of modest means have fewer options for affordable financial services. It would be almost impossible for someone with a low credit score, scant savings, and working-class wages to claw their way up the economic ladder.

Without credit unions coming to the rescue, consumers wouldn’t know how good life could be. They would

be captive to a system of financial services that lacks sensitivity to their needs and access to prudent products.

In a world lacking credit unions, ordinary consumers wouldn’t know the privilege of participating in the corporate governance of their own financial cooperative. They would be oblivious to the notion of volunteer boards, equal voting power, and an egalitarian treatment among credit union members. Consumers would have little voice in how services are designed and delivered.

In the movie, George realizes how much he’s impacted the lives of others. He comes to appreciate the value of helping neighbors with conscientious financial services. George learns what we have always known in the credit union movement.

WHEN A CREDIT UNION
HELPS A MEMBER, WE ALL
ARE LIFTED.

Your CUNA and league partners fight every day to enable credit unions to make a difference in the lives of our members. If not for you and the work you do for all communities, life would be different for millions of people. Therefore, we advocate for the principles and powers of credit unions.

In the movie, it’s said that when a bell rings, an angel gets its wings. I say, when a credit union helps a member, we all are lifted.

MAURICE SMITH is CUNA chairman and president/CEO of Local Government Federal Credit Union in Raleigh, N.C. Contact him at 919-755-0534 or at maurice.smith@lgfcu.org.

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.”

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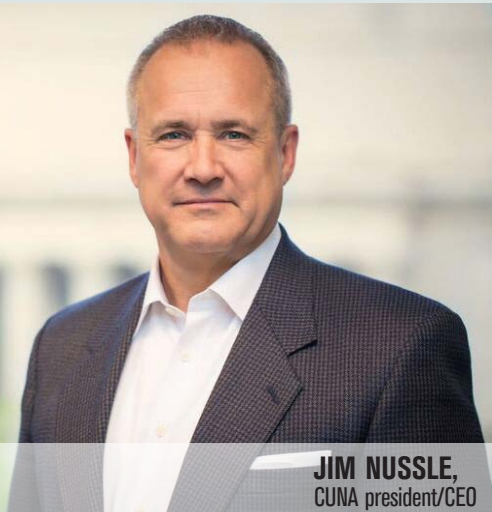
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CUNA's GAC Is Can't-Miss

When 5,000 people rally around a united cause, anything feels possible.



JIM NUSSLE,
CUNA president/CEO

RIGHT NOW, I SHOULD PAUSE and take stock of the year that's almost over.

After all, it's been a momentous one. Together, we've achieved many lasting accomplishments on behalf of the credit union movement we fight for every day.

We won big legislative victories, stopped bank attacks, preserved our tax status at the state and federal levels, and ran a record-breaking campaign strategy to elect a credit union majority to Congress.

But I don't feel like slowing down. Maybe it's just the way I'm wired, but I'm too excited about the next big things we're going to do together.

I'm already looking forward to CUNA's Governmental Affairs Conference (GAC). As president and CEO of CUNA, maybe that's not surprising. But I know it's not just me.

Come March 10-14, more than 5,000 credit union people will arrive in Washington, D.C., for GAC, the credit union industry's largest event. These are passionate, dyed-in-the-wool credit union people arriving

in our nation's capital fired-up and ready to march our movement forward.

I think back to earlier this year, standing on the stage at GAC as a sea of attendees in the general session pulled out their phones and sent messages to their legislators live in the conference hall.

Between those of us at the conference and everyone watching at home via the livestream, we inundated our representatives with thousands of messages urging them to vote "yes" on the bipartisan, common-sense regulation bill, S. 2155.

We followed that up with Hike the Hill visits, telling policymakers exactly how their decisions affect credit unions and their more than 110 million members.

A delegation of credit union people even met with President Donald Trump.

You know what happened next: Shortly after GAC, S. 2155 passed the Senate and was signed into law in May.

GAC matters. When 5,000 passionate credit union people come together to rally around a united cause, anything feels possible. That feeling is electric, and I guarantee you'll return to your credit union reinvigorated.

More than advocacy happens at GAC. The conference offers keynote speakers and breakout sessions from renowned speakers, the largest exhibit hall of any event in financial services, and a wide range of networking opportunities with leaders from around the country.

This year, former Massachusetts senator and Secretary of State John Kerry will deliver the keynote address. As the first sitting Senate Foreign Relations Committee chair-

man to serve as secretary of state in more than a century, Kerry drew from this experience to provide the State Department with global stewardship on issues ranging from nuclear nonproliferation to radical extremists to humanitarian challenges and the rising threat of climate change.



THIS EVENT SHAPES
OUR INDUSTRY.

His insights into our current political environment and America's role on the world stage will be fascinating.

At the conference, you'll take away best practices and glean wisdom from political, business, and media thought leaders; expand your credit union networks; and gain access to cutting-edge vendors in financial services.

But more than that, you'll participate in an event that shapes our industry.

At last year's GAC, not only did we help pass S. 2155—bringing real, lasting regulatory relief to all of America's credit unions—we unveiled the Awareness Initiative's show-stopping Open Your Eyes to a Credit Union creative campaign.

It's in those moments—where you can feel our movement taking a step into the future right in front of your eyes—that you realize GAC is unmissable.

Will you be there?



Library Branch Long Overdue

Facility is a foundation within the community.

ONE ILLINOIS CREDIT UNION has opened a branch in a local library as a touchpoint to serve the community and grow its membership.

Five years ago, when Mike Lee took over as CEO of Kane County Teachers Credit Union in Elgin, Ill., he had a branch on a dead-end street and another in a historic building that wasn't readily visible.

Still another branch was a block off a major thoroughfare. And with the name "Kane County Teachers Credit Union" over the door, "people thought you had to be a teacher or part of a union to join," Lee says.

He rebranded the \$231 million asset institution as KCT Credit Union and partnered with the Gail Borden Public Library—one of its select employee groups—to open a branch in downtown Elgin.

Perhaps more accurately, Lee partnered with Carole Medal, the library's executive director. Lee is all about personal relationships.

As he explained it to Medal, the credit union and library have similar constituencies. "I told Carol, 'You're about literacy and we're about financial literacy."



KCT CU's branch in the Gail Borden Public Library saved the CU the cost of building a new branch. "A library is a place where there already are people," says CEO Mike Lee.

You're owned and controlled by the community and we are too. You're here to serve the school district and so are we. We serve 15,000 people in the community, and you have all of these constituents who use the library as a resource."

Just as important, the library branch made business sense.

"Building a branch is expensive, and the typical branch isn't profitable for two or three years," Lee says. "A library is a place where there already are people. I knew we could make this a win-win."

He says libraries have had to adjust to the growth of technology and the internet. They've become community centers and places to gather as well as a source for reading materials, and that's another advantage for KCT.

Lee views the branch as a foundation within the community.

"This credit union struggled for years, but we're back to the roots of what credit unions do: Build better financial lives," he says. "That's what we're all about."

He takes pride in the credit union's "Get Out of Debt (GOOD) Loan," an unsecured, risk-based product designed to give people a new financial start, whether it's paying off credit cards or student loans. "We save members \$250 to \$500 a month in interest."

Every account is personal, Lee adds. "When you go into a bank, they profile you. They define your need and put you in a bucket. You either fit or you don't.

"With our model," he continues, "we ask you questions and find out what your dreams are. Then we build you your own bucket."



KCT CU in Elgin, Ill., partnered with Gail Borden Public Library to open a branch in the Chicago suburb.

Let's Talk About Trade

How the trade war may affect your loan originations.



SAMIRA SALEM

MANY CREDIT UNIONS ARE concerned about how increasing trade protectionism may affect their operations.

As of September 2018, President Donald Trump's administration had imposed tariffs on approximately \$280 billion of imports.

The administration has threatened additional tariffs on \$267 billion of Chinese imports. If implemented, these tariffs would impact all imports from China, possibly affecting well over a quarter of all U.S. imports.

But apart from credit unions that serve members working in sectors targeted by retaliatory tariffs, or those downstream of these industries, CUNA economists don't expect enacted tariffs to have a significant impact on either the number of people joining credit unions or member behavior.

In part, this is because as of October 2018, the scope of the trade dispute remains contained.

That said, one set of tariffs the Trump administration threatened—auto and auto parts—could have a moderate impact on credit union lending nationwide because new-auto loans represent an esti-

ated 13% of total credit union lending. Specifically, the Trump administration has threatened a 25% tariff on imported autos and auto parts.

Assuming tariffs are enacted on autos and auto parts imported from countries other than Mexico and Canada, the Center for Automotive Research (CAR) estimates the average price of a new car would increase by \$2,450.

Plus, CAR estimates that tariffs could result in a drop in new-car sales by approximately 1.2 million units, a loss of 197,200 U.S. jobs, and a decline in U.S. gross domestic product (GDP) of approximately \$15.3 billion (approximately 0.08% of U.S. GDP).

TARIFFS COULD
RESULT IN A DECREASE
OF AS MANY AS
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LOAN ORIGINATIONS
BY CREDIT UNIONS
IN 2019.

CUNA economists estimate the threatened tariffs could result in a decrease of as many as 360,000 new-car loan originations by credit unions in 2019.

This means if tariffs are enacted in 2018, credit union new-auto loan originations would drop from an estimated five million

to 4.65 million in 2019—an 8.8% decrease.

Economists expect there will be a time lag between tariff implementation and impact, so the estimated impact indicated here may or may not be felt within the span of a year.

It's important to mention that these figures represent a ceiling because the analysis assumes a 25% tariff (the level may be lower), and that the entire cost of the tariffs will be passed on to consumers.

It's entirely possible that auto manufacturers and parts dealers would absorb a portion of the cost increase, so the impact on car prices may be significantly less.

CUNA economists expect any negative impact on credit union lending to be further dampened as consumers turn to smaller, used, and other more affordable vehicles.

Further, auto dealers may increase inventories in advance of the tariffs, muting the effect.

If the trade war remains contained and is resolved soon, CUNA economists expect the impact on most credit unions will be marginal. But if the trade war expands to include auto tariffs, it could have a negative effect on U.S. economic growth and credit union operations.

In this environment, credit unions would likely see moderately depressed loan growth and, possibly, a weakening of credit quality.

CUNA continues to closely monitor U.S. tariff and trade policy to ensure credit unions' interests remain protected.

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'Lived Experience' Shapes Committee Member

David Gouin joined Redwood Credit Union's supervisory committee nine years ago, and played a key role in the \$4.4 billion asset, Santa Rosa, Calif.-based institution's wildfire relief efforts. Gouin, director of housing and community services for the city of Santa Rosa, received CUNA's first annual Supervisory Committee Member Award.

Q Why did you join the Redwood supervisory committee?

One of my school board colleagues was on the supervisory committee and suggested that I check it out. I was in a branch office co-signing a loan for my son, and I asked the loan officer how she liked working for Redwood. She put her pen down and told me how she was so impressed with the leadership team, how they treat employees and members, and how they're so involved in the community. That's when I thought, "Yeah, I'd like to join." So I interviewed for a supervisory committee position and was selected.

Q Santa Rosa was right in the path of last year's wildfires. What was that like?

We have a term here called "lived experience," and everyone has their own story about that devastating fire. I didn't lose my home. But thousands of our members did, along with many of my city co-workers, several of whom are also assisting in the relief effort. My day job is all about long-term recovery: Securing government resources for disaster relief and organizing plans for housing development.

We had to abandon the credit union's headquarters because it was in the path of the fire. It missed us by just a few blocks. I have to give credit to Redwood President/CEO Brett Martinez and the rest of the Redwood team. Folks worked around the clock to set up a temporary headquarters. We gelled as a team, and got our member services back up and running within a day.

We also raised \$32 million for fire

victims through the Wildfire Relief fund. We had more than 41,000 donors from 23 countries, so it was like a worldwide relief effort. While it broke our hearts to have all this destruction, it was amazing how the community came together.

Q How's the recovery coming along?

It's starting to pick up. We have several housing starts, and we've had the first families move into their completed homes. Some people are still wondering if they should rebuild, and some are still negotiating with their insurance companies. The housing market was tight before the wildfires. Now we have less than 1% vacancy. Being in the housing recovery world is all-consuming right now.

Q You received CUNA's Supervisory Committee Member Award. What does this mean to you?

It's a great reflection on Redwood Credit Union, not necessarily me as an individual. Our mission statement is, "We passionately serve the best interests of our members, employees, and communities." I'm so impressed with this organization. It represents the community more than any other organization. Regarding the Wildfire Relief Fund, there was no hesitation. Brett and the team stepped up and started working on that while they also made sure our members were being served the day after the disaster. It was amazing.

Q What keeps you up at night as a supervisory committee member? Cybersecurity. Every financial institution needs to make that a



DAVID GOUIN

priority. The other is inventing a comprehensive enterprise risk management model that looks at mission, vision, and our core values, and how to develop a strategy around those objectives so we can passionately serve our members.

Q What's one thing you know now that you wish you'd known as a new supervisory committee member? We need another back-office location to manage members' accounts during a disaster so everything isn't centered in Santa Rosa. It was daunting looking down the street from the Redwood corporate office and seeing where the buildings disappeared.

Best-in-class winners of the Supervisory Committee Award were Jose Pena, supervisory committee member at \$52 million asset La Joya (Texas) Area Federal Credit Union, and Carol Leroue, supervisory committee member at \$895 million asset Community Financial Credit Union in Plymouth, Mich.



The Dividend Difference

CRAIG SAUER

Patronage dividends drive engagement in a way only cooperatives can.

In 1948, 10 employees of the Dubuque Packing Company founded Dupaco Credit Union when they each pooled \$5 and took out a loan for \$123.20 from the Amalgamated Meat Cutters Local No. 150.

The next 70 years came with many changes for the \$1.7 billion asset credit union in Dubuque, Iowa. The packing plant closed, the credit union expanded to a community charter, and the bond of common values and experiences the original sponsor group shared gradually diluted.

“We lost our perfect marketing niche,” says David Klavitter, Dupaco’s chief marketing officer.

To recapture some of that cooperative magic and make stronger emotional connections with members, Dupaco created an innovative patronage dividend program in 2016 called “Thank Use.”

Patronage dividends—distributions a cooperative pays members based on a proportion of its profits—are common among cooperatives overall, but not as widely among credit unions.

Credit unions give back to their members and communities in many ways, including lower rates and fees, and higher dividends. But some, such as Dupaco, see the addition of a clear-cut patronage dividend as a powerful marketing tool for cooperative financial institutions.

Dupaco has shared nearly \$9 million in patronage dividends with members during the past three years, including \$2.6 million in 2018.

“Plenty of players are innovating around consumer finance, so we decided to leverage our unique strength as a cooperative,” Klavitter says.

Demonstrate your difference

Patronage dividend programs at credit unions are not “overly common” says Kim Sponem, president/CEO of \$3.1 billion asset Summit Credit Union in Madison, Wis. Those programs Summit reviewed before starting its program were found mostly at larger credit unions that want to vigorously demonstrate the cooperative business model and how they differ from banks, she says.

Summit’s patronage dividend program, “Cash Boomerang,” has returned more than \$9.3 million to members during the past five years, including \$2.3 million in 2018.

The amount each member receives depends on Summit’s financial success, as well as how much the

FOCUS

- ▶ **Patronage dividends** can be an effective member engagement tool.
- ▶ **Connect the payments** to your cooperative roots.
- ▶ **Board focus:** Manage member expectations in case slow growth hampers payouts.



Two Dupaco Credit Union members hold a sign explaining what they'll do with their "Thank Use" patronage dividend.

member saved and borrowed with the credit union during the past year. The minimum payout is \$10 and the maximum is \$1,000.

"It started because we wanted to show our members the credit union difference of being a cooperative," says Sponem. "It helps people understand that credit unions are different. Summit is different. And as a member, you share in how well the credit union is doing."

Cash Boomerang has been a boon for building member relationships at Summit, Sponem says. Staff often ask about the program when Sponem meets with different branches and departments.

"They look forward to it each year," she explains. "They get positive comments from members. Members are excited about it. I was at an outside business appointment and the receptionist asked, 'when does my Cash Boomerang come out?' I was really impressed that this person had it on her mind and was looking forward to it."

It doesn't hurt, Sponem says, that the credit union distributes the dividends just prior to Thanksgiving—right before the holiday shopping season. "It is a good boost to the beginning of the holiday season," she says.

Another key to Cash Boomerang, Sponem says, is that members interact with their payout directly.

Summit doesn't just add it to a checking or savings account, where it could easily be missed. It asks members to log in to their account and designate where the money goes—to the member's credit union accounts or as a donation to Summit's Money Smarts Fund, which builds financial literacy in the community.

"It's important to create the technology where people interact with that cash," Sponem says. "And it is neat to have a nonprofit where they can designate it."

Align strategy

Patronage dividends work best when they align with the credit union's core values and business strategy, says Tracy Szarzi-Fors, vice president of marketing and business development at \$4.3 billion asset Wright-Patt Credit Union in Beavercreek, Ohio.

Wright-Patt has rewarded members with \$56 million in patronage dividends during the past 10 years, including \$8 million in both 2016 and 2017.

In the credit union's annual business plan, you won't see asset growth as a strategy, Szarzi-Fors says. In fact, it states, "Asset size means little. The number of people who are better off because of Wright-Patt Credit Union means everything."

"We feel we should share our collective success with members," she says. "After all, when members use their credit union and tell friends and family, we naturally grow and have a greater ability to offer even more value back to the membership."

Delivering dividends to members also drives Wright-Patt employees to do good work.

"Members love it, and we enjoy revealing it to our membership," Szarzi-Fors says. "Because we don't plan for it as part of our business strategy and we don't budget for it, it becomes a motivator every year for leadership to work together to ensure we achieve it for our stakeholders."

Dupaco's strategy is member engagement.

The more engaged a member is with the credit union, the more beneficial the relationship is for



both the member (satisfaction) and the institution (profitability), says Klavitter.

Dupaco's program uses perks that "thank" members—in cash—for using credit union services such as loans, savings, digital offerings, and more, Klavitter says. The campaign asks members to be more engaged and use more services more often—and it is working.

In 2017, nearly 80% of members knowingly took some action to increase their share of Thank Use—up from 44% in 2016 when the program started.

As a result, members are more loyal, more connected to a community (cooperative versus geographic), and more likely to recommend Dupaco to friends and family. More members identify Dupaco as their primary financial institution, and use more credit union products and services, Klavitter says.

Despite providing a dividend, Dupaco's net worth ratio has increased since the launch of Thank Use.

Market it

Just as important as having a strategy is communicating the "why."

"Market and communicate it appropriately because it is a big deal," Szarzi-Fors says. "Banks don't put money into the pockets of those living on Main Street. Let members know they get a share of the profits and why. It reinforces the point of a cooperative credit union—it's about people helping people."

Wright-Patt has a comprehensive marketing and communications plan around its patronage dividends. It explains why it happens, how the credit union model is different, and why members gain more because of being a member, Szarzi-Fors says.

Summit communicates with current and potential members about Cash Boomerang throughout the year to provide awareness and information. When it determines the dividend amounts, the credit union notifies members via direct mail in a "member value statement." This details their annual savings with Summit over doing business with the average Wis-

THE CUSO PERSPECTIVE

Credit unions aren't the only financial cooperatives to offer patronage dividends.

Some credit union service organizations (CUSOs), such as PSCU, regularly return these dividends to their owners. Since becoming a cooperative in 1994, PSCU has returned more than \$490 million in patronage dividends to its credit union owners, nearly 50% in cash.

These earnings boost owners' net income and increase capital.

As a CUSO governed by credit unions, PSCU is tightly aligned with the values and direction of its credit union owners, says Brian Caldarelli, PSCU's executive vice president and chief financial officer. "Reinvestment decisions are driven by our affiliation," he says. "Distribution of the annual dividend offers additional liquidity to support owners' strategic and operational needs.

"At PSCU," he continues, "we view the annual distribution of dividends as an opportunity to reinforce the value of our cooperative to internal and external audiences."

Several factors go into the decision of whether to grant a patronage dividend. Annually, PSCU distributes 100% of its patronage income as dividends to its owners, Caldarelli says.

All owner credit unions are eligible to receive an annual dividend, along with a capital credit payment and a summary of their equity in PSCU.

Only CUSOs that are cooperatives are required to pay dividends annually, he adds. It's up to each cooperative to determine the specific calculation and the capital credits distribution.

"At PSCU, dividends are based on the allocation of all net income," Caldarelli says. "This has resulted in historically high payouts, and has helped owners during various economic downturns over the past four decades."

His advice to credit unions considering patronage dividends: "Dividend issuance is an opportunity to demonstrate the commitment to reinvesting in your members. Credit unions should take advantage of promoting this as a valuable differentiator that sets them apart from for-profit financial institutions."



'It's important to create the technology where people interact with that cash.'

Kim Sponem

consin bank. The goal is to make members proud to be a part of Summit and a cooperative financial institution, says Sponem.

"We communicate that through Summit's success, our members also succeed," she says. "When members save and borrow with Summit, they're not only helping themselves but all members and the credit union."

The name also resonates with staff and members. "We love the name because it indicates the more you do business with us the more you get back," says Sponem, who is often a featured player in Summit's radio and television advertising.

Cash Boomerang is one of several ways the credit union highlights its cooperative status. Summit is the founder and organizer of a local Co-op Connection event, where cooperatives display their products to consumers. It also makes a big deal out of its annual meeting, called "Summit Fest."

Both events, rooted in cooperative principles, draw thousands. And in conjunction with the patronage dividend, they build the credit union's cooperative identity in the community.

Dupaco's Thank Use payout occurs on International Credit Union Day in October.

"We go on all the radio stations and ramp up social media efforts," Klavitter says.

Part of the social media strategy includes asking members, "How will you use yours?" Dupaco then showcases members' answers via photos of them holding signs.

The answers—including "grandson's college fund," "saving for a camper," and "take my wife out to dinner"—often are personal and emotional. They concisely tell impactful stories of how the credit union affected that member.

Marketing ensures that Thank Use is personal and emotionally grounded.

"Engagement is personal and unique to each individual," Klavitter says. "Emotional bonds are much harder to break. The more emotionally connected members are, the less likely they are to leave, and

the more likely they are to do more business and refer others to the credit union."

Manage expectations

Patronage dividend programs do, however, require management and financial stewardship.

"We needed to think about what level of return on assets we were willing to accept," Sponem says. "We have a threshold of where we want our return on assets to be, so when we're over that, that's the trigger for the patronage dividends."

Managing member expectations also is important, she says. Slow growth or changing economic conditions can hamper patronage dividend payouts or make them impossible altogether.

"That is the concern. We haven't had that scenario yet, but we are always thinking about that," Sponem says. "Even in a down year we would still be able to do something of a cash boomerang because we've managed the expectations. People love to get something."

Summit will "mix it up" a bit from one year to the next so members don't think it is an automatic benefit, Sponem says. "Our communications are very much around if we exceed our goals, they share in that."

The same is true at Wright-Patt. Although the credit union has paid a patronage dividend routinely for the past decade, it makes sure members know it isn't guaranteed.

The credit union's website notes it is a "special" benefit that depends on the success of the business—and that the dividends are the direct result of member participation in the credit union throughout the year. It notes, "the more members take advantage of the many different accounts and services we have to offer, the better the chances of a special patronage dividend at the end of the year."

Another key to managing expectations is to not start too big, Sponem says. "We wanted to make sure our payout levels were sustainable."

You don't want to start too big and then have to

dramatically scale back the program the following year, she says.

That's good advice, says Joel Dahlgren, general counsel of Black Dog Co-op Law. Dahlgren supports patronage dividend programs but notes they might not be right for every cooperative or credit union.

"Co-ops that can't keep up," Dahlgren says, "may be shooting themselves in the foot to start a patronage dividend program if they are uncomfortable maintaining pressure on management and the board to keep generating earnings with which to redeem."

Co-ops, he says, need to make enough money to remain viable while understanding profits belong to members.

"One of the most difficult things about co-op culture is the thought that the co-op shouldn't be doing 'too well.' Otherwise, it might seem like the co-op is charging too much for its products and services," Dahlgren says.

Management must explain to members why it needs a certain level of profits, but also when and how the organization returns capital to members either through dividends or other methods, he says.

Success is contagious

When a patronage dividend program works well, the success is "contagious," says Dahlgren.

Dahlgren witnessed a successful program up close when he worked for St. Paul Bank for Cooperatives (SBC) in the early '80s. Its successor today is CoBank.

SBC's members, who were mostly cooperatives as well, took great satisfaction in being part of the institution's financial success. They knew how tough it is to be profitable and have a strong redemption program, he says.

"There is something about a successful co-op that everyone takes pride in, but it's not pride for nothing," Dahlgren says. "The pride is in the success of the co-op to regulate and manage its profits to build a solid enough equity base to grow on, while also providing for the return of that capital in the future.



A Dupaco Credit Union member shows off how he will use his patronage dividend to help his family.

The patronage dividend and equity redemption is a manifestation of the idea of a co-op being a self-help entity of the highest order."

Increasingly, Dupaco infuses the cooperative spirit in its Thank Use messaging.

"In a world where competition touts 'local,' we say Dupaco is more than local. It's a not-for-profit cooperative owned by members. It doesn't have outside investors or stockholders calling the shots," Klavitter says.

By embracing its cooperative roots, Dupaco once again found its perfect marketing niche.

"After our third year, staff and members are really starting to understand Thank Use and how it works," Klavitter says.

"Our employees use Thank Use to open conversations with members about how they can earn the most," he continues. "It definitely creates a buzz among members and the community."

RESOURCES

► CUNA's member celebrations: cuna.org/celebrations

► PSCU: psc.com



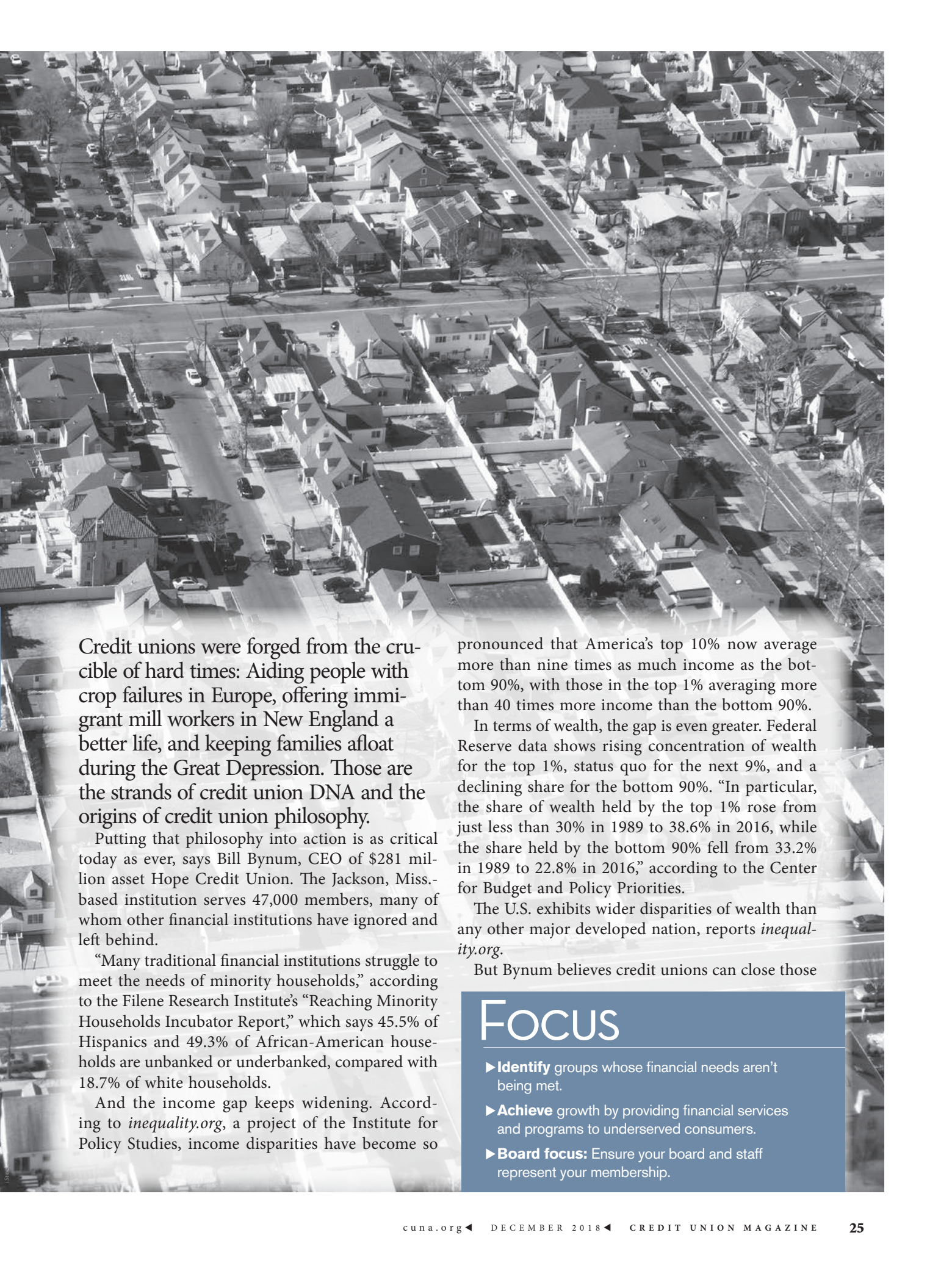
GROWTH

THROUGH

INCLUSION

LUCY HARR

**Serving
underbanked
populations
can boost the
bottom line.**



Credit unions were forged from the crucible of hard times: Aiding people with crop failures in Europe, offering immigrant mill workers in New England a better life, and keeping families afloat during the Great Depression. Those are the strands of credit union DNA and the origins of credit union philosophy.

Putting that philosophy into action is as critical today as ever, says Bill Bynum, CEO of \$281 million asset Hope Credit Union. The Jackson, Miss.-based institution serves 47,000 members, many of whom other financial institutions have ignored and left behind.

“Many traditional financial institutions struggle to meet the needs of minority households,” according to the Filene Research Institute’s “Reaching Minority Households Incubator Report,” which says 45.5% of Hispanics and 49.3% of African-American households are unbanked or underbanked, compared with 18.7% of white households.

And the income gap keeps widening. According to *inequality.org*, a project of the Institute for Policy Studies, income disparities have become so

pronounced that America’s top 10% now average more than nine times as much income as the bottom 90%, with those in the top 1% averaging more than 40 times more income than the bottom 90%.

In terms of wealth, the gap is even greater. Federal Reserve data shows rising concentration of wealth for the top 1%, status quo for the next 9%, and a declining share for the bottom 90%. “In particular, the share of wealth held by the top 1% rose from just less than 30% in 1989 to 38.6% in 2016, while the share held by the bottom 90% fell from 33.2% in 1989 to 22.8% in 2016,” according to the Center for Budget and Policy Priorities.

The U.S. exhibits wider disparities of wealth than any other major developed nation, reports *inequality.org*.

But Bynum believes credit unions can close those

FOCUS

- ▶ **Identify** groups whose financial needs aren’t being met.
- ▶ **Achieve** growth by providing financial services and programs to underserved consumers.
- ▶ **Board focus:** Ensure your board and staff represent your membership.



JUNTOS AVANZAMOS OPENS DOORS

Initiated by the Cornerstone Credit Union League as a Hispanic outreach program and expanded nationally by Inclusiv, formerly known as the National Federation for Community Development Credit Unions, Juntos Avanzamos—or “Together We Advance”—is now in place at 85 credit unions in 23 states, Washington, D.C., and Puerto Rico.

One of the newest credit unions to earn the Juntos Avanzamos designation is \$1.8 billion asset Metro Credit Union in Chelsea, Mass. It is the first credit union in the state of Massachusetts to qualify for the program.

Metro created a Latino Economic Advancement Advisory Council, comprised of influential Hispanic leaders, to enable the credit union to understand the challenges the Latino population faces, says Charlene Bauer, Metro’s chief development officer. Senior management, including Metro President/CEO Robert Cashman, met with the advisory council for five sessions.

“We asked questions, listened, and learned,” Bauer says. “Now we are responding with new programs, training, products, policies, and procedures. Our goal is to ensure Metro is welcoming and available for all who come through our front doors. Everyone deserves the opportunity for a better financial future, and we’re committed to identifying and serving the needs of our diverse, multiethnic community.”

Credit unions that employ bilingual, culturally competent staff and leadership; accept alternative forms of identification; and treat all members with respect, regardless of immigration status, can earn the designation.

In addition to providing a framework to allow participant credit unions to offer a more consistent and holistic approach to meeting the needs of the Latino market, Juntos Avanzamos has become a platform to connect the industry to Hispanic consumers and to the network of local governments and nonprofits serving this demographic.

gaps. “We aren’t beholden to a small group of shareholders,” he says. “It doesn’t do anyone any good to have people on the outside of the economy looking in. Credit unions can be part of the solution.”

Financial inclusion isn’t just a moral imperative for our movement, it’s an opportunity, says Pablo DeFilippi, senior vice president of membership and network engagement for Inclusiv, the organization formerly known as the National Federation of Community Development Credit Unions. “If you have a credit score over 700 you can get financial services pretty much anywhere,” he says. By diving deeper into the marketplace—finding gaps to be filled—he believes credit unions can do well by doing good.

Serving diverse populations will set up credit unions for success in the future, too, says Angela Russell, vice president of diversity, equity, and inclusion for CUNA Mutual Group. The U.S. Census Bureau projects the U.S. population, as a whole, to become majority-minority in 2044.

Look at the changes in demographics and compare them to your current workforce and your membership, she advises. “If you understand the ‘why,’ that will be your North Star,” Russell says.

She cites “Diversity Doesn’t Stick Without Inclusion,” a *Harvard Business Review* article that describes how diversity alone won’t drive inclusion. Executive buy-in is critical.

“Inclusion as a corporate value is huge,” Russell says. “It’s not just one or two people. It needs to be infused in what you are as an organization.”

Bynum agrees “inclusion is a mindset.” He also realizes it’s difficult to change peoples’ mindsets, especially if it means overcoming a “we’ve always done it this way” mentality.

The board of directors, he says, is responsible for setting the credit union’s direction and making sure management addresses inclusion. “Board members should do some hard soul searching and decide what they want the credit union to be,” Bynum says. “Make inclusion a priority. Remember, we manage what we measure.”

Battling barriers

With its main branch located in one of the state’s poorest census tracts, Community Credit Union in Lewiston, Maine, reinvested in its downtown location by completing a full renovation.

“As we began this process, it also provided a renewed



‘We can’t wait for the cavalry. We are the cavalry.’

Bill Bynum

energy to ensure we are meeting the needs of the neighborhood,” says Jennifer M. Hogan, president/CEO of the \$58 million asset credit union.

Serving the “New Mainer,” or immigrants in the community, has long been a top priority, she says. “But language barriers and differences in money cultures have always made it difficult to serve them to the fullest extent.”

Community took a three-pronged approach to meet these challenges:

1. Overcome language barriers. The credit union hired an individual from the Congo who speaks fluent French and another individual who is fluent in Spanish. “Both of these employees assisted us with overcoming some of the language barriers,” Hogan says.

2. Get involved. Community works with Healthy Neighborhoods, a community organization that seeks to bring people together and share resources. “This led to new personal and professional relationships, not only with New Mainers but our downtown community at large,” says Hogan.

3. Create partnerships. Community created a partnership with ProsperityME, which provides financial literacy training to the New Mainer community.

Another barrier is the prevailing myth that serving the financially vulnerable will cause losses to the credit union, says Adam Lee, Filene’s incubator director. “This absolutely is not the case,” he says. Serving these consumers “can be impactful and sustainable.”

While serving underserved communities requires patience and determination, “financial institutions using products geared toward serving minority households and other vulnerable populations can reach the intended consumer while supporting the institution’s bottom line,” Filene reports.

The Filene Reaching Minority Households Incubator’s Individual Taxpayer Identification Number (ITIN) lending program, which provides loans for noncitizen

members, achieved a return on assets of 3.81%. ITIN lending proved to be so successful, Filene is developing an ITIN lending implementation guide in partnership with Inclusiv and Coopera, a Hispanic consulting firm and CUNA alliance, to promote the service on a larger scale.

While interest rates charged for nontraditional loans typically are higher than other loans, these products meet consumers’ immediate needs, keep them from predatory lenders, and aid them in establishing or improving their credit standing, Lee says.

The Reaching Minority Households report also emphasizes the need to look beyond traditional measures of creditworthiness when serving nontraditional consumers: “Financial institutions that prioritize serving minority households should consider using measures other than credit scores and traditional underwriting methods to determine which consumers are a good fit for their product.”

Foster trust

Inclusion also requires credit unions to cultivate trust among diverse populations. While Community had established relationships with unbanked consumers, widespread distrust of financial institutions existed among this cohort, Hogan says.

“There was also a misunderstanding of how the financial industry in America operates and a lack of understanding as to why having a relationship with a financial institution was important,” she says. “It was at this time we realized our mission needed to be much deeper than establishing relationships and trying to get New Mainers to come in to open accounts.”

Providing financial literacy training, which offered an overview of why it’s important to have a financial institution relationship and how the system works, allowed the credit union to lay a foundation of trust with the New Mainer population, Hogan says. continued ►



“This was just as informational for us as a credit union as it was for the individuals we were speaking to,” she says. “As CEO, I also felt it was important to gain a true appreciation for what different money cultures look like and what the true needs of the community are. The last thing I wanted to do was make assumptions, create a buffet of new products and services, and have them not meet the needs of the New Mainer community.”

As a result, the credit union is partnering with Bates College to conduct a needs assessment for local underserved communities.

**‘EVERYONE DESERVES
THE OPPORTUNITY
FOR A BETTER
FINANCIAL FUTURE.’**
Charlene Bauer

“This goes beyond the New Mainer community and also includes those living in poverty, victims of human trafficking, individuals recently released from incarceration, and more,” Hogan says. “Our ultimate goal is to uncover the true financial needs of our neighborhood, break down barriers, build trust, and then ultimately implement the products and services needed to better support our community members.”

Bynum agrees it’s essential to ask community members what they need. This requires “not a check-the-box survey but talking to local leaders of community organizations and finding out what would most aid their constituencies,” he says. “It’s back-to-basics market research to tailor your products to needs.”

Make an impact

Credit unions face stiff competition from many sources—other credit unions, auto dealers, banks, fintechs, and other competitors—forcing many to merge.

“Size helps, of course,” says Lee, “but it’s not an impenetrable barrier.”

He notes that credit unions that successfully tested products and services in the Reaching Minority Households Incubator came from a wide range of geographic locations and asset classes. One participant in particular—a \$28 million asset credit union with one branch—proved to be “small, mighty, and nimble.”

Hogan stresses that partnerships are critical. “We’re a small credit union; we can’t do this by ourself. It’s key to collaborate with other organizations. We believe diversity and inclusion are ways credit unions can differentiate themselves.”

Credit unions with a low-income designation can apply for grants from the Community Development Financial Institutions Fund (CDFI). But, Bynum warns, “the CDFI Fund is greatly oversubscribed. I tell my staff, we can’t wait for the cavalry. We are the cavalry. Credit unions bring communities together to save themselves.”

No matter how they do it, DeFilippi says credit unions must consider these underserved populations and determine ways to reach out to them and provide financial services.

“Minorities and low- to moderate-income consumers represent a huge opportunity for us as an industry,” he says. “They desperately need the responsible products and services that only credit unions can provide, and we need them for our future relevance.”

RESOURCES

► CUNA:

1. 2018-2019 Environmental Scan: cuna.org/escan
2. Online courses for workplace diversity and inclusion: cuna.org/cpdonline

► Coopera, a CUNA alliance: cooperaconsulting.com

► CUNA Mutual Group: cunamutual.com

► Filene Research Institute: filene.org

► Juntos Avanzamos: juntosavanzamos.org

► Inclusiv: inclusiv.org

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Kasasa.com/Loans/CUNA

Giving Back Is the Only Way

RON JOOSS



Eight-year-old Veda, daughter of City & County Employee CU's Lindsey Evans, poses as a potato while volunteering at Second Harvest Heartland during CU Forward Day.



Georgia United CU staff take part in landscaping at Rock Chapel Elementary School.

Community service is a natural extension of credit union philosophy.

Georgia United Credit Union doesn't believe being an active and responsible member of the community is the right way to go.

"It's the *only* way," says Debbie Smith, president/CEO of the \$1.3 billion asset credit union in Duluth. "As a business partner in education, we want students to have the best environment possible to learn and play."

Through its School Crashers program, Georgia United provides makeovers to elementary, middle, and high-school facilities throughout the state.

It created the initiative as limited school budgets and other funding constraints prohibited many schools from updating or repairing school grounds and facilities. Schools apply for makeovers, and the credit union provides funding to those selected based on their needs, requests, and scope of work involved.

In 2018, the credit union selected eight schools to



Members of the mortgage department at Altra CU work on a Habitat for Humanity home on Altra Gives Back Day.



Nitro, mascot for the Indy Fuel hockey team, gives Financial Center First CU's Tom Collins a quick patdown as he accepts donations for Pack the Pantries.

receive facility upgrades over the summer. All of this year's winners are Title 1 schools with compelling needs that are not typically met through the school system.

Over the past five years, Georgia United has "crashed" 33 schools with grants and in-kind donations totaling nearly \$1.1 million.

Georgia United isn't alone in its passion for community service. As a rule, credit unions truly believe community involvement is as much a part of their culture as lending and saving.

Community involvement goes hand in hand with credit union philosophy. Following are more examples of how credit unions extend themselves beyond their products and services to improve the communities they serve and develop a culture that drives employee engagement.

A family refuge

Hawaii First Federal Credit Union's two Community Resource Centers enable families to address financial and social challenges.

The centers provide home ownership and job

FOCUS

- ▶ **Make community service** as convenient and rewarding as possible for employees.
- ▶ **Community partnerships** extend beyond financial services.
- ▶ **Board focus:** Community service is essential to the credit union brand.

counseling, computer access, income tax preparation, personal financial education, credit counseling, and elder abuse prevention.

The \$41 million asset credit union in Kamuela opened its first center in 2008 in the midst of the Great Recession, “when lots of people were in despair,” says President/CEO Laura Aguirre.

The credit union’s designation as a Community Development Financial Institution provided the impetus for the center, she says. The second center opened in 2011.

Aguirre says the community views the centers as a refuge. “We never put limits on how we help people,” she says. “People helping people means more than just their finances.”

‘Voluntealers’

In 2016, ISU Credit Union in Pocatello, Idaho, launched an initiative aimed at increasing employees’ community involvement. “Teal Team VI,” inspired by the U.S. Navy’s SEAL Team Six, encourages and gives staff the opportunity to volunteer for community-based efforts.

Teal refers to the ISU’s prima-

ry branding color. The program’s slogan: “Fighting for a better community.”

The credit union tracks “volunteal” hours and honors active participants as “stars.” Employees can earn rewards for participation. They receive detailed emails about volunteer opportunities about a week in advance.

“We’re on a mission to build and maintain an exceptional workplace for our employees,” says Robert Taylor, president/CEO of the \$238 million asset credit union. “The Teal Team VI program has catapulted our efforts, and has yielded results that surpassed our expectations.

“Our employee ‘voluntealers’ get to know each other at Teal Team VI events,” he continues. “They have fun. They become friends. They accomplish amazing things.

“This spirit of service and togetherness is now at the core of our culture.”



Community members participate in Hawaii First FCU’s financial wellness activities at the Ohana First event. “Ohana” means “family” in Hawaiian.



Golden 1 CU representatives celebrate the groundbreaking of the Wind Youth Center. Front row, from left: Richard Musci, Golden 1 CU; Steve Hansen, City of Sacramento; Suzi Dotzon, Wind Youth Services; Sacramento Mayor Darrell Steinberg; Golden 1 President/CEO Donna Bland; and Amanda McCarthy, Golden 1 CU and Wind Youth Services board member. Back row, from left: Golden 1’s Cassandra Jennings, Samantha Lui, and P. Craig Cornett, and John Wickland, Wind Youth Services.

Secret Meals

While many children in Alabama and Florida receive free and reduced-cost breakfast and lunch at school during the week, the weekend leaves a nutritional gap.

Alabama Credit Union in Tuscaloosa fills that gap by providing weekend meals to children through its Secret Meals for Hungry Children program. Each Friday, children in need receive nutritious meals slipped discretely into their backpacks.

Currently, 2,500 students receive Secret Meals food packs in Alabama and Florida, where 22% of children live below the poverty level.

The \$880 million asset credit union holds fundraisers throughout the year to support the program. Employees chip in through Friday jeans days, and they pack and deliver meals on Fridays.

“Employees are very proud of this,” says Kelley Porter, marketing director. “It’s part of our culture, and every week we have a great team-building exercise. It’s a great feeling to be part of this organization.”

Give-back day

Altra Federal Credit Union in Onalaska, Wis., held its inaugural Altra Gives Back Day in October. It

ONLINE EXTRAS



Video: Watch a video of Georgia United CU’s School Crashers program at news.cuna.org.

closed all of its offices and member contact centers as employees participated in a variety of community volunteer activities.

“Altra strives to make an impact in each of the communities we serve, and one way that we achieve that is employee volunteerism,” says Jack Peplinski, president/CEO of the \$1.4 billion credit union. “This year we wanted to make a large impact, and a day of service does just that.”

Nearly 400 employees volunteered at more than 30 organizations. Employees taught financial literacy, worked in community gardens, assisted at food shelters, aided agencies that serve at-risk and special needs children, supported animal shelters, socialized with area seniors, and assisted with home construction.

Altra chose Oct. 8 because it’s a federal holiday (Columbus Day), when many financial institutions are closed.

Pack the Pantries

Financial Center First Credit Union in Indianapolis partnered with a



ISU CU “volunteers” are ready for action at the annual spring cleanup hosted by the Chamber of Commerce and local beautification committee.



Alabama CU provides weekend sustenance to Alabama schoolchildren through its Secret Meals for Hungry Children program.

We **never** put limits on how we **help** people.

Laura Aguirre

local TV station and two food banks to host a Pack the Pantries fundraising drive.

Credit union staff manned the phone bank, collected donations, and donated money for the cause. Financial Center First is the presenting sponsor of the annual campaign, which allows it to support its community outreach goals: feeding the hungry and providing financial education to the Indianapolis community. Donations totaled more than \$100,000, which equates to 300,000 meals for those in need.

“We may not be the biggest credit union, but I would venture to say we have the biggest heart,” says Kevin Ryan, president/CEO of the \$564 million asset credit union.

CU Forward Day

Forty-nine credit unions and partners participated in a statewide day of kindness across Minnesota, dedicating the day to community service projects and volunteer opportunities affecting more than 335,000 people.

“The cooperative impact of credit unions is larger than each individual branch,” says Minnesota Credit Union Network President/CEO Mark Cummins. “CU Forward Day is an opportunity for credit union staff to show the people helping people philosophy in action.”

Minnesota credit unions hold the event each year on the second Monday in October. This year, credit union employees participated in events ranging from Habitat for Humanity projects, meals for children, outdoor clean-up events, free document shredding, children’s book drives, and random acts of kindness for community members.

In addition to staff time, credit unions donated \$100,000 to various community programs and initiatives.

Youth homelessness

In 2017, Golden 1 Credit Union in Sacramento, Calif., pledged to contribute \$1 million over three years to establish the Wind Youth Center, which promotes the safety, shelter, and self-determination of youth experiencing homelessness.

The center aims to break the cycle of youth homelessness by providing much-needed resources such as mental health counseling, career and education services, and access to permanent housing. With early intervention, homeless youth are less likely to become chronically homeless adults.



Heather Swiger (right), WVU Medicine, receives a dignity robe for breast cancer patients from former Fairmont FCU CFO Debbie Drollman, who lost her own battle with breast cancer this year.

Golden 1 also donated \$165,000 to three other organizations dedicated to combating youth homelessness. These organizations “all meet a critical need in their communities to reduce the number of youth without a safe place to call home,” says Erica Taylor, vice president of communications and community relations for the \$12 billion asset credit union.

“Working together, we can save kids and young adults from this crisis,” she continues. “These organizations all embody Golden 1’s community giving strategy: Make the communities we serve stronger.”

Robes for Recovery

Fairmont (W.Va.) Federal Credit Union’s Robes for Recovery initiative provides dignity robes to breast cancer patients at local hospitals.

Initially started as a one-time service project during Breast Cancer Awareness Month, the program has distributed more than 1,000 robes to breast cancer patients.

The credit union’s former chief financial officer, Debbie Droppelman, initiated the project. She lost her battle

to breast cancer this year.

“During her 38 years of service to the members of Fairmont Federal, Debbie’s strong character has been woven into the fabric of our credit union family—just like every thread is woven into the colorful fabric of each robe that’s donated,” says Butch Osborne, president/CEO of the \$354 million asset credit union. “The robes provide a small amount of dignity and color to brighten recipients’ spirits during their many treatments. We are proud to carry on the mission Debbie started several years ago.”

RESOURCES

- ▶ Your league for information on the CUNA national award programs: Desjardins Financial Education Award; Dora Maxwell Social Responsibility Recognition Award; and Louise Herring Philosophy-in-Action Award.



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▶ RULES ▶ REGULATIONS ▶ DEADLINES

NCUA Provides Guidance on FOM Narrative Approach

In a recent NCUA Letter to Federal Credit Unions (18-FCU-02), the agency suggests the most persuasive way for a credit union to show its service area qualifies as a well-defined local community (WDLC) is to use third-party data to illustrate how the area's residents interact or share common interests.

Third-party data evidence includes:

- ▶ **U.S. Census Bureau** data.
- ▶ **Federal government** agencies.
- ▶ **State government** agencies.
- ▶ **Local government** offices.

▶ **Area colleges**, universities, businesses, and community organizations.



▶ **Local periodicals** such as journals, magazines, and newspapers. According to the guidance, the

larger the geographic or population area, the more difficult it is to show the area qualifies as a WDLC, and likely will require more evidence to support the credit union's request that the area is, in fact, a WDLC.

Less persuasive types of evidence for illustrating that an area is a WDLC include:

- ▶ **Perceptions.**
- ▶ **Observations.**
- ▶ **Knowledge** of an area based on staff members' experiences.
- ▶ **Evidence** that cannot be supported by fact.

FFIEC Launches New BSA/AML InfoBase Home Page

The Federal Financial Institutions Examination Council (FFIEC) launched a redesigned Bank Secrecy Act/Anti-Money Laundering (BSA/AML) InfoBase website to share financial institution examination procedure information with examiners, financial institutions, the public, and other stakeholders.

According to FFIEC, InfoBase was redesigned to improve the overall experience for users. The redesign improves site navigation, enhances search capabilities, provides mobile-friendly capabilities, and contains new functionality that allows users to download various sections of the FFIEC BSA/AML Examination Manual.

The BSA/AML InfoBase home page provides users with access to everything in one place. At the top of the screen, across the banner from left to right, users can get to the InfoBase home page, the online BSA/AML Manual, examination

procedures, references, and the FFIEC home page.

Quickly accessible sections of the manual include:

▶ **Introduction:** An introduction to the FFIEC BSA/AML Examination Manual and related concepts.



▶ **Compliance program:** Guidance to examiners on examination scoping and planning, assessing the BSA risk assessment and compliance program, developing conclusions, and finalizing the exam.

▶ **Regulatory requirements:** Guid-

ance to examiners on assessing compliance with other statutory and regulatory BSA requirements.

▶ **Program structures:** Guidance to examiners on assessing BSA/AML compliance program structures, management of foreign branches, and parallel banking.

▶ **Products and services:** Guidance to examiners on risks associated with product and services.

▶ **Persons and entities:** Guidance to examiners on assessing risks associated with certain types of persons and entities.

▶ **Appendices:** Supplementary BSA/AML materials including laws and regulations, directives, references, and guidance.

Additional options and information include PDF versions of the manual and a Spanish translation, as well as a page containing all of the examination procedures available for single or multiple download.

NCUA's Risk-Based Capital Rule Now Effective Jan. 1, 2020

Federally insured credit unions subject to NCUA's risk-based capital rule will have an additional year to prepare under a supplemental final rule approved by the board at its October meeting.

The supplemental final rule moves the effective date of the risk-based capital rule to Jan. 1, 2020. It was

originally scheduled to go into effect Jan. 1, 2019. The amendments in this final rule also become effective at the same time. During the one-year delay, NCUA's current prompt corrective action requirements remain in effect.

The rule also raises asset threshold for defining a complex credit union to \$500 million. As a result, an addi-

tional 1,026 federally insured credit unions—based on Dec. 31, 2017, Call Report data—will be exempt from the rule.

Only 531 complex credit unions will be subject to the rule when it goes into effect, and more than 98% of all complex credit unions will be considered well-capitalized.

Agencies Address Benefits of BSA Collaboration

The Treasury's Financial Crimes Enforcement Network (FinCEN) joined federal financial regulators, including NCUA, to issue a joint statement Oct. 3 on sharing Bank Secrecy Act (BSA) resources.

The statement addresses the benefits of entering into collaborative arrangements to assist financial institutions in managing their BSA and anti-money laundering obligations more effectively.

Collaborative arrangements as described in the statement generally are most suitable for financial institu-

tions with a "community focus, less complex operations, and lower-risk profiles for money laundering or terrorist financing."

Among other measures, the statement aims to:

- ▶ **Highlight** the potential benefits of collaborative arrangements that pool resources (i.e., staff and technology) to increase operational efficiencies, reduce costs, and leverage specialized expertise.

- ▶ **Outline** risk considerations and mitigation measures associated with the use of collaborative arrangements.



The statement notes that financial institutions should approach the establishment of collaborative arrangements like other business decisions, with due diligence and thorough consideration of the risks and benefits.

Regulation CC Rule Includes Presumption of Alteration

The Federal Reserve Board's final rule amending subpart C of Regulation CC (availability of funds and collection of checks) addresses check alteration disputes when the paper check is unavailable for inspection.

The rule adopts a presumption of alteration for disputes between financial institutions over whether a substitute check or electronic check contains an alteration or is derived from an original check that was issued with an unauthorized signature of the drawer.

The final rule recognizes that, in today's check collection environment, original paper checks may be unavailable for inspection in disputes between financial institutions.

In the case of an altered check under the Uniform Commercial Code (UCC), institutions receiving the check during forward collection, including the paying institution, have warranty claims against the banks that transferred the check.

In the case of a forged check, the UCC places the responsibility on

the paying institution for identifying the forgery. Therefore, this generally leads to the depository institution bearing the loss related to an altered check while the paying institution bears the loss related to a forged check.

Amendments to Reg CC include a presumption of alteration in certain cases of doubt, such as disputes between institutions, but only when one has transferred an electronic or substitute check to the other. The rule becomes effective Jan. 1, 2019.

Agency Clarifies S. 2155 HMDA Changes

Act provides an exemption from the collection of certain data points.

WHITNEY NICHOLAS

THE PASSAGE OF THE Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155) in May created widespread confusion regarding how various provisions of the act might affect credit union operations.

The changes that specifically pertain to the Home Mortgage Disclosure Act (HMDA) have been a primary pain point for compliance professionals. That's because the act's HMDA provision created more uncertainty at a time when credit unions are still catching up with the Jan. 1, 2018, amendments to Regulation C.

On Aug. 31, 2018, after months of waiting, the Bureau of Consumer Financial Protection (BCFP) finally published a final rule clarifying the S. 2155 HMDA changes.

Overall, these provisions are a win for credit unions because the act provides an exemption from the collection of certain data points for small-volume mortgage lenders. But credit unions need to ensure they understand exactly

what the new rule does and does not do now that we finally have more guidance.

What it doesn't do

The new HMDA rule does not exempt any previously covered institution from the mortgage loan data reporting requirements of HMDA that were in effect prior to Jan. 1, 2018. If your credit union originated at least 25 closed-end mortgage loans or 500 open-end home equity lines of credit (HELOC) in each of the preceding two calendar years, it is still subject to HMDA reporting.

S. 2155 just rolls back the rule to the state it was in on Dec. 31, 2017, before the new Dodd-Frank-enacted data collection requirements were implemented on Jan. 1, 2018.

Therefore, if you originated 25 to 500 closed-end loans in each of the preceding two calendar years, you will report only the old HMDA data points that were in effect last year. And if you origi-

nated less than 500 HELOCs in each of the preceding two years, you will not report any open-end HMDA data (at least for now).

What it does do

The new provision exempts small-volume mortgage lenders from the expanded HMDA data reporting requirements that became effective on Jan. 1, 2018, if certain conditions are met.

For closed-end mortgage reporting, the conditions require that the credit union has originated fewer than 500 of such loans in each of the preceding two calendar years.

For HELOCs, the credit union must have originated less than 500 of those loans in each of the preceding two calendar years.

The bureau has now clarified which loans count toward meeting the 500-loan threshold to qualify for the partial exemption: Only those loans that would otherwise be HMDA-reportable count.

It's important to note that a BCFP-amended rule that became final in August 2017 already temporarily raised the HELOC threshold from 100 to 500 loan originations, so S. 2155 will not have any impact on the HELOC threshold in the short term.

The BCFP-revised rule only temporarily raises the threshold to 500 for 2018 and 2019 for any HELOC reporting to allow the bureau more time to assess the potential impact.

So absent another rulemaking from BCFP, S. 2155 will not potentially come into play to keep the threshold at 500 for HELOC reporting until 2020.



Effective date

While the act provided no effective date for the HMDA provision, the bureau states in the rule that it believes the best interpretation is that this provision took effect on the date of the act's enactment, or May 24, 2018.

This is great news for credit unions that qualify for the partial exemption. That's because they won't have to collect and report the expanded data points for 2018 after May 24.

Data collection

When S. 2155 passed in May and promised a partial exemption from the collection of certain data, everyone was left to wonder which data points would be covered by the partial exemption and which would still be required to be reported.

The bureau addressed this in the Aug. 30, 2018, rule and provided a list of the 26 data points eligible for the exemption and the remaining 22 data points that are still required for all HMDA reporters.

Credit unions that do not meet the 500-loan threshold and qualify for the partial exemption will report fewer data points than those that do not qualify for the exemption.

Voluntary reporting

The rule also states that optional voluntary reporting of the expanded data points covered by the partial exemption is permissible, provided that the credit union will submit data for an entire data point when data are reported for any data field within that data point.

This will ease the compliance

burden for institutions whose loan volume thresholds may fluctuate from year to year.

While it may be easier from a compliance standpoint to continue to report data in a given year even if your credit union qualifies for the exemption, keep in mind that you can still be held accountable for any discrepancies in the data that you report.



Universal Loan Identifier

The last big change in this rule pertains to the Universal Loan Identifier (ULI). Insured credit unions are not required to report a ULI for loans that are partially exempt (although the rule states that credit unions may still voluntarily report the ULI if they prefer).

But credit unions that qualify for the partial exemption must still provide information so each loan and application they report is identifiable for HMDA purposes.

This allows the credit union to report the loan identifier without requiring it to obtain the Legal Entity Identifier (LEI) as part of the ULI if the credit union quali-

fies for the partial exemption.

As a result, the August 2018 final rule has amended the ULI requirement to only require a "non-universal loan identifier" that doesn't have to be unique within the industry. That means it doesn't have to contain an LEI.

However, the non-universal loan identifier does have its own requirements. For any partially exempt loan or application for which the credit union does not report a ULI, the non-universal loan identifier:

- ▶ **May be composed** of up to 22 characters.

- ▶ **May be composed** of letters, numerals, or a combination thereof.

- ▶ **Must be unique** within the credit union.

- ▶ **Must not include** information that could be used to correctly identify the applicant or borrower.

"The year of HMDA"—as 2018 is known—has been big for credit union compliance. As the year comes to a close, hopefully credit unions can rest a bit easier knowing we finally have some clarity with respect to the new HMDA changes.

HMDA appears to be the ever-evolving rule, and this doesn't appear to be changing any time soon.

BCFP has stated that it intends to re-open the rule for further examination again in 2019. We hope this will lead to more positive changes for credit unions in the form of less regulatory burden.

WHITNEY NICHOLAS is senior federal compliance counsel for CUNA. Contact her at 202-508-6702 or at wnicholas@cuna.coop.

Seven Tips to Retain Deposits

As loan growth continues to outpace deposit growth at many credit unions, Jan Trifts, strategic advisor with Raddon, offers these tips to retain deposits:

- 1. Develop** a vice president of deposits position. Although many institutions have executive positions devoted to lending, combining efforts to attract, retain, and price deposits under one position can give a significant boost to efficient product management.
- 2. Actively manage** the certificate renewal process. Trifts suggests calling key renewing certificate holders to thank them for their business and discuss new certificate offerings.
- 3. Redesign** the standard notification about maturing certificates to congratulate certificate holders on the completion of their savings goal and to mention cur-

rent specials. Use these communications wisely to demonstrate value beyond simply the interest paid.

- 4. Have** an executive—possibly even the CEO—call top depositors to thank them for their business. Don't limit calls to certificate holders. Instead, reach out to liquid depositors with large balances who are waiting for an opportunity to move.
- 5. Invite** top depositors to a thank-you lunch, dinner, or "wine and dine" event with the CEO. Such events can also help cross-sell these depositors into wealth management services.
- 6. Provide** flexibility to front-line staff to allow rate matching up to some limit. Giving staff the flexibility to match market rates can help you retain rate-sensitive deposits without requiring added interest expense for less



rate-sensitive dollars.

- 7. Add** higher tiers to current money market accounts to encourage additional new deposits, such as \$100,000, \$250,000, and \$500,000 tiers.

Adding high new tiers to an existing product can encourage customers to add balances while limiting overall exposure to repricing because only a small percentage of existing funds would fall into the new tiers.

App Encourages Financial Literacy With Prizes

Less than one-quarter of millennials demonstrate basic financial literacy skills, according to a study from the George Washington Global Financial Literacy Excellence Center.

To help millennials improve their financial literacy and decision making, \$616 million asset Merrimack Valley Credit Union (MVCU) has launched "CashIQ," a web-based application where players test their financial acumen and win prizes.

With CashIQ, people test their knowledge and learn about financial topics. The selected categories address key topics and issues in which mil-

lennials have indicated they need help, including student loans, credit scores, retirement, and mortgages.

If players answer the questions correctly, they win points redeemable for real prizes.

"CashIQ is a fun and exciting way to break down broad financial topics into smaller facts that are easy to understand," says Peter Matthews, president/CEO of the Lawrence, Mass., credit union. "Setting our members and people in the community on a path toward financial understanding and well-being has been a long-standing mission of

MVCU. CashIQ gives us a great platform to work toward that goal."

Players receive 10 points for each correct answer. Once they accumulate enough points from multiple quizzes, they can redeem points for prizes, including a \$25 credit when opening a new MVCU checking or savings account; a \$100 gift card when financing a student loan through MVCU; and \$100 to \$200 cash back on an auto, watercraft, or leisure vehicle loan with MVCU.

Each entry is entered into a raffle, with a \$50 prize every two weeks and a \$500 grand prize.

'CU Green' Boosts Clean Energy

Toddlers play games on tablets and young children use hashtags and emojis—and these same tech-savvy kids will someday be in the market for loans.

Minnesota's credit unions have launched a clean energy lending platform, CU Green, to make clean energy accessible to more Minnesotans through educational resources, loans, and investment options.

The Minnesota Credit Union Network, Hiway Federal Credit Union in St. Paul, and Affinity Plus Federal Credit Union in St. Paul worked together to build *cu-green.org*. It provides consumers clean energy information with a focus on finding qualified contractors, utility incen-

tives, and below-market-rate financing for installing residential solar electric generating systems.

The group has partnered with the University of Minnesota Institute on the Environment Climate Smart Municipalities program to improve energy efficiency and boost the local economy in Minnesota.

Working with Jeremy Kalin, a former state legislator and clean energy financing expert, the credit unions are taking several approaches to enable consumers to install residential solar panels and improve energy efficiencies in credit union branches.

“By connecting Minnesotans with trusted installers, personalized energy savings estimates, and competitive

loans, credit unions are helping families and communities go green,” says Minnesota Credit Union Network President/CEO Mark Cummins.



Consumers Want Personalized Lending Experiences

Consumers want a personalized experience whether they're shopping online or taking out a loan at the credit union.

But providing that personalized experience means credit unions have to gather more data to determine what their members want.

Data also brings with it the increased threat of fraud.

“Identity and fraud are adding to the complexity” of the member experience, says Matt Ehrlich, Experian's senior director of product management. He addressed a breakout session at the 2018 CUNA Lending Council Conference in Anaheim, Calif.

Consumers understand that providing additional personal information will be beneficial in obtaining a better personalized experience.

Seventy-percent of consumers are willing to provide additional financial information to a lender if it increases their chance for approval or improves their interest rate, according to Experian research.

But data also poses additional threats that credit unions need to consider, Ehrlich says.

Fraudsters are using data in new ways to create identity and fraud threats, such as synthetic identities, identity manipulation, identity takeover, new-account fraud, existing noncard fraud, and a shift from point-of-sale to card-not-present fraud, Ehrlich says.

With those threats in mind, he says credit unions must make better decisions surrounding fraud and identity.

Ehrlich offers five strategies to

address fraud risk:

1. Start with the assumption that personal information and other data has been comprised and that fraud is taking place.

2. Use an omnichannel view across identities to combat sophisticated digital fraud.

3. Design a fraud management program that's layered and contextually invoked. Rules and “signals” in isolation are not effective.

Not all fraud management programs are the same, Ehrlich says.

4. Understand that looking to internal data only isn't sufficient. Look at all types of data—both internal and external—to determine whether fraud is taking place. “Those need to work together,” he says.

5. Realize advanced analytics provide the biggest benefits.

Raise Members' Financial IQ

Technology makes it easier to provide sophisticated financial education programs.

PATRICK TOTT

IN THE PAST, FINANCIAL education was presented via face-to-face encounters in the classroom or with printed materials. But educational outreach has changed.

"Now we're into webinars, videos, and real-time information that can be more personalized," says Donna McNeill, chief operating officer for GreenPath Financial Wellness, a CUNA alliance. "People can pick and choose what they want to learn and when. Mobile access has changed the nature of financial education."

GreenPath works with individuals, credit unions, and other entities to restore consumers' financial health. It also teaches front-line employees how to have good discussions with members, McNeill says. "Today, people want financial information right when they are making a financial decision," she says. "The ability to instantaneously access helpful information is a huge change from past approaches."

This also is attractive to young people, says Cathy Mueller, executive director of Mapping Your Future, a division of Money Management International, which provides person-to-person and online financial wellness resources. "However, no matter what the age of a member, we are seeing more interest in services that are specifically targeted at their age group," she says. "Online services appeal to everyone if they provide what's needed in an engaging way."

While the way credit unions teach financial management has shifted, the principles remain the same, Mueller says. "What has changed are technology that makes personal financial management easier, new laws that impact personal finance,

and a recognition of the importance of financial skills," she says.

One unique effort: The National Credit Union Foundation has worked with PBS since 2008 to present "Biz Kid\$," a TV program where kids teach their peers about finances and entrepreneurship.

Foundation Executive Director Gigi Hyland cites the success of 16-year-old Moziah Bridges from Memphis, Tenn., who started a business manufacturing handmade bowties. The business is now worth \$1 million.



"The credit unions we have supported hold entrepreneur competitions and learning situations," she says. "One credit union we granted money to held a summer camp that used a zip line to educate kids. As campers zipped down the line they saw signs that indicated the stages of a mortgage, from applying for a loan to making a final payment, and outright ownership at the end."

The Foundation also offers interactive reality fairs where kids navigate their way through a variety of financial challenges. "It teaches young people the difference between needs and wants," Hyland says.

McNeill says members want an unbiased, third-party opinion about their financial situation. For example, someone overloaded with credit card debt might wonder if anyone

has ever been in a worse situation.

"The first thing we tell them is they're not the worst case, that they will be OK, and that a workable plan will emerge from a counseling session," McNeill says. "They're overwhelmed, so if they can see a path forward and focus again on their hopes and dreams, they have a reason to change their habits."

GreenPath also offers a member support group comprised of people who have been through—and benefited from—the company's programs.

Mueller says Mapping Your Future offers college-bound students extensive research and advice.

"It's vital for credit unions to understand where members are in their lives," says Hyland. "Many people live paycheck to paycheck. One large credit union whose primary select employee group is technology workers found that 60% of its members were one paycheck away from financial disaster. Know where your members really are financially, not where you think they are."

RESOURCES

► CUNA:

1. Financial Counseling Certification Program: cuna.org/ficep
2. Financial education resources: cuna.org/financialed

► Biz Kid\$: bizkids.com

► GreenPath Financial Wellness, a CUNA alliance: greenpath.com

► Money Management International: moneymanagement.org

► National Credit Union Foundation: ncuf.coop

Hitting the Links to Round Up the Green

Northwest Classic raises more than \$1.4 million for CMN Hospitals.

First Tech Federal Credit Union, based in Mountain View, Calif., hosted the annual Credit Unions for Kids Northwest Classic (previously the Dave and Dan Golf Classic) in July outside Portland, Ore.

The golf tournament draws hundreds of participants from across the U.S. with representatives from credit unions, vendors, hospitals, and more.

This year, the First Tech team set a goal to raise \$1.3 million for local children's hospitals and raised more than \$1.4 million.

"Credit Unions for Kids was born in the Northwest, and we're proud to honor that legacy with the Northwest Classic," says Greg Mitchell, president/CEO of \$12.1 billion asset First Tech.

"We are fortunate to be able to give back to our communities, and it's humbling to see the generosity that connects our members, employees, and industry partners. Together, we're making a difference for kids and families today, and for generations to come."

Fundraising for the Northwest Classic also includes a pie-in-the-face event, sponsorships, raffles, and an inspiring "paddle raise" to close the event.



First Tech FCU hosts an annual golf outing—drawing participants from across the U.S., including representatives from CUs, vendors, and hospitals.

The funds benefited six Children's Miracle Network (CMN) Hospitals through the Credit Union for Kids (CU4Kids) program:

- ▶ **Seattle Children's Hospital.**
- ▶ **Doernbecher Children's Hospital, Portland, Ore.**
- ▶ **PeaceHealth Sacred Heart Children's Hospital at RiverBend, Eugene, Ore.**
- ▶ **UC Davis Children's Hospital, Sacramento, Calif.**
- ▶ **UCSF Benioff Children's Hospital, Oakland, Calif.**
- ▶ **Children's Hospital Colorado, Aurora.**

"Since the inception of the CU4Kids program more than 22 years ago, the support of our credit union partners like First Tech has been critical to the funding of life-saving research; expansion of facilities; and charity care, which assures all kids receive treatment regardless of a family's ability to pay," says John Lauck, president/CEO of CMN Hospitals. "First Tech has proven to be innovative and dedicated to ensuring all kids have access to the best health care available."



The Northwest Classic raised more than \$1.4 million for six Children's Miracle Network Hospitals.

World Council Provides Rural Empowerment in Haiti

MICHÉLE BRETON AND CARA BIDWELL

Access to vital financial services in rural Haiti is extremely limited and difficult to access. Reaching a point of service requires rural Haitians to incur high transportation fees and spend hours traveling on poorly maintained roads.

But a World Council of Credit Unions program is opening up access to financial services and improving lives in the vibrant Caribbean country.

The World Council launched the U.S. Agency for International Development-funded Accessible Finance Activity in 2017. It supports the Caisse Populaire Fraternelle credit union in the north, and Sosyete Koperative pou Lavi Miyò in the Artibonite region, Haiti's main rice-growing area.

The effort uses the World Council's field officer banking methodology, which was developed and refined in Colombia. Known as the Kes Pam Pi Pre'm ("Credit union closer to me") service, the program empowers credit union agents to serve rural community members via motorcycle.

The two-wheeled agents carry tablets that operate online or offline, print receipts on-site via a Bluetooth printer, and link to the credit unions' operating system.

This is the first opportunity for many members to access a formal financial institution and open accounts.

While community members receive individual service, they also meet in structured groups to allow the credit unions to encourage cohesion, teach financial education, and obtain economies of scale. As of September 2018 and

after six months of operation, the two credit unions participating in this pilot program met with 96 groups and 1,435 members, 53% of whom are women.

Haitians are known and respected for their resilience and ability to overcome adversity in the face of natural disasters and political, social, and economic instability. But they face significant financial obstacles.

Haiti's unemployment rate is 40.6%—one of the world's highest (ranked 213 out of 218 countries), according to the CIA World Factbook. More than two-thirds of the labor force are without access to formal jobs.

Haiti also is the poorest country in the Western Hemisphere, with nearly 60% of the population living below the national poverty line. Given soaring poverty levels and a lack of employment, access to financial services is critical. Savings, loans, and financial education provide a buffer against financial shocks and access to startup capital to begin and grow small businesses.

Program leaders will continue to monitor the development of field officer banking in the selected regions. World Council plans to introduce an educational module on family and business budget management for the benefit of the groups.

MICHÉLE BRETON is chief of party in Haiti. Contact her at mbreton@woccu.org. **CARA BIDWELL** is a former project manager for World Council.



At left, Haitian members learn about financial products and services. At right, World Council's Michéle Breton and field officers prepare for an educational session.

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Not Small, Just Different

The phrase “small credit union” is misunderstood.

JAMES COLLINS

I HAVE OFFICIALLY BANNED the phrase “small credit union” from my vocabulary.

Gone. Done.

I find that term to be overused, misunderstood, and—at times—depressing. Just like the phrase “congressional action.”

But I digress.

That does lead to the question of “why.” Why am I banning this phrase from the Collins Dictionary?

To answer that, let us first define “small credit union” (I can still use the phrase, but only if I put quotes around it).

According to NCUA in 2013, a “small credit union” is one with less than \$50 million in assets. According to NCUA in 2015, a “small credit union” is one with less than \$100 million in assets.

And according to my youngest daughter in 2018, it is “one you’ve never heard of.”

I think my daughter is probably right. While credit unions measure one another like an angler showing off the latest catch to their friends—“Why, this credit union has only a 0.80% return on assets (ROA) and its net worth is more than 12%. You are losers!”—the public generally doesn’t care about your asset size, your ROA, or even how long you’ve been around (“Horse and Buggy Whip CU since 1840!”).

Rather, both current and poten-

tial members appraise a potential financial institution with three major questions:

1. Does it have the capabilities, delivery channels, and products so I can do what I need?

2. Is it reliable? Can it be trusted? Or will it be as erratic as my 1986 Yugo?

3. Finally—will I be happy?

That last one is the kicker. It is why “small credit unions” aren’t small. They’re big.

We should note that nobody ever said, “I’m joining ABC Credit Union because of its sweet assets and fetching ROAs.” (This is as close to R-rated credit union writing as you can get.)

Rather, people choose institutions because they can meet their needs, do so regularly, and give them a sense of belonging. Many credit unions struggle with their product lines and reliability because they lack the resources of people, money, and time. But oddly, they’re often the credit unions that excel at making people happy.

And happiness is the thing.

A recent “CNN Business” report on a large national bank which has been publicly flogged illustrates the point clearly. If ranked on assets, profitability, branches, and the like, it clearly would be superior to all but its largest competitors.

However, the article states that

30% of their current customers may leave primarily because they don’t feel the bank shares their values. Never mind the billions of dollars of infrastructure and marketing they’ve spent trying to dig themselves out of the hole.

The other day I had the privilege of meeting a couple who had been members of a local, “small” credit union for more than 30 years. They were our members, too, but just for some specific things their regular credit union didn’t offer.

After jokingly asking them why they just didn’t move everything to us, they spoke poetically about how their credit union had been there through thick and thin, through heartache and laughter, and now through three generations of their family.

After this impromptu meeting, I remembered something from when I was young which perfectly summed up what “small” credit unions mean to so many people:

“Sometimes,” said Pooh, “the smallest things take up the most room in your heart.”—A.A. Milne, “Winnie the Pooh.”

There are no more “small credit unions.” They are just different ones.

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



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*- Melissa Hendrix, Senior Vice President
Mainstreet CU, Lenexa, KS*

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