

# Credit Union

MAGAZINE

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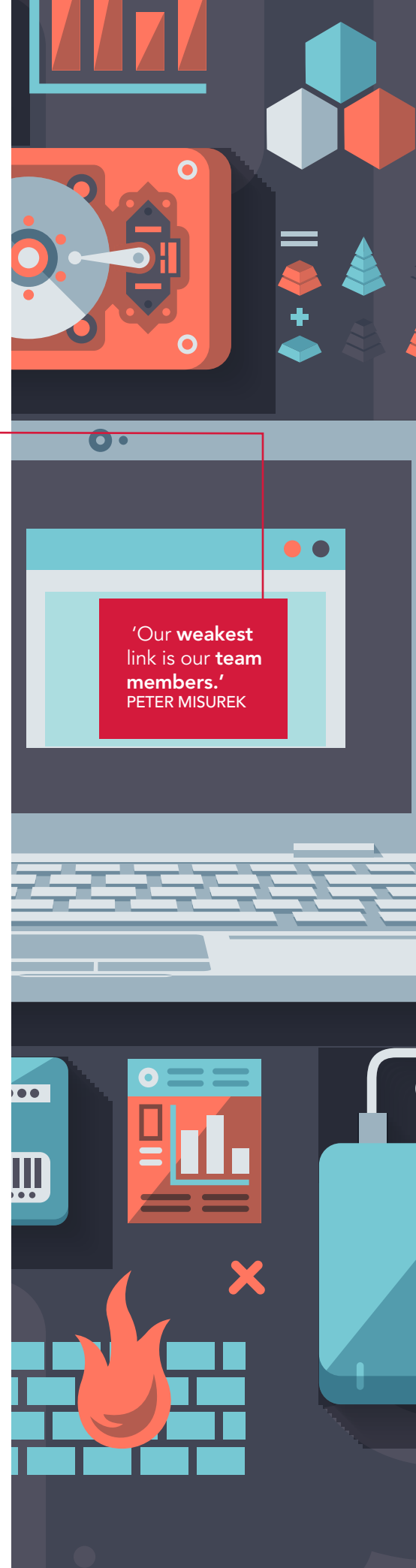
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WE ALL  
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# Digital Features

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## Special Report: 2019 CUNA GAC

Visit [cuna.org/news](http://cuna.org/news) for daily onsite updates from the credit union movement's premiere conference, March 10-14 in Washington, D.C.

Keynote speakers include former Secretary of State John Kerry, best-selling author Malcolm Gladwell, adventurer and leadership expert Alison Levine, and political commentator/author/former White House Press Secretary Dana Perino.

## Vote for the 2019 Credit Union Hero of the Year

Of the many nominations from the readers of *Credit Union Magazine*, we've selected four as 2019 Credit Union Heroes—those who relentlessly promote credit union philosophy, dedicate themselves to credit union principles, and make a sustainable difference in their communities. Now it's time to select the 2019 Credit Union Hero of the Year.

Cast your vote at [news.cuna.org/cuhero](http://news.cuna.org/cuhero) for the top hero. We'll honor the winner during CUNA's America's Credit Union Conference, June 17-20 at the Walt Disney World® Resort in Florida.

## Culture that rocks: How to amp up your corporate culture

Business culture catalyst Jim Knight draws on examples from the diverse worlds of business and music to illustrate how a "rockin'" culture can foster outstanding customer-oriented experiences.

He calls on credit union leaders to embrace their uniqueness and infuse it into every facet of the organization.

## Podcast: What's the board's role in cybersecurity?

Credit unions have battled wave after wave of merchant data breaches, computer viruses, and cyberattacks.



Listen at [news.cuna.org/podcasts](http://news.cuna.org/podcasts).

As a result of these evolving threats, board members must continue to emphasize the importance of protecting their credit unions' networks, computers, programs, and member data from cyberattacks.





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## Member data, heroes, and a fresh new design

We take a deep dive into cybersecurity attacks and defenses.

When we asked you what topics you want us to cover in *Credit Union Magazine*, cybersecurity ranked high on everyone's list.

In this issue and online, we're examining many aspects of this topic, from the latest attacks to preventive measures to your board's oversight responsibilities to actions CUNA is taking on your behalf to improve information security protection.

Protecting member data from cyberattacks and data breaches is a top advocacy priority, says CUNA Chief Advocacy Officer Ryan Donovan ("360-degree success," p. 48).

The costs keep rising, not to mention the stress on credit union operations and the frustration for members, explains Mike Schenk, CUNA's deputy chief advocacy officer and chief economist ("Policy challenges loom large," p. 60).

Merchants were responsible for 93% of all data breach records exposed last year, and nearly half of all data breaches overall. CUNA steadfastly advocates for legislation to impose data security standards on merchants to protect consumers and reduce criminal access to financial information.

Along with our cybersecurity focus, we also highlight our conversations with four remarkable individuals selected as 2019 Credit Union Heroes:

- **Cherry Dale**, Virginia Credit Union.
  - **Harlene Johnson**, Light Commerce Credit Union, Texas.
  - **Diane Sandoval-Griego**, Guadalupe Credit Union, N.M.
  - **Bridget (Looby) Staffileno**, Catholic Federal Credit Union, Mich.
- They're educators, counselors, passionate community connectors,

and collaborators. Voting for our Credit Union Hero of the Year is open now at [news.cuna.org/cuhero](http://news.cuna.org/cuhero).

It's also time to nominate your colleagues for our annual Credit Union Rock Star edition, sponsored by Fiserv, and published this fall. Visit [news.cuna.org/nominaterockstar](http://news.cuna.org/nominaterockstar).

And finally, this is your first quarterly issue of *Credit Union Magazine*. Along with more features, we freshened up the look.

We're eager to hear what you think.



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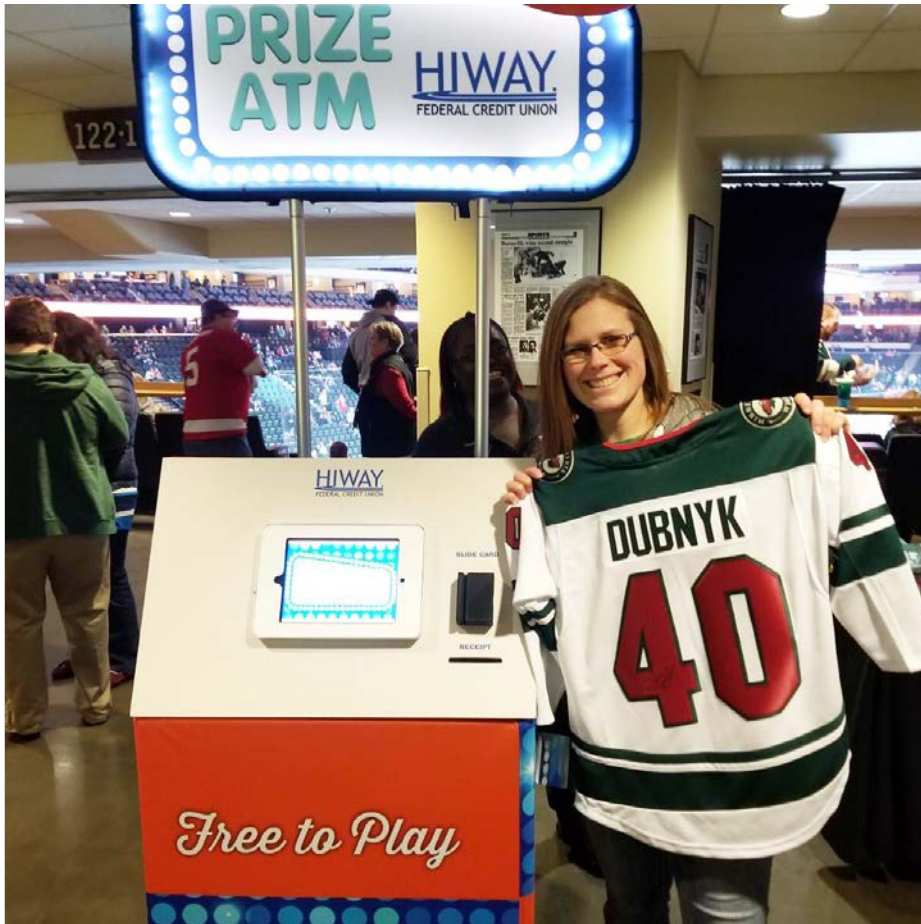
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# Ideas & Inspiration



## Prize machine drives fans 'Wild'

Hiway Federal Credit Union in St. Paul, Minn., is giving hockey fans the chance to win prizes with an interactive game that will appear at Minnesota Wild home games during the balance of the 2018-2019 National Hockey League season.

Fans who swipe a promotional card in Hiway Federal's "automated prize machine" can win a variety of giveaways, including autographed jerseys. The colorful machine, designed to resemble an oversized ATM, dispenses a receipt redeemable for a corresponding prize.

"It's a great way for staff to engage with current and prospective customers," says Dave Boden, president/CEO.

## Be vigilant and adaptive

Change is constant. But if credit unions pay attention to market shifts, they will be able to respond to change and continue to thrive.

To do this, leaders must be vigilant and adaptive, and master the challenges of "seeing sooner" and "acting faster," according to "Preparing for a More Turbulent Future: How Credit Unions Can Remain Vigilant and Adaptive," a report from the Filene Research Institute.

Being a vigilant and adaptive organization requires having:

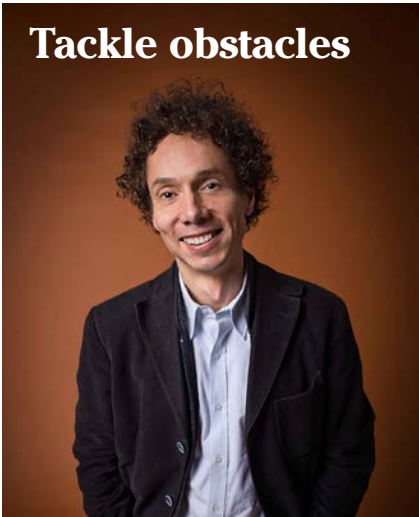
› **A vigilant** leadership team that has a deep sense of curiosity, an openness to diverse inputs, and a willingness to play the long game regarding threats and opportunities.

› **A flexible** and adaptive strategy-making process that features an "outside-in" approach—which keeps organizations in tune with customers, partners, and competitors—and a "future-back" approach, which focuses on situations that can be reliably predicted.

› **Sustained** investments in foresight. Investments in foresight are not one-and-done quick fixes. Build them into a vigilance system. For example, consider creating innovation teams that focus on new or growing markets to gain fresh insight first-hand.

› **Coordination** and accountability. Set organizational parameters for success. Share information and act quickly.

## Tackle obstacles



Malcolm Gladwell

Overcoming obstacles may be difficult, but the results can be beneficial.

Malcolm Gladwell, author of five *New York Times* bestsellers, including “David and Goliath: Underdogs, Misfits and the Art of Battling Giants,” says there often are advantages to facing obstacles and adversity.

Addressing challenges can cause leaders to think outside the box. He likens the battle of credit unions versus big banks to the paradigm of David and Goliath, with credit unions in the role of David.

“They’re much smaller, more community-oriented organizations that have to work harder and be innovative if they’re to overcome their disadvantages,” Gladwell says. “The success credit unions have is a result of this idea that you compensate for your weaknesses by getting better, working harder, taking more chances, and doing what others won’t do.”

Gladwell is a keynote speaker at the 2019 CUNA Governmental Affairs Conference in Washington, D.C.

## Don’t wait to make an impact

Young professionals don’t need to wait until they’re in a leadership role to start making an impact at their credit union and in the movement.

Phil Kadzielawski, product development specialist for \$3.1 billion asset Coastal Credit Union in Raleigh, N.C., and winner of the 2018 CUNA Emerging Leader Award, offers advice for young professionals who want to enhance their leadership skills:

› **Get involved.** Don’t wait for opportunities to be handed to you. Find a young professionals group or a mentor, and seek out support from leaders at your credit union.

“The opportunities are there, it’s just a matter of finding the one that resonates with you and that you think will work,” Kadzielawski says.

› **Set attainable goals.** Give yourself something to work toward.

› **Find ways to gain exposure.** “Every conference has a session about millennials. We’re on their minds,”

Kadzielawski says. Get in front of other industry leaders, he advises.

› **Add value.** Leadership isn’t just about you, Kadzielawski says. “It’s about being humble, knowing when to let others have opportunities, and fighting for others.”

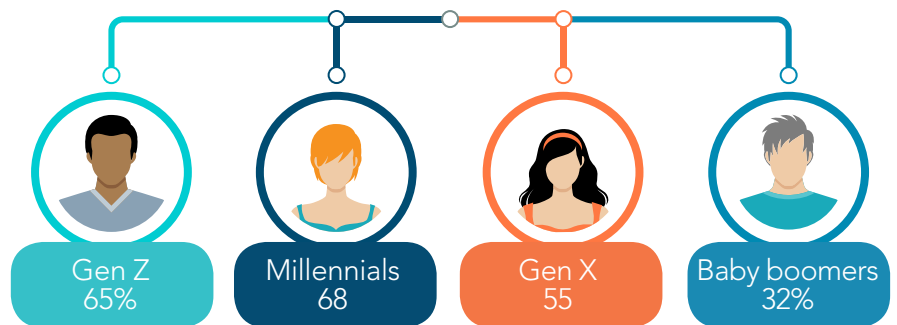


Phil Kadzielawski



Kadzielawski offers more advice for young professionals at [news.cuna.org/podcasts](https://news.cuna.org/podcasts).

## A prime opportunity



Millennials and Generation Z are more likely to bank with a big tech company like Amazon. Consumers who have primary relationships with large, national banks are more open to having an account with a non-financial institution.

Source: Novantas

# Ideas & Inspiration

## CEO Council proves collaboration works

Four years ago, the CUNA CEO Council was just an idea. Today, the only professional society run by credit union CEOs for credit union CEOs has nearly 600 members.

Nader Moghaddam, president/CEO of \$1.4 billion asset Financial Partners Credit Union in Downey, Calif., shares some highlights from his time as CEO Council chair.

**Credit Union Magazine:** What stands out from your time as chair?

**Moghaddam:** It's been a fantastic journey. Watching the seed of a worthy idea planted, take strong root, and grow has been a gratifying growth experience on so many levels. The greatest highlights revolve around the connections made with the CEO co-dreamers, CUNA partners, and supporters who came together as a team to make it all possible. I'm blessed to learn so much from people I respect and to



Nader Moghaddam

forge deep bonds I never imagined possible.

**Q:** Why is there a need for a CEO Council?

**A:** CEOs need a safe environment to discuss strategic and, at times, sensitive issues. As we move up the ladder, by its very nature the job gets lonelier, limiting the number of people we can discuss our challenges with or who will give us unbiased feedback. While there are many CEO groups at the state and local levels that may provide opportunities for CEO interactions, previously no national organization provided an exclusive CEO forum.

The CEO Council provides a space where CEOs can talk about issues that are more intimate and challenges they may not be comfortable discussing with close neighbors but can freely discuss with a colleague across the country, so to speak.

The CEO Council also brings together a wide array of credit unions of different asset sizes, markets, and business models for sharing and exchange.

**Q:** What insights have you gained during your time with the CEO Council?

**A:** Collaboration really works. There are many big dreams, but without taking the first step, that is all it is—a dream. Acting on the plan, taking the first step, listening without prejudice, adopting sensible ideas, and celebrating small wins can have an infectious snowball effect.

Most credit unions have a desire

to collaborate but struggle to identify the right opportunities and collaboration partners. The CUNA Council structure brings leaders together to talk about common issues which will, in the long run, result in more opportunities to collaborate.

**Q:** What are some of the top challenges facing today's CEOs?

**A:** The No. 1 challenge is being able to recruit, inspire, engage, challenge, and motivate a more complex employee base. We now have four generations working in our credit unions. Just as employees are getting younger, boards are getting younger and more professional, and want to be more dynamically involved in strategy.

CEOs must proactively engage smarter and diversified employees and volunteers at a higher strategic level in a more complex, member-centric world.

**Q:** What's next for the council?

**A:** We'll continue working the plan and providing the forum for exchange through the Council Community, online roundtables and webinars, and in-person roundtables at CUNA's Governmental Affairs Conference, America's Credit Union Conference, and our annual CEO Council Conference.

We will continue to publish relevant white papers that can be accessed through the CEO Council portal and collecting feedback from CEOs. The beauty of the CEO Council is that the members set the agenda and provide the resources at the same time.

## 'Lend-A-Paw' prevents cat-astrophes

Ardent Credit Union in Philadelphia has introduced a new line of credit, Lend-A-Paw, to give pet owners on-demand access to extra funds for unforeseen expenses.

"It's a great example of how our loans work to meet the needs of our members and community," says Rob Werner, president/CEO of the \$655 million asset credit union. "As pet lovers ourselves, we are proud to offer a product that will benefit our members and their companions."

The Lend-A-Paw Line of Credit gives pet owners an

alternative to using high-rate credit cards to cover emergency trips to the vet or other unexpected expenses.

Research shows that Americans place a high level of importance on medical care, training, and products for their pets.

Lend-A-Paw provides a fixed 8.99% annual percentage rate up to \$5,000 for approved borrowers. Members access the funds by using a debit card that draws from the line. There is no annual fee or application fee for the credit line.

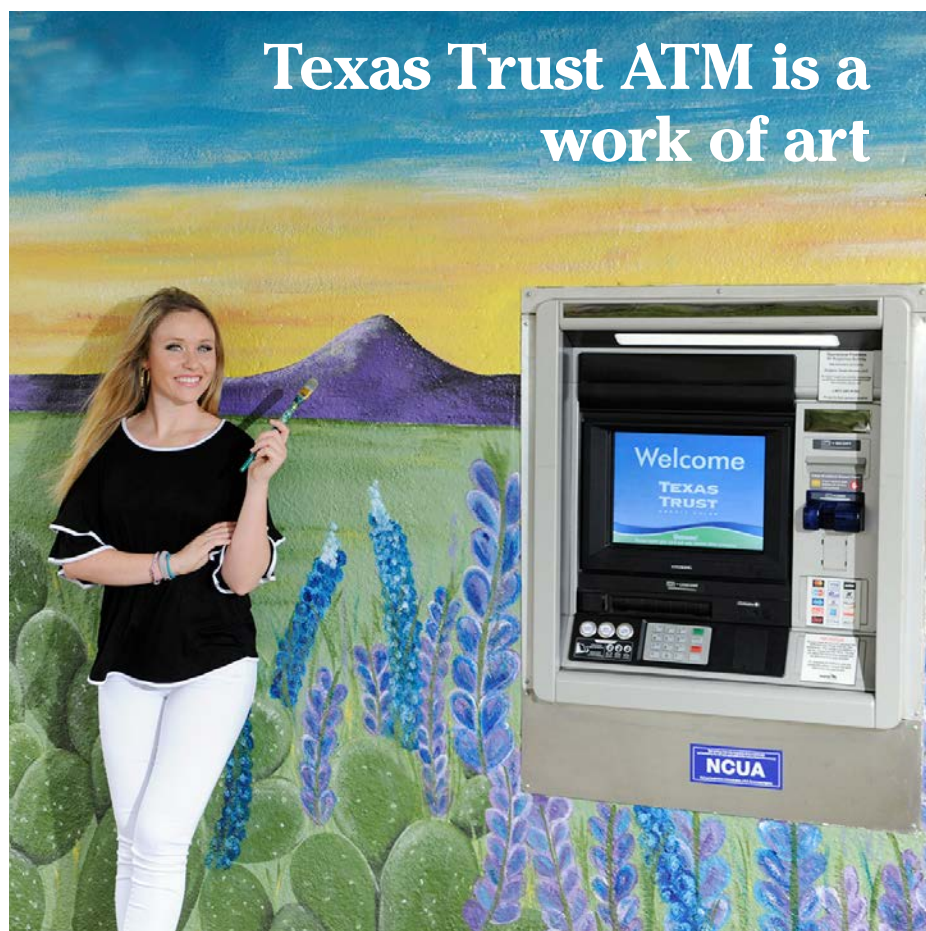
The popular historical murals in San Angelo, Texas, were the inspiration for the restyling of a Texas Trust Credit Union ATM at its West 306 Loop branch.

Texas Trust commissioned Presley Rumsey, an up-and-coming local artist, to turn the routine concrete housing that surrounds the ATM into something special. The mural not only makes the ATM more visually appealing, it adds to local efforts to put art in uncommon places.

This is the latest artistic effort for Rumsey, a senior at Angelo State University (ASU). In addition to the Texas Trust mural, she has painted murals for a downtown boutique, a personal training gym, and a coffee shop.

Brett Nikolauk, Texas Trust vice president of West Texas and an ASU Alumni director, says Rumsey is "one of many talented students attending ASU who is contributing to the vibrancy of our city."

The mural, which wraps around three sides of the



ATM building, highlights San Angelo's agricultural heritage.

Rumsey's work features longhorn cattle, a landscape scene of bluebon-

nets and cacti in the shadow of iconic twin buttes, and sheep, which pays homage to the city's former status as wool capital of the world.

# Ideas & Inspiration

## Build member loyalty: 5 tips

Mark Roe, national sales director for John M. Floyd and Associates, a CUNA Strategic Services alliance provider, offers five ways to improve member loyalty:

**1. Build relationships.** Know what members want, and commit your credit union to developing long-term relationships.

**2. Make a good first impression.** Once you know a new member's needs, make a case right away for how you provide a variety of solutions that can help them reach their financial goals.

**3. Know your stuff.** Make sure employees can accurately explain how your products and services address members' needs, using terms they understand.

**4. Maintain fair and transparent fees.** Consumers will pay a fair price for services that are important to them, especially when they have short-term financial needs. But they must have full knowledge of the cost and their repayment responsibilities.

**5. Offer more than transactional services.** Effective account monitoring allows you to see when someone is experiencing financial difficulties. It also provides an opportunity to counsel members about service alternatives that can help them manage their accounts more effectively.



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## Align your mission and goals

Aligning your credit union's mission, priorities, goals, strategies, and plans not only ensures everyone in the organization works toward the same end result, it also leads to a "harmonious CEO and board relationship," says Bill Raker, former CEO of \$1.3 billion asset Firefly Credit Union in Minneapolis.

He participated in a CUNA CEO Council virtual roundtable called "Board Relations: 3 CEOs—3 Perspectives."

"Alignment requires focus and discipline. It's not natural, and not something that's there automatically or develops without effort or initiative," Raker says. "Pursue alignment on purpose. It won't happen on its own."

Three steps directors can take to ensure they align the credit union's mission and goals:

**1. Avoid** "shiny objects" or distractions. Attend conferences and other networking events to learn what other credit unions are doing and about new advance-

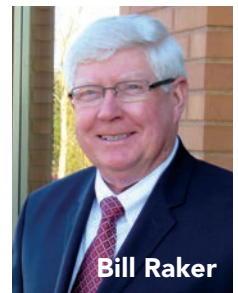
ments in the industry.

But don't look to implement those ideas at your credit union just because others are doing so. Instead, look at these ideas through the lens of your credit union's mission, vision, priorities, goals, and strategy to see if they fit.

**2. Have** a shared vision. Everyone at the credit union—board members, management, and staff—must understand where the credit union currently is and where it wants to be.

This requires reinforcing what is being done, why it's being done, and how that transformation will happen.

**3. Highlight** the need for alignment. Alignment will require focus, effort, and attention to make sure everyone at the credit union works toward the same goals.



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## Culture as a competitive weapon

Our very structure engenders trust from our members.

Most organizations seek to expand their market share to enlarge their customer base and grow their sales. To do so, they often look for a leg up on the competition.

In pursuit of a competitive advantage, companies often focus on what sets them apart from their rivals.

Some organizations try to lure customers with low prices. Others use service quality as their calling card.

These are time-tested strategies for most industries. To stand out from the crowd, institutions should look for core competencies that truly distinguish them from others.

A core competency is a company's quality that is difficult for competitors to duplicate. It's natural for the institution but

elusive to others. This is what makes you special.

Credit unions have a natural core competency: our culture. This makes us unique among financial institutions.

Instead of hiding our true nature under a basket, credit unions should highlight their culture as a set of traits that gives us a competitive advantage.

Here are some features of credit union culture that beat the pants off the competition:

➤ **Trust.** Sure, many companies talk about trust as a value. I don't suppose any institution

would admit to being untrustworthy. So to say you're a trusted provider without backing up the claim with deeds is not persuasive.

To assess the trust factor, credit unions should speak in terms no one else can match. The very structure of credit unions engenders trust from our members.

Members are owners, not mere customers. Owners matter. They have the final say in how their credit union serves their needs and represents their values. No

other competitors can say this.

My father told me a long time ago, when someone owns something, they are the boss. Every member—all 110 million of them—owns a piece of a credit union. As bosses, members are in control. In a sense, members trust each other.

➤ **Empathy.** This trait may seem

too squishy to be a competitive weapon. Hear me out.

Ask any consumer if they want their service provider to understand their needs. I will wager you a donut that most folks want to feel a connection with the institutions with which they do business.

Empathy is more than conceptual. Consumers can tell when you are faking it. For this reason, members know credit unions truly care about them.

The credit union structure as a member-driven organization is a powerful weapon. Our system of cooperative governance, repre-

sentation, and owner participation ensures members' needs are front and center.

Every policy, decision, and strategy starts with members in mind. No other competitors can beat this.

➤ **CUNA and leagues.** You might not have thought of your affiliation with CUNA and your state league as a competitive advantage, but it truly is. Behind your credit union is a system of advocates working every day to promote your success.

When you speak to your members, tell them your credit union is not alone. I believe your members will be elated by the fact that thousands of credit unions nationwide are networked together to serve consumers and small businesses.

This national system has one goal in mind: helping members prosper through their credit unions.

When you mention CUNA and the leagues to your members, they may be curious how this works. Put it this way: If we believe the adage that two heads are better than one, then 6,000 credit unions, 35 leagues, and one CUNA offer a powerful competitive edge that benefits all members.

Your credit union culture is your advantage over the competition. Be sure to use all of the weapons at your disposal.

“  
EVERY POLICY,  
DECISION,  
AND  
STRATEGY  
STARTS WITH  
MEMBERS  
IN MIND.  
”



**MAURICE SMITH**  
President/CEO  
Local Government  
Federal Credit Union  
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# CUNA Schools & Conferences

## BOARD

### **CUNA Credit Union Board Certification School**

May 6-10, 2019 // San Antonio, TX

### **CUNA Strategic Planning Roundtable**

August 17-18, 2019 // Boston, MA

### **CUNA Roundtable for Board Leadership**

October 18-20, 2019 // Phoenix, AZ

### **CUNA Supervisory Committee & Internal Audit Conference**

December 8-11, 2019 // Las Vegas, NV

### **CUNA Volunteer Conference**

January 19-22, 2020 // Punta Cana, Dominican Republic

## COMPLIANCE

### **CUNA & ACUIA Internal Audit Certification School**

March 25-28, 2019 // Atlanta, GA

### **CUNA Regulatory Compliance**

#### **Certification Schools\***

March 31-April 5, 2019 // Louisville, KY

September 8-13, 2019 // Dallas, TX

### **CUNA Attorney's Conference**

October 28-30, 2019 // Atlanta, GA

October 26-28, 2020 // Jackson Hole, WY

### **CUNA Bank Secrecy Act Certification Conference\***

November 18-21, 2019 // Tempe, AZ

## FINANCE & ECONOMICS

### **CUNA Enterprise Risk Management Certification School**

April 29- May 1, 2019 // New Orleans, LA

### **CUNA Finance Council Conference**

May 19-22, 2019 // New York, NY

### **CUNA Investment Certification Schools\***

August 12-16, 2019 // Chicago, IL

### **CUNA Financial Management School\***

September 9-12, 2019 // Tempe, AZ

### **CUNA Governance, Risk Management & Compliance Leadership Conference**

September 23-25, 2019 // Nashville, TN

## HR & TRAINING

### **CUNA HR & Organizational Development Council Conference**

April 14-17, 2019 // Anaheim, CA

### **CUNA HR Compliance Certification School**

July 28-31, 2019 // Minneapolis, MN

### **CUNA Experience Learning Live!**

October 20-23, 2019 // Las Vegas, NV

## LENDING & COLLECTIONS

### **CUNA Consumer & Residential Mortgage Lending School**

April 15-18, 2019 // Las Vegas, NV

### **CUNA Lending Council Conference**

November 3-6, 2019 // New Orleans, LA

## LENDING & COLLECTIONS (Continued)

### **CUNA Business Lending Certification School**

July 22-25, 2019 // Madison, WI

### **CUNA Fair Lending Workshop**

August 13-14, 2019 // Nashville, TN

### **CUNA Collections & Bankruptcy School**

September 16-19, 2019 // St. Louis, MO

### **CUNA Business Lending Roundtable**

January 28-29, 2020 // Tampa, FL

## MANAGEMENT & LEADERSHIP

### **CUNA Governmental Affairs Conference**

February 23-27, 2020 // Washington, D.C.

### **CUNA National Young Professionals Conference**

June 13-14, 2019 // Madison, WI

### **America's Credit Union Conference**

June 17-20, 2019 // Walt Disney World® Resort, FL

### **CUNA Management School**

July 14-24, 2019 // Madison, WI

### **CUNA Coaching Leadership School**

August 5-7, 2019 // Chicago, IL

### **CUNA Emerging Leader Institute**

December 2-4, 2019 // San Diego, CA

## MARKETING & BUSINESS DEVELOPMENT

### **CUNA Marketing & Business Development Council Conference**

March 20-23, 2019 // Las Vegas, NV

### **CUNA Digital Marketing School**

June 3-6, 2019 // San Antonio, TX

### **CUNA Marketing & Business Development Certification Schools**

October 7-10, 2019 // Louisville, KY

## OPERATIONS & MEMBER EXPERIENCE

### **CUNA World-Class Service Leadership School**

May 14-16, 2019 // Denver, CO

### **CUNA Member Experience, Sales & Service School**

August 19-21, 2019 // Boston, MA

### **CUNA Operations & Member Experience Council Conference**

September 11-14, 2019 // Chicago, IL

## SECURITY & TECHNOLOGY

### **CUNA Cybersecurity Conference with NASCUS\***

June 10-12, 2019 // Austin, TX

### **CUNA Technology Council Security Summit**

September 10-11, 2019 // Chicago, IL

### **CUNA Technology Council Conference**

September 11-14, 2019 // Chicago, IL

\*eSchool is available.

Please note: All dates and locations are subject to change.

## Going big for the 2019 CUNA GAC

The industry's largest conference is our chance to come together and reaffirm our priorities.

Every year, the CUNA Governmental Affairs Conference (GAC) sets the tone for the year ahead. As the largest event in the credit union movement, it's a time to be visionary and bold. It's a time to go *big*. And this year, we're going bigger than ever.

The 2019 CUNA GAC will hit record-breaking metrics on several marks. We'll have well over 5,000 credit union advocates again this year. A record number of credit union young professionals will be in attendance, including 100 Crashers, with representatives from every state.

And just as in past years, we've created a program of events for every niche of the industry.

Why are we going big this year? Well, a lot of reasons. Bundled together, these reasons create a prime opportunity—or a perfect storm—for the industry, depending on how we respond to the moment.

Let's look at why we're working so hard to make this year's conference special.

To start, we all must understand that the credit union movement faces a number of challenges both internally and externally. Our model continues to face attacks from big banks, many of which are simultaneously attempting to mimic us by adopting community- and consumer-first messaging.

At the same time, we're striving to provide the latest inno-

ventions to our members, from banking apps to automated payments. We have many competitors who excel in bringing the latest technology to consumers. That capability is priceless.

To compete with traditional competitors and new entrants to financial services, we'll need to stay on the cutting edge of technology. If we fall behind on technology, we risk falling out of relevance.

This is our next challenge. Our industry has been around for more than a century, but there's no guarantee we'll be here

decades from now. We have to fight for our membership and take tactical steps to broaden our share of the marketplace.

This includes both bringing in more members and hiring the best talent to lead our industry into the future.

Our greatest challenge comes from within. Our success or failure at collaboration will determine our outcome.

Our movement is founded on cooperation—after all, we're cooperatives. We need to leverage our cooperative superpowers.

We must see the value of working together as more beneficial than competing with each other. From my position, I see this very clearly. But I understand that it may not be so obvious to those who have to worry first and foremost about your credit union.

I'm here to say, loudly and clearly, that cooperation is essential to every credit union's success. Our job at CUNA is to help make this happen.

We strive to turn every challenge into an opportunity.

This is our moment to take on potential roadblocks and transform them into positive outcomes. The CUNA GAC is an important part of this effort.

I hope the 2019 CUNA GAC offers everyone an opportunity to learn more about our advocacy issues. It's important to see how what we fight for directly impacts both your credit union and the entire movement.

We hope you'll stay involved after the CUNA GAC and participate in advocacy campaigns that matter most to you and your members.

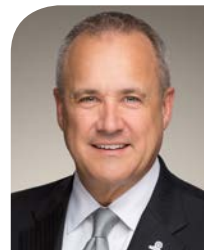
I know this event can feel like a whirlwind—there's a lot to take in. But there's purpose in all the excitement. Our industry has so much to fight for, and CUNA GAC is our chance to come together and reaffirm our priorities.

As credit union professionals, you serve your members. At CUNA, we serve you. It's our mission to help you serve your members.

I hope you take in all the ways we're facilitating cooperation in the industry during this year's CUNA GAC.

It will be *big*, but it's just the start.

“  
COOPERATION  
IS ESSENTIAL  
TO EVERY  
CREDIT  
UNION'S  
SUCCESS.  
”



**JIM NUSSLE**  
President/CEO  
Credit Union National Association  
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# CUNA ENVIRONMENTAL SCAN



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

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

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

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*Get your version of CUNA E-Scan today.*

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

# WHAT'S YOUR risk APPETITE?

DENNIS CHAPTMAN

Embrace risk to identify new opportunities, respond to fraud threats, and achieve strategic objectives.

## Consider enterprise risk management (ERM) an early warning system.

The system allows credit unions to both manage risks and tap new opportunities. The discipline is a comprehensive, organization-wide framework that aligns risk with risk appetite to fulfill strategic objectives.

“ERM helps an organization define, track, and measure risk in a holistic environment,” says Cathy Smoyer, senior vice president and chief risk officer at \$8 billion asset Mountain America Credit Union in Sandy, Utah.

It both sharpens strategic thinking and communicates to others in the organization how to deal with risk.

“It allows management to make good, risk-informed decisions,” says Ken Schaafsma, vice president of ERM and chief risk officer at \$10.6 billion asset Alliant Credit Union in Chicago. “They can choose to avoid risks. They can choose to reduce risks. They can choose to accept risks. It gives management a framework in which to understand and respond to the risks they face.”

Schaafsma likens setting a risk threshold to crossing a speed bump: When you’re about to make impact, it’s time to slow down.

“Sometimes risk appetites are quantitative, some-

times they’re qualitative,” Schaafsma says. “Most of the time they’re both. Below that risk appetite level, our executives have set tolerance levels—kind of like speed bumps—that warn us when we’re getting close to the risk appetite.”

“Business involves taking risks,” says Tony Ferris, CEO of Rochdale Paragon Group, which provides ERM consulting. It’s all about “making business decisions around uncertainties, and making that a business process that has a financial return.”

## Determining risk

ERM involves identifying risk categories—among them credit, liquidity, transaction, compliance,

### Focus

- › **Build** an enterprise risk management (ERM) mindset by determining how much risk you’re willing to accept.
- › **ERM** allows you to make informed decisions because it defines, measures, and tracks risk in an enterprise-wide manner.
- › **Board focus:** Align your risk appetite with your strategic plan to pursue new opportunities and fulfill strategic objectives.



(Photo: Scott Davis Photography)

**ERM Advice**

Risk processes will evolve as your credit union becomes more complex, says Cathy Smoyer, senior vice president and chief risk officer at Mountain America Credit Union.



strategic, reputational, physical, technological, and legal risks—and determining the credit union’s risk appetite for each, or the maximum amount of risk the credit union is willing to accept. The credit union also establishes upper and lower risk tolerances within that risk appetite.

While the process is complicated, Schaafsma says working through the challenges can be eye-opening.

“Coming to grips with how much fraud we were willing to accept was difficult,” he says. “We don’t like the institution losing money to fraudsters. But we recognize that we can’t have zero appetite for that and stay in business. Once we had the difficult conversations and agreed on a fraud risk appetite, it helped provide a road map as to how we’re going to deal with our fraud-prevention activities.”

Determining a credit union’s risk appetite can have other lasting benefits, such as sharpening strategic goals and ensuring organizational alignment.

“You really get clarity on your strategic plan,” Ferris says. “It shows how you are aligned, what you have to do, and the expectations for performance.”

At one of Rochdale Paragon’s credit union clients, for example, the board and senior management had a rocky relationship. Ferris says going through the risk appetite

process revealed that the board and the executive team had major differences in interpreting strategies.

“We were able to start to align them,” Ferris says. “Everyone started to understand what it would take to accomplish the goals and objectives, and it created more harmony.”

### Charting a new course

Four years ago, ERM helped usher in a new era at Infinity Federal Credit Union in Westbrook, Maine, after the board named a new CEO and began to chart a new course. This allowed the once conservative credit union to shift into growth mode after years of declining membership, says Sandra Cloutier, chief risk officer at the \$349 million asset credit union.

“We needed to offer up-to-date technology,” Cloutier says. “We wanted to offer mobile payments and a

new online banking and bill-pay system, and be more relevant to our members. We also took on some riskier loans.”

Cloutier trained on ERM principles and took her knowledge back to Maine to jump-start change at Infinity Federal. Cloutier, a 32-year veteran at the credit union, met with front-line staff, management, and board members to identify areas of risk and opportunity.

“I said, ‘Tell me what’s preventing you from doing your job efficiently,’” she recalls. “The staff opened up without hesitation and provided valuable information we were able to act on. This takes a lot of patience and time. It can be a big shock to people to think differently about risk.”

After having those discussions, Infinity Federal established new risk tolerances—with impressive results: Membership grew 2% in the first year, 4% the next year, and 6% in each of the past two years.

By accepting more risk, Infinity Federal created a new online banking experience and streamlined cumbersome processes. It’s working toward mobile payments and other initiatives.

“Understanding our risk and talking

through the process has empowered our staff to make decisions they otherwise would not have felt comfortable with,” Cloutier says. “We also developed an ERM committee that monitors current and emerging risks, which allows us to make quicker, more informed decisions.”

ERM can also generate important and lasting savings. Going through the process enabled Infinity Federal to automate multiple manual processes, resulting in a savings of 161 employee hours per month.

At \$2.2 billion asset Numerica Credit Union in Spokane Valley, Wash., ERM informs key management decisions, says Lisa Sunderman, vice president of enterprise risk management.

A risk assessment involving information technology, for example, can create operational risk trade-offs.

“We look at the probability of the system going





down. What's the impact? Employees can't use the system, members can't access their accounts. So you make decisions on whether it's worth spending on infrastructure resources," Sunderman says. "You base that decision not on your budget and ROA [return on asset] targets, but on the risk and potential loss exposure."

Sunderman says ERM can also identify potential problems and point the way to marketplace opportunities. Numerica, for instance, recently analyzed what could happen if the economy enters a downturn.

"If our competitors are experiencing stress, they may discontinue some types of lending or not be able to pay as high of interest rates," Sunderman says. "We felt that if we did risk management really well, we could build strategic capital now to provide for later opportunities."

Mountain America employs seven risk analysts, and the ERM concept has become part of its corporate fabric.

"One success we've had is when people say, 'We need to have risk management at the table,'" Smoyer says. "We're not seen as an obstructionist or another form to fill out. We're seen as an equal partner there to help get products, services, and experiences out to our members."

### 'Start somewhere'

Even if you don't have a formal ERM model, you're still practicing risk management. "Rely on what's been built and take those good practices and assemble that into an ERM program, rather than start from scratch," Schaafsma advises.

Sunderman agrees. "The first step might be to inventory everything you do in risk management, think about whether you have any gaps, and maybe fill those gaps," she says. "Take credit for the risk management you already do."

Jeff Owen, chief operating officer at Rochdale Paragon, urges credit unions to build momentum by jumping into the concept.

"Don't wait until you have formal software," Owen says. "Don't wait

## ERM AS A FRAUD FIGHTER

Among its many applications, enterprise risk management (ERM) is a weapon credit unions can use in the fight against fraud.

"An effective ERM program helps ensure that a credit union has appropriate processes in place to prevent, detect, and respond to external and internal fraud," says Tony Ferris, CEO of Rochdale Paragon Group.

The ERM process identifies key fraud risks and allows leadership to determine whether existing procedures are sufficient to mitigate the exposure.

"Although ERM cannot prevent all fraud, it should help the credit union feel as if any losses it does experience should be within its risk appetite," Ferris says. "ERM will also provide a form for reacting to fraud and applying lessons learned to help the credit union better prepare for future exposures."

Ferris views ERM as a complementary process to fraud prevention, ensuring processes evolve to mitigate fraud over time. Toward that end, he suggests taking these steps:

› **Analyze** the key types of fraud in each area or process and focus on the top challenges and opportunities. ERM staff should work with department leaders and risk management personnel to improve risk-mitigation responses.

› **Include** fraud discussions in risk management committee meetings. "ERM should ensure that fraud-prevention personnel have the right tools to identify emerging fraud techniques and the resources to evolve fraud-prevention practices in tandem," Ferris says.

› **Track** and report fraud losses to ensure risks remain within the established tolerances.

Credit unions that have ERM programs in place and experience fraud

"tend to communicate the event and lessons learned more openly," Ferris says.

"This helps them enhance their procedures to guard against similar events in the future."



until you have all the pieces in place. Start somewhere. Have a discussion about your biggest risks and opportunities today. Have a discussion about the emerging risks coming down the pike three years out. Have a general discussion about risk appetite and what's on the table and what's off the table."

An ERM framework needs continual adjustment and maintenance to ensure it not only addresses new risks, but also any changes in old risks.

"Don't just go out and do a huge inventory—of risks and controls—that sits in a big binder on a shelf," Sunderman says. "It requires constant updating. When you take on any strategic initiative, whether it's opening a new branch or rebranding a product, think about what you're trying to do with that and the problems you might encounter."

Goal-setting is another important component of an ERM mindset, Ferris says.

"Identify what you're trying to achieve from the outset and assign resources that have the capabilities to undertake that effort and be successful," he says. "Understand your goals and what you're going to get out of them. Stop the check-the-box busy work and focus on what may cause the organization



to succeed or fail."

No two ERM programs will be alike, Smoyer adds.

"Every credit union will have their own risk process that makes sense for their size and the complexity and mix of products," she says. "It will be unique. And it will evolve as the credit union gets larger, adds products—or just gets better at risk management."

Understanding the spectrum of risks confronting credit unions—and identifying ways to assess risk appetite—can allow credit unions to achieve their strategic goals and

create new business opportunities.

"The industry's No. 1 risk," Ferris says, "is taking too little risk."

### Resources

- › CUNA Enterprise Risk Management resources: [cuna.org/erm](http://cuna.org/erm)
- › CUNA Governance, Risk Management & Compliance Leadership Conference: [cuna.org/grc](http://cuna.org/grc)
- › Rochdale Paragon Group: [rochdaleparagon.com](http://rochdaleparagon.com)

## THREE LINES OF DEFENSE AGAINST RISK

Enterprise risk management (ERM) offers three lines of defense against risk:

- 1 | Business line**, where business units, managers, and vice presidents know and monitor risks.
- 2 | Risk management office**, which is responsible for ERM architecture and framework. "It's about being a consultative partner," says Cathy Smoyer, senior vice president and chief risk officer at \$8 billion asset Mountain America Credit Union in Sandy, Utah. "You do that through risk assessments and by being an adviser as specific products and services are created."
- 3 | Internal audit**, which provides an independent view of the adequacy of risk controls. "They are the layer that comes in, looks at the risk and operational processes, and asks, 'Are you really doing what you said you were going to do?'" Smoyer says.

# CUNA ENTERPRISE RISK MANAGEMENT CERTIFICATION SCHOOL

APRIL 29-MAY 1, 2019 // NEW ORLEANS  
DECEMBER 9-11, 2019 // LAS VEGAS

*"This was a great school with very engaging presenters. The knowledge garnered through this class will be influential in the forward progress of my credit union."*

- Ashleigh Hatch, O Bee CU

With the right skills and knowledge, you can ensure that the risks your credit union takes are strategically sound and precisely calculated.

By attending, you'll learn:

- // Risk identification and assessment
- // Risk exposure through quantitative and qualitative analysis
- // How to leverage ERM to drive real business results
- // Methods to incorporate ERM into your strategic planning

You'll also have the chance to earn your Credit Union Enterprise Risk Management Expert (CUERME) designation, making yourself stand-out in this emerging field.

[cuna.org/ermcs](https://cuna.org/ermcs)

# CYBERSECURITY

## SAFEGUARDS

TED GOLDWYN

### Preventing data breaches and network intrusions requires implementing a range of protective measures.

In November 2018, Marriott International announced a major data breach affecting up to 500 million guests of its Starwood Hotels subsidiary.

The perpetrators stole an unusually rich treasure trove of personal information including names, phone numbers, email addresses, passport numbers, dates of birth, and departure information.

This event represented one of the largest data breaches in years. In 2018, 446.5 million records were exposed in more than 1,100 breaches across a range of industries, according to the Identity Theft Resource Center.

Last year, financial institutions experienced 122 breaches affecting 1.7 million records through Nov. 30, the center reports. Most significant among these was a reported breach at SunTrust Bank, which affected up to 1.5 million customer records, *USA Today* reports.

As bad actors become bolder and more sophisticated, credit unions must stay abreast of preventive measures to protect members and employees from

the risk of cybersecurity attacks.

#### A looming threat

Cybersecurity experts are keeping a close watch on several emerging threats.

“People and passwords typically constitute the biggest cybersecurity risks,” says Kevin Ivy, security solutions engineer at TraceSecurity, a CUNA Strategic Services alliance provider of cloud-based information technology governance, risk, and compliance management solutions.

Credit union employees are par-

#### Focus

- › **People and passwords** typically constitute the biggest cybersecurity risks.
- › **Regular employee training** is the best defense against cybersecurity attacks.
- › **Board focus:** As threats become more sophisticated, credit unions must take preventive measures to protect members and employees.





# AS COMPUTING POWER INCREASES, THE TIME IT TAKES TO CRACK A PASSWORD DECREASES.

KEVIN IVY

ticularly vulnerable to email and social engineering attacks, including phishing emails, ransomware, and spoofing, Ivy says (“Think before you click,” p. 42).

“Many data breaches are password-related, where someone clicks on a faulty link in an email spoofed to look like it’s from another employee or a member they know,” he says. “They click on the link, financial information is transferred to the wrong person, and it’s all downhill from there.”

“The threat actors are evolving,” says Peter Misurek, senior information security engineer at \$2.4 billion asset Royal Credit Union in Eau Claire, Wis. “They’re figuring out ways to circumvent protections. As with any organization, our weakest link is our team members because of the human element.”

Misurek is seeing an evolution in email-borne threats. These include everything from “executables,” or programs like Microsoft Word that are launched on a PC, to more sophisticated techniques designed to penetrate the latest antivirus and anti-spam software.

“With the rise of antivirus and other forms of prevention, many malicious payloads were being blocked, and weren’t successfully delivered to the endpoint,” Misurek says. “So, threat actors have evolved to the point where instead of delivering the executables via email, they try to deliver via a URL or a hyperlink within the email.”

Cybercriminals amplify the effectiveness of these threats through social engineering, using a

compromised mailbox of someone the target may have corresponded with. They include some contextual content around the hyperlink to make the email seem legitimate.

Fraudsters also use macros within programs like Microsoft Word and Excel to deliver malware, and even include malware in PDF attachments to try to circumvent the next generation of artificial intelligence-enabled email gateways and spam blockers, Misurek says.

“A lot of email gateways are starting to block social engineering attempts by reading the context of the emails,” he says. “So now the bad actors are sending a very short email, but the actual social engineering text and malicious hyperlinks are included in the attached PDF.”

## Who are the bad actors?

Nation-states often are behind large-scale attacks against major international corporations like Marriott. Some countries can afford to expend significant resources over the course of years to infiltrate sophisticated databases.

Their goals typically are to gather corporate secrets, intelligence, or information they can use to monitor the movements of certain targets through international points of entry. Several news outlets have reported that Chinese state hackers were behind the Starwood breach.

Nation-states also have attacked financial institutions.

“Some nation-state actors are attempting to gain access to payment networks, such as SWIFT,”

Misurek says. “The end game is to move mass quantities of money in and out of financial institutions.”

For smaller organizations like credit unions, however, perpetrators are more likely to be small-scale cybercriminals aiming to steal money.

“Credit unions in general are not targeted by the nation-state actors, but are threatened by smaller-scale actors,” Misurek says. “Some credit unions have been hit by some pretty significant ransomware outbreaks. Their level of preparedness dictates how much these attacks affected them.”

## An ounce of prevention

Preventing data breaches and network intrusions requires implementing a range of measures including:

› **Strong passwords.** As technology improves, it’s much easier for fraudsters to decode passwords quickly, allowing unfettered access to sensitive data and systems.

“As computing power increases, the time it takes to crack a password decreases,” Ivy says. “Back in the day, it would take someone a long time to crack a simple password like ‘password123.’ Now, that could probably be cracked in less than five seconds.”

For that reason, credit unions should implement strong password policies that require employees to use complex passwords and change them regularly.

“The risks are increasing because technology keeps improving,” Ivy says. “We’re so used to recycling

our passwords every 90 days, where people fall into a pattern of adding a single character or the season to their existing password. While authentication techniques have improved over time, the implementation rate isn't there yet for credit unions. That leaves them susceptible to data leakage or breaches via password attacks."

➤ **Multifactor authentication.** In addition to enabling strong passwords, multifactor authentication, which requires a user to provide verification via another device, is an established method of ensuring that a hacker does not compromise employee credentials.

"Multifactor authentication is a great way to prevent easy password hacks," says Ivy. "For example, when I log into most of my websites, I also have to open an app on my phone that gives me a one-time code that I enter after that password. That thwarts the chance of passwords being cracked."

➤ **Clean-desk policies.** Social engineering attacks aren't limited to the external realm. Fraudsters may try to infiltrate a credit union's physical facilities, as well. If staff don't secure sensitive information, a serious breach may result.

"Credit union employees often leave files of sensitive information on their desks when they leave for the day," says Ivy. "That's a bad practice. It takes just one person with malicious intent to grab a stack of loan applications and cause a data breach."

"Typically, we'll include a clean-desk policy review as part of our onsite engagements," he continues. "Most credit unions have a clean-desk policy that states if you're leaving your desk unattended for a certain period of time, you must put files in a locked cabinet out of plain sight."

➤ **Mobile device management.** As smartphones equipped with cameras, internet access, and social media apps become more prevalent in the workplace, employers are rightfully concerned about employees inadvertently capturing and sharing proprietary data via photos, emails, or other means.

A mobile device management

solution can prevent or limit damage from such breaches, Ivy says, citing solutions such as AirWatch. "You can enroll an employee's device in a mobile device management platform, and if anything were to occur, you could lock the device or wipe it clean."

He also recommends creating an employee mobile device management policy that explains and reinforces the risks of employees mixing business and personal use on their devices.

➤ **Encryption.** Human error causes many cybersecurity attacks. But it's also important to protect data digitally. Paramount in this realm is encrypting your data, whether it's at rest, in transit, or backed up.

Some credit unions will encrypt data on the core processor and when it's in transit from the server to the employees' workstation—but not encrypt data on the nightly backup tape, Ivy says.

"We can't forget that data, in all forms and stages, should be encrypted," he says. "In addition to the human social engineering, encryption will stop people from being able to manipulate or read data at any point."

➤ **Limiting traffic and access.** With a membership largely defined by common attributes, such as geographic region or employer, credit unions are in a unique position to prevent intrusions. Royal Credit Union's membership primarily

## TOP FIVE CYBERTHREATS FOR 2019

**1 | Ransomware**  
Fraudsters typically send this through an email attachment that, once opened, downloads itself and starts corrupting data. Educate staff about the type of emails that typically contain such viruses and ask them not to download attachments from unknown sources.



**2 | Phishing**  
These targeted email attacks often work because they seem authentic and genuine. Ask employees not to share sensitive information with outside parties, and implement effective firewall and spam filters.



**3 | Data loss**  
This often is due to employees' use of personal devices. Implement a BYOD (bring your own device) policy, and secure the endpoints of the devices staff use.



**4 | Communication**  
Implement a clear strategy to prevent hackers from breaching your security measures.



**5 | Inside vulnerability**  
Effective endpoint management can protect the corporate network when accessed via remote devices.



Source: KnowledgeNile's 2018 Cyberthreat Defense Report

is located in Wisconsin and Minnesota, which allows its information security team to closely monitor website traffic and limit access from internet protocol addresses that may represent malicious activity.

“We know there are neighborhoods on the internet that are riddled with crime, fraud, and malicious activity,” says Misurek. “Because our membership is primarily based in the Midwest, we can limit traffic to our external presence, or traffic from our internal networks to our external presence, from high online fraud areas like Russia, North Korea, and China.

“We block a lot of that activity before it even becomes an issue for our networks,” he adds.

Misurek also watches for certain suspicious patterns, such as use of the Tor network, which allows users to browse the internet anonymously.

“If someone walked into a branch wearing a hooded sweatshirt with the hood up and a ski mask over their face, we would quickly escort them out of the branch and call the authorities,”

Misurek says. “So why would we allow people to talk to our online banking platform or our public websites using an anonymizer proxy like Tor?”

“We’ve gotten to the point of blocking those anonymizing networks,” he continues. “That’s an easy win for a credit union that doesn’t have to deal with a global membership that larger financial institutions may have to deal with.”

### Training and education

The single most important step a credit union can take to prevent cybersecurity attacks may be regular, consistent, and thorough training and education.

“Training can’t be simply a ‘one and done’ thing,” says Misurek. “It has to be continual.

“Humans are notorious for changing their habits at one point,” he continues. “But when they experience stress within their lives they may act and respond in a totally different manner than they did previously.”

Experts agree the human element is the most critical among a dynamic and increasingly danger-

ous world of cybersecurity risks.

Credit unions must remain vigilant, and equip their employees with the knowledge and tools to protect the cooperative and members who are entrusting their most sensitive data.

“Have your employees attend security awareness training on a regular basis,” Ivy says. “Ensure that new staff go through the same training within 30 days of hire to ensure there are no vulnerable entry points into your facility or data.”

### Resources

#### › CUNA:

1. CUNA Cybersecurity Conference with NASCUS: [cuna.org/cyber](http://cuna.org/cyber)
2. Environmental Scan resources: [cuna.org/escan](http://cuna.org/escan)

#### › CUNA Technology Council Security Summit: [cunacouncils.org](http://cunacouncils.org)

#### › Identity Theft Resource Center: [idtheftcenter.org](http://idtheftcenter.org)

#### › TraceSecurity, a CUNA Strategic Services alliance provider: [tracesecurity.com](http://tracesecurity.com)

## DON'T GO IT ALONE

Credit unions of all sizes have access to resources to confront growing cybersecurity threats. NCUA, for instance, maintains a cybersecurity resource page on its website that includes substantial guidance, links, and best practices for credit unions to establish a well-considered data security program.

This page includes links to NCUA's Examiner Guide, the Federal Financial Institutions Examination Council's assessment tool, and the Financial Services Information Sharing and Analysis Center, which provides cyber and physical threat intelligence analysis and sharing.

Plus, many third-party firms provide a range of information technology (IT) security, compliance, risk, and audit solutions. And the CUNA/league system offers multiple compliance resources, including the Compliance Community, compliance training, e-Guide, and CompBlog.

TraceSecurity, a CUNA Strategic Services alliance

provider, offers risk assessments, IT security audits, social engineering engagements (both remote and onsite), vulnerability assessments, external and internal penetration testing, wireless access penetration testing, web application testing, and other services.

Two solutions TraceSecurity offers to protect credit unions' data:

› **TraceEDU**, a cybersecurity education platform designed to increase employees' overall security awareness. The platform allows credit unions to assess individual employees' security awareness, and enroll them in customized training as needed. This includes remote social engineering via phone call spoofing as well as email phishing campaigns.

› **PhinPoint**, a new anti-phishing service that identifies, filters, and alerts employees to phishing emails. The service also checks emails for suspicious words, requests for account numbers, and other unusual activity.



# CUNA CYBERSECURITY CONFERENCE WITH NASCUS

JUNE 10-12, 2019 // AUSTIN, TX

*“Up-to-the-minute information provided by very knowledgeable speakers make this event well worth it. You will come away smarter and prepared to go back to your CU with valuable insights to share with your leadership and board.”*

- Sean Moore, VP Strategic Implementation & Cybersecurity at Service One CU

Your members' trust is an invaluable asset and keeping their data secure is critical to upholding that trust. As fraud and other cybercrimes continue to evolve, the task of protecting your credit union is only becoming more complex.

Join CUNA and the National Association of State Credit Union Supervisors (NASCUS) as credit union professionals and state examiners converge to learn how to harden cyber defenses, enhance cyber resilience and maintain secure data.

Topics include:

- // Details on the latest criminal tactics
- // Current cybersecurity best practices
- // How to perform cybersecurity risk assessments
- // Effective training plans for staff and board

CUNA members save \$200 through April 10, 2019

[cuna.org/cyber-19](https://cuna.org/cyber-19)



# The Future is Your\$

⇒ Picture it! ♡ Save for it! + Share it! ⇐

APRIL 2019

## Join us in celebrating National Credit Union Youth Month

We all have stories to share, and our financial journeys play a key role in the paths we take. For your youngest members, that story might just be beginning, but laying the groundwork for financial wellness now can help them take control of their stories in the future.

For this year's National Credit Union Youth Month, we're exploring how images can tell their own unique stories and encouraging young members to "picture" their financial futures.

Our theme for 2019 is "The future is yours... Picture it! Save for it! Share it!"

CUNA is proud to offer resources to credit unions across the country in preparation for National Credit Union Youth Month this April. Help your credit union reach out to young members so they can begin to build their financial education.

[cuna.org/youthmonth-19](https://cuna.org/youthmonth-19)

# NOMINATE A CREDIT UNION ROCK★STAR

Do you have a colleague who displays exceptional creativity, innovation, and passion in their job?

Nominate this top performer as a 2019 Credit Union Rock Star! Submit your nomination by May 24 at [news.cuna.org/nominaterockstar](https://news.cuna.org/nominaterockstar). We'll feature those selected as Credit Union Rock Stars in the September issue of *Credit Union Magazine*.

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

KASASA®



### **How does Kasasa help credit unions Take Back Banking?**

Gabe Krajcek, CEO: Our mission is to help credit unions compete against megabanks and take back banking. Banking is based on trust, and we know that consumers want to shop local, and those two things create a great opportunity for credit unions. But we've seen time after time that if a credit union doesn't have the right products and marketing, they just can't keep the attention of consumers. So Kasasa builds products like reward checking accounts and innovative loans that consumers love.

### **What's the biggest technology challenge for credit unions right now?**

Pradeep Ittycheria, CTO: Things are changing so fast these days that even the more established credit unions that have been around for 100 years are having trouble staying current. Today, even small to midsize credit unions can use data technologies like machine learning and automation.

### **How can credit unions remain relevant to consumers?**

John Waupsh, CIO: Across industries, consumer demand drives innovation. And it's difficult to keep up. You have to embrace change more rapidly. And if you can't innovate, you can partner with someone who does.

### **Who should credit unions be modeling themselves after in order to adapt?**

Amy Gilliland, CFO: Credit unions can learn a lot from larger companies and enterprise-level organizations. Optimize research from real people, whether that's from focus groups, surveys, or reviews, and use that data to mine insights into how people want to engage with their money and their financial institution.

### **How can smaller institutions fight back against these megabanks with their huge marketing budgets?**

Keith Brannan, CMO: Compete by focusing on the right consumers using modern marketing channels. We optimize data, technology, and consumer segmentation to remove the inefficiency normally associated with traditional marketing.

**JOIN KASASA, AND LET'S TAKE BACK BANKING TOGETHER.**



**John Waupsh**  
CIO

**Amy Gilliland**  
CFO

**Gabe Krajcek**  
CEO

**Pradeep Ittycheria**  
CTO

**Keith Brannan**  
CMO



# Cybersecurity & the Board

VALERIE Y. MOSS

**A credit union's board of directors is responsible for the general direction and control of the credit union.**

Although the board may delegate operational functions to management and designated committees, the responsibility for the credit union's direction remains with the board.

These responsibilities include overseeing the development, implementation, and maintenance of the credit union's information security/cybersecurity program. With the ever-increasing array of malicious cyberevents—phishing

attacks, spyware, viruses, worms, ransomware, and distributed denial of service attacks to name a few—the board's ongoing involvement in the credit union's cybersecurity program is more important than ever.

As the Federal Financial Institutions Examination Council (FFIEC) notes, "today's financial institutions are critically dependent on IT [information technology] to conduct business operations. This dependence, coupled with increasing sector interconnectedness and rapidly evolving cyberthreats, reinforces the need for engagement by the board of directors and



## The ever-increasing array of cyberthreats makes the board’s ongoing involvement in cybersecurity critical.

senior management.”

Such engagement, FFIEC reports, includes:

- › **Understanding** your “cybersecurity inherent risk” (the amount of risk posed by the types, volume, and complexity of the credit union’s activities, products, and services, not including mitigating controls).
- › **Discussing** cybersecurity issues routinely in meetings.
- › **Monitoring** and maintaining sufficient awareness of threats and vulnerabilities.
- › **Establishing** and maintaining a dynamic control environment (i.e., have controls in place to

### Focus

- › **NCUA Part 748** outlines requirements to safeguard member information and respond to data breaches.
- › **Regulators** offer a variety of tools to combat cybercrime.
- › **Board focus:** The board must ensure the credit union integrates cybersecurity throughout its operations.

## 'BOARDS MUST APPROVE AND EXERCISE GENERAL OVERSIGHT OVER THE CREDIT UNION'S INFORMATION SECURITY PROGRAM.'

manage change).

- › **Managing** connections to third parties.
- › **Developing** and testing business continuity and disaster recovery plans that incorporate cyber-incident scenarios.

The board should ensure the credit union integrates cybersecurity throughout its operations as part of enterprise-wide governance, information security, business continuity, and vendor risk management processes.

### NCUA Part 748 in a nutshell

Part 748 of NCUA's regulations requires federally insured credit unions to have a comprehensive written program to protect their physical offices, ensure the security and confidentiality of member records, respond to incidents of unauthorized access to member information (i.e., data breaches), assist in identifying people who commit or attempt crimes, and prevent the destruction of vital records.

Part 748 Appendices A and B provide guidance on the Gramm-Leach-Bliley Act's requirements to both safeguard member information and respond to incidents of unauthorized access to member information. Member information includes any record containing nonpublic personal information about a member, whether in paper, electronic, or other form, maintained by or on behalf of the credit union.

Appendix A provides guidance for developing and implementing administrative, technical, and physical safeguards to protect the

security, confidentiality, and integrity of member information.

Appendix B describes incident response programs, including member notification procedures, that a federally insured credit union should develop and implement to address unauthorized access to or use of member information that could result in substantial harm or inconvenience to a member.

It is the board's responsibility to approve and exercise general oversight over the credit union's information security program, including reviewing reports from management. However, NCUA guidelines permit the board or an appropriate board committee to approve the credit union's written security program.

Additionally, the board may assign specific implementation responsibilities to a committee or individual. The president or managing official must also certify compliance with Part 748's requirements in its Credit Union Profile annually through NCUA's online information management system (Section 748.1[a]).

### Safeguarding member information

A comprehensive written information security program includes administrative, technical, and physical safeguards appropriate to the credit union's size and complexity, and the nature and scope of its activities. While every department is not required to implement a uniform set of policies, the credit union should coordinate all elements of the information security program throughout the institution ("Cybersecurity safeguards," p. 28).

A credit union's information security program should be designed to:

- › **Ensure** the security and confidentiality of member information.
- › **Protect** against any anticipated threats or hazards to the security or integrity of such information.
- › **Protect** against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any member.
- › **Ensure** the proper disposal of member information and consum-

er information (i.e., derived from consumer reports).

Key elements of developing and implementing a member information security program involve:

- › **Identifying** the services provided and systems (hardware and software) used.
- › **Identifying** the risks and threats associated with each system and service.
- › **Determining** the likelihood that identified risks or threats could occur.
- › **Identifying** and evaluating various methodologies to mitigate risks or threats.
- › **Developing** policies and procedures to address risks or threats.
- › **Monitoring** and adjusting policies and procedures as necessary.
- › **Overseeing** service provider arrangements (e.g., evaluate performance).
- › **Reviewing** policies and procedures at least annually.
- › **Training** staff to implement the program.

Credit union management or other appropriate staff members should report to the board or a designated committee of the board at least annually. This report should describe the overall status of the information security program and the credit union's compliance with Part 748's guidelines.

The report should cover issues such as risk assessment and control decisions, service provider arrangements, results of testing, any security breaches or violations and management's response, and recommendations for changes in the information security program.

### Responding to breaches

Credit unions must also develop and implement risk-based response programs to address incidents of unauthorized access (i.e., data breaches) to member information in "member information systems" as part of their information security program.

Member information systems consist of "all of the methods used to access, collect, store, use, transmit, protect, or dispose of member information," NCUA reports. This includes systems the credit union's



service providers maintain.

At a minimum, a data breach response program should contain procedures for:

› **Assessing** the nature and scope of an incident, and identifying what member information systems and types of member information have been accessed or misused.

› **Notifying** the appropriate NCUA regional director and, in the case of federally insured state-chartered credit unions, the state supervisory authority. This should occur as soon as possible when the credit union becomes aware of an incident involving unauthorized access to or use of sensitive member information.

› **Notifying** appropriate law enforcement authorities, as well as filing a timely Suspicious Activity Report, in situations involving suspected federal criminal violations requiring immediate attention, such as an ongoing reportable violation.

› **Taking** steps to contain and control the incident to prevent further unauthorized access to or use of member information (e.g., monitoring, freezing, or closing affected accounts) while preserving records and other evidence.

› **Notifying** members as soon as

possible if the credit union determines that misuse of members' information has occurred or is reasonably possible.

When an incident of unauthorized access to member information involves member information systems maintained by a contracted service provider, it is the credit union's responsibility to notify its members and regulator. But a credit union may authorize or contract with its service provider to notify the credit union's members or regulators on its behalf.

### Cybersecurity assessments

NCUA encourages credit unions to use the FFIEC Cybersecurity Assessment Tool (CAT) to identify their cybersecurity inherent risk and determine their level of preparedness (or "cybersecurity maturity level") to address cyberthreats. Although use of the tool is voluntary, NCUA's Automated Cybersecurity Examination Toolbox (ACET), which examiners increasingly use to conduct information security maturity assessments, mirrors the CAT.

Therefore, using the tool should help credit unions expedite the cybersecurity examination process.

This year, examiners will use ACET to assess credit unions with more than \$250 million in assets that have not previously received an assessment. NCUA will also focus on the assessment of credit unions' IT risk management and oversight of service provider arrangements.

*Valerie Y. Moss is CUNA's senior director of compliance analysis. Contact CUNA's compliance department at [cucomply@cuna.coop](mailto:cucomply@cuna.coop).*

### Resources

- › CUNA:
  1. Credit Union Directors Newsletter: [cuna.org/directors](http://cuna.org/directors)
  2. CUNA Cybersecurity Conference with NASCUS: [cuna.org/cyber](http://cuna.org/cyber)
  3. e-Guide: [cuna.org/compliance](http://cuna.org/compliance)
- › Federal Financial Institutions Examination Council's Cybersecurity Assessment Tool: [ffiec.gov/cyberassessmenttool](http://ffiec.gov/cyberassessmenttool)
- › Financial Services Information Sharing and Analysis Center: [fsisac.com](http://fsisac.com)
- › NCUA cybersecurity resources: [ncua.gov](http://ncua.gov)

## TOOLS TO COMBAT CYBERCRIME

Cybercriminals, terrorists, and state actors constantly target the U.S. financial system, according to the Financial Crimes Enforcement Network (FinCEN).

Credit unions play an important role in safeguarding consumers, businesses, and the financial system from these threats through reporting cyberevents such as data breaches and distributed denial of service attacks, and cybersecurity-related information such as IP address and timestamp via suspicious activity reports (SARs).

NCUA Part 748.1(c) requires a credit union to file a SAR if it knows, suspects, or has reason to suspect that any crime or suspicious transaction related to money laundering activity or a violation of the Bank Secrecy Act has occurred.

Law enforcement uses this information to track criminals, identify victims, and trace illicit funds.

FinCEN urges financial institutions to use Section 314(b) of the USA PATRIOT Act to share cyber-related information with each other under a safe harbor from liability.

Plus, NCUA encourages credit union management to consider participating in the Financial Services Information Sharing and Analysis Center (FS-ISAC) to aid efforts to detect and respond to intrusions and vulnerabilities. FS-ISAC is an industry forum for collaboration on critical security threats facing the global financial services sector.



*think*

**BEFORE**

**YOU**

**CLICK**



DARLA DERNOVSEK

## Education is the best defense against increasingly sophisticated phishing attacks.

**Phishing forces credit unions to engage in an endless game of “keep away.”**

On one end, credit unions, consumers, and business partners try to block access to sensitive information.

On the other, an ever-growing group of nefarious players remains constantly in motion as they attempt to coax, confuse, threaten, or mislead employees and members to get past their financial and data safeguards. Their method of choice: Phishing attacks, where criminals create emails or websites that appear genuine to “hook” their targets.

A variation of this is “spear phishing,” where fraudsters target specific organizations by customizing the information to appear to be from a trusted source, such as the chief financial officer.

Companies are nearly three times more likely to have a security breach due to a “social attack” than system vulnerabilities, according to Verizon’s 2018 Data Breach Investigations Report. Attacks that

involve “social engineering” use deception to persuade people to click a link or take another action that creates a security breach. Almost all—96%—of social attacks begin with an email, the report states.

Highly organized criminal enterprises, including some backed by foreign governments, work continuously to come up with new phishing attacks to capture data or dollars. Typical appeals aim to:

› **Persuade** users to share information that provides access to data or accounts.

› **Trick** users into sending money to individuals or organizations.

› **Block** access to computer systems unless the user pays a “ransom.”

› **Download** malware, which may harm the user’s computer system or provide another conduit for stealing sensitive information.

Credit unions typically employ the latest technology to block data phishing. But in this ongoing thrust and parry, education is critical to teach employees and members when to be suspicious.

“The problem is that criminals aren’t idiots,” says Jim Stickley, founder/CEO of Stickley on Security, which educates credit unions and members about the latest security threats. “They aren’t sending the same thing every single day.”

Gone are the days when phishing emails contained telltale spelling and punctuation errors, Stickley says. “Unless people are brought up to speed on risks on a daily basis—because it changes that

### Focus

› **Phishing** still works because criminals have become smarter about playing into people’s instincts and impulses.

› **Education** is critical to teach employees and members when to be suspicious.

› **Board focus:** Ensure that policies and procedures identify specific individuals or positions with the authority to perform high-risk tasks.

fast—they're always going to fall victim."

Criminals use spear-phishing tactics to target a specific industry, company, or group. They might start by buying a list of names and contact information for executives or other employees in specific positions. With this information, fraudsters can send an email that claims to be from human resources, for example, instructing employees to click a link for benefit information.

But even emails that simply invite the recipient to "check out this picture" succeed nine times out of 10, Stickley says, despite warnings not to click on unexpected emails.

"Most people just click before they think about it," Stickley says.

### Why phishing works

Phishing still works because criminals have become smarter about

playing into people's instincts and impulses, says Holly Spiczenski, consultant with CUNA Mutual Group's risk and compliance solutions. She says 90% of security incidents start with a phishing attack.

For example, criminals know employees assume business email systems have higher levels of protection than individual accounts. That opens the door for fraudsters to go after businesses considered to be high-value targets, such as credit unions.

Spiczenski offers two examples of current phishing scams:

**1. The CEO email fraud scam,** when a criminal either hacks into an executive's email account or spoofs it by creating a believable duplicate email account. The criminal, masquerading as the CEO, sends a terse email instructing the company's finance department to immediately send a wire transfer to

a "vendor" that is really a criminal enterprise.

**2. The real estate closing scam,** when criminals hack into a closing agent's email account at a title company. The perpetrator sends an email claiming to provide "updated" wire-transfer instructions to the credit union mortgage officer so the money is redirected. The member arrives at the closing to learn the mortgage funds were never received.

"In both cases, there have been severe losses," Spiczenski says. "Once the money is wired out, there's little recourse to recover those dollars."

In high-value real estate transactions, losses can reach into seven figures.

Along with promoting awareness, Spiczenski advises credit unions to:

**> Conduct penetration testing.** Penetration tests send phishing

## FOIL PHISHERS: NINE RULES OF THUMB

**1** | If you did not request an email or have never had a conversation about the topic, always be cautious.

**2** | Be wary of shortened URLs from Bitly or Google, which can hide malicious links.

**3** | Hover your mouse over hyperlinks to see whether the URL matches the alleged sender's organization.

**4** | Watch for telltale words such as "urgent," "immediate," or "unauthorized login attempt."

**5** | Refuse to be "pushed" into a quick reaction such as clicking, opening attachments, or sharing a password.

**6** | React with suspicion to abnormal requests. If it's abnormal for the CEO to request an immediate wire transfer, verify it before acting.

**7** | Use your work email account only for work-related messages so you can quickly delete anything else.

**8** | Use technology that alerts employees when an email has a high potential risk of phishing.

**9** | Remind employees that everything they learn at work will help protect them at home.

Source: APWG

emails to staff to see if employees are savvy enough to respond appropriately. If not, more education is needed.

› **Block access to personal email accounts.** Allowing employees to check email on their personal accounts through the credit union's system multiplies your exposure.

› **Review policies and procedures.** These should identify specific individuals or positions with authority to perform high-risk tasks. These guidelines will keep employees from being flustered by, for example, unexpected wire transfer requests.

### Ongoing attacks

At \$1.1 billion asset TruWest Credit Union in Tempe, Ariz., high-profile targets like President/CEO Alan Althouse get phishing emails several times a week, while most users cope with them only three times a month, says Chris Sprague, information security engineer.

"They tend to target those folks who have their hands on the purse strings of the company," he says. Criminals also realize that smaller financial institutions may lack resources to filter out phishing attempts.

"The message is, 'Go after the little guys because they're not as prepared,'" Sprague says. "We all have to be prepared regardless of the size of our organizations."

The sophistication of personalized phishing emails can surprise recipients into errors. In one instance, a TruWest employee received an email from a trusted partner's representative whose email account was hacked.

"Given that the partner regularly has correspondence with our employee, the email was not seen as suspicious," Sprague says. The email persuaded the TruWest employee to open an attached PDF document and enter his credentials to "authenticate the system."

"As soon as he did it, his heart dropped," Sprague says. "Unfortunately, he questioned it a little too late. Given that it was simply a manual disclosure of credentials, he let us know, and we helped him

change his password so we were not harmed."

### Training required

TruWest uses a mix of ongoing formal and informal cybersecurity training that starts at orientation. Within two weeks of starting at the credit union, each new hire also completes a computer-based course provided by the vendor KnowBe4.

KnowBe4 also sends phishing test emails to all employees on a quarterly basis. Any employee who clicks on links or attachments in test emails must complete remedial training within two weeks. Those who delete the email or don't click its links become eligible for a gift-card drawing. "Test emails are different for everyone, so one person cannot clue in their co-workers," Sprague adds.

When TruWest began sending the test emails, they were relatively easy to detect. They've now advanced to moderate difficulty, and Sprague hopes to guide staff to the expert level.

"I want to make this as challenging as it can possibly be, but I don't want to demoralize people," he says.

TruWest places a "phish alert" button on the Microsoft Outlook

toolbar, making it easy for employees to forward suspicious emails to the information technology (IT) department. Sprague also sends emails to employees alerting them of phishing attempts currently in circulation.

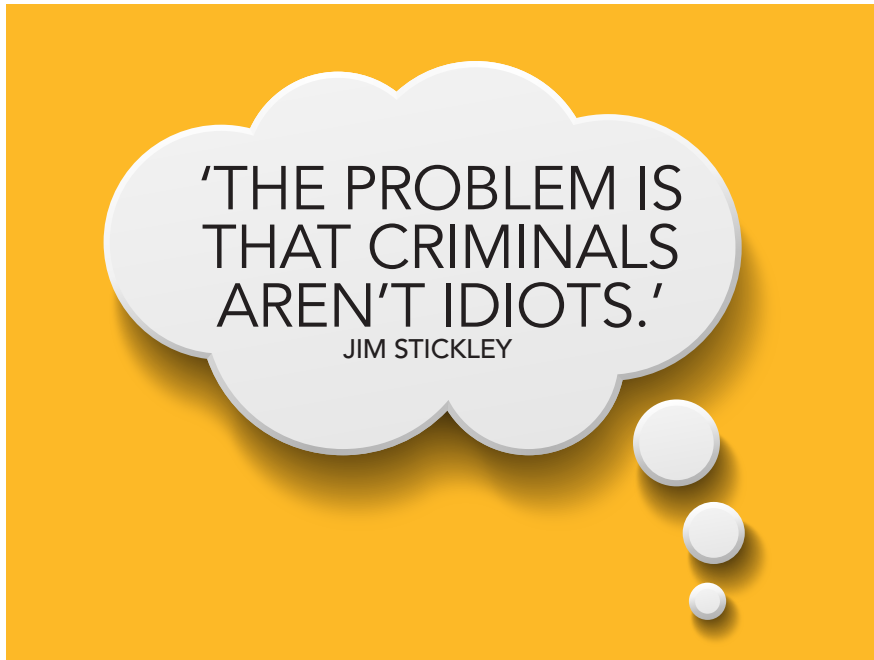
### Reputation risk

Phishing emails that can fool employees can also persuade members to put their information or finances at risk. Employees at \$1.5 billion asset Capital Credit Union in Green Bay, Wis., are coached to stay aware of member-facing threats, says Joel Williquette, vice president and chief information officer.

"We're in the business of helping to manage our members' financial well-being," he says. "If we lose that trust, it has a significant impact on the member as well as the credit union."

Williquette says phishing can create "sad situations" when criminals exploit human needs such as the desire for companionship. For example, people might meet a "wonderful" person through email or online.

Williquette helped address a situation where a new love interest was proven to be fake by copying and pasting parts of the original



'THE PROBLEM IS  
THAT CRIMINALS  
AREN'T IDIOTS.'

JIM STICKLEY

emails into Google to find reports of other similar scams using the same text.

“It’s not a new scam; it’s just that the mechanism that people use to scam individuals has changed,” he says. “Today, scammers can do them in much larger numbers because they have the ability to send an email to 1,000 people. In the past they had to handwrite a letter or meet someone in person.”

### Real-life scenarios

Like TruWest, Capital regularly runs tests that help employees recognize scams delivered via telephone, email, or in person. Even Williquette doesn’t know when and how tests are conducted.

That reinforces a culture in which identifying scams is equally important for every employee. “It’s not an IT process; it’s a credit union process and an educational process,” Williquette says.

Capital’s email phishing tests involve “red shirts” and “blue shirts.” The red shirts are the attackers, made up of two IT staffers and security vendors. Blue shirts are all other employees who

act as defenders.

The goal is to go beyond testing one employee’s response to a single email and instead look at how staff, systems, and processes knit together to react to a threat.

“If somebody—even if it’s just one employee out of 100—says an email is suspicious,” Williquette says, “your process will communicate that to the rest of the business and shut it down.”

“This approach forces our vendors to provide more testing, and more sophisticated testing, because our employees are getting smarter on how to beat this game,” he adds.

Capital aims to give employees an edge in this contest by using a tool from Zix Corp. that identifies “external email” with bold red type. The tool also replaces email links with a Zix link.

When employees click the link, Zix opens and scans the original link in a guarded environment. If it proves safe, it will then open on the employee’s computer.

While education is invaluable, failed phishing tests prove that even the most well-meaning

employee can miss warning signs on a busy workday. Williquette says that makes multiple levels of protection essential.

“We have moved beyond hoping we will catch everything to knowing we will not,” he says. “So if one layer of defense fails, then the next layer—or the next—needs to catch it.”



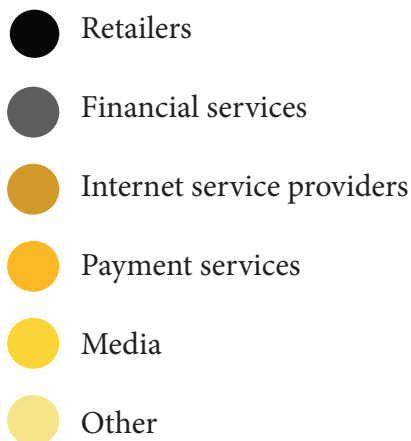
Hear more from Jim Stickley at [news.cuna.org/podcasts](https://news.cuna.org/podcasts).

### Resources

- › CUNA:
  1. CUNA Cybersecurity Conference with NASCUS: [cuna.org/cyber](https://cuna.org/cyber)
  2. Environmental Scan resources: [cuna.org/escan](https://cuna.org/escan)
- › CUNA Mutual Group: [cunamutual.com](https://cunamutual.com)
- › CUNA Technology Council Security Summit: [cunacouncils.org](https://cunacouncils.org)
- › KnowBe4: [knowbe4.com](https://knowbe4.com)
- › Stickley on Security: [stickleyonsecurity.com](https://stickleyonsecurity.com)

## What are the top phishing targets?

More than 70% of phishing attacks impact financial, retail, and payment companies.



Source: APWG



# Tactical, straightforward tools for credit union *board members*

Credit unions are different, and board members are an integral part of creating that difference. While you're focused on improving your credit union, it's our mission to support you in broadening your industry knowledge and gaining a foothold in credit union advocacy.

## Focus areas for board members:



Learn about credit unions and the movement



Ensure credit union financials and operations are sound



Advocate for the credit union movement



Improve credit union products and services



Prepare for the future

Learn more at [cuna.org/board-commit](https://cuna.org/board-commit)



# 360- Degree Success

RON JOOSS



## CUNA, leagues, and credit unions built their 2019 advocacy priorities on a strong foundation.

**As CUNA's Chief Advocacy Officer Ryan Donovan tells it, advocacy is a process. This year, America's credit unions build on a process that brought them substantial success in 2018.**

CUNA stood tall for America's credit unions in 2018 with a list of accomplishments that ranks among credit unions' best advocacy year in decades.

Donovan says last year's results validated CUNA's 360-degree advocacy approach—a grassroots strategy that embraces engagement from system players at all levels and from every direction.

We recently spoke with Donovan about those accomplishments and CUNA's 2019 advocacy agenda.

**Credit Union Magazine:** What's your proudest accomplishment from 2018?

**Ryan Donovan:** I'm most proud that our accomplishments validated our 360-degree advocacy strategy. Four years ago, we stopped looking at issues as either legislative or regulatory, and started looking at them simply as credit union issues.

We now address issues from all angles, and try to leverage the legislative branch to influence the executive branch, and the executive branch to influence the legislative branch.

We saturate policymakers with our message both in Washington and in legislators'

home districts.

Most important, we work closely with leagues and credit unions to achieve advocacy success.


The leagues are the boots on the ground in state capitals, and CUNA supports their efforts. The leagues work to reduce regulatory burden, expand credit union charters, enhance information security, and protect the tax status. CUNA serves as a clearinghouse and a resource for research, and provides additional advocacy support.

We work with the American Association of Credit Union Leagues (AACUL) to make sure leagues' efforts are reflected in our common agenda.

We're seeing more litigation related to consumer protection laws, and we're see-

### Focus

- › **CUNA** and America's credit unions are building on a successful 2018 advocacy campaign.
- › **Despite** a vastly divided Congress, CUNA has created a "credit union majority" of lawmakers who support credit union issues.
- › **Board focus:** CUNA relies on a 360-degree advocacy strategy that engages partners, members, credit unions, and leagues to share the credit union story with lawmakers in home districts and in Washington.



**91% of our  
candidates  
won in 2018.**

ing changes in state laws that can present increased regulatory burden on credit unions.

The leagues and credit unions want to help us pursue better charter-enhancement legislation by changing state laws to permit more interstate branching so state charters improve in their powers and scope. That puts pressure on the federal government to act.

They're also focused on getting legislatures and statewide officials, including attorneys general, to pressure Congress to make it easier for credit unions and other financial institutions to serve cannabis businesses.

They're going to pursue data security legislation at the state level just as we're doing in Congress to help bring about a federal solution. We're going to continue to support league efforts to stop bank efforts to eliminate state credit unions' income tax status.

**Q:** What reforms will you seek with the Consumer Financial Protection Bureau (CFPB)?

**A:** We're excited to work with the new director, Kathy Kraninger. Certainly, the work Acting Director Mick Mulvaney did during his tenure will be of great benefit to Director Kraninger.

Over the past year, the bureau put out 13 requests for information. They invited stakeholders to comment on the agency to enable the new director to reform the bureau. We're excited for that process to proceed.

When we engaged with the bureau in the past, many of us felt they might have heard what we said, but we wondered if they truly listened. We're hopeful that under the new leadership, the bureau will continue listening to stakeholders.

There were no new rules proposed or implemented during 2018, so hopefully the

pace of new rulemaking will continue to be slow. But we would like the bureau to go back and fix some burdensome rules such as the Home Mortgage Disclosure Act and the Real Estate Settlement Procedures Act, rewrite the payday lending rule, and consider a new rule on debt collection.

We'd also like to change the bureau's structure from a single director to a multimember bipartisan commission.

**Q:** Why is a commission preferable?

**A:** It's more consistent with how other regulatory agencies are structured. There's a great deal of desire from folks, particularly supporters of CFPB, for the bureau to be independent.

Right now, the bureau isn't independent from anyone—except for the minority political parties. But if you had a bipartisan, multimember commission, you'd increase the bureau's independence because it would be hard for a single person to greatly influence the outcome of policy produced by the agency.

A commission brings more voices to the table, and that generally produces better policy. It slows the swing of the regulatory pendulum—which has gone pretty wild as we've moved from the Obama years to the Trump years.

We have another presidential election in two years. I don't know if the pendulum will swing back, but if there's a commission, the swing won't be as wild.

Both political parties supported a commission before it was politically convenient for them to walk away from it. Now we have a second confirmed director, a divided government, and a presidential election on the horizon. I can't think of a better time for Democrats and Republicans to come together and embrace this change for the bureau so it can stand for a long time in the interests of consumers.

**Q:** How did you develop our advocacy agenda?

**A:** We look to credit unions as we develop our agenda. We seek out key stakeholder groups to assess the impact and urgency of the issues. CUNA President/CEO Jim Nussle and I, along with others, meet with credit unions, and we have engagement consultants in the field. All of that feedback goes into creating our advocacy agenda.

The 116th Congress looks a lot different than the one we'd been working with. That will present some challenges—unpredictability and division in the current political environment—but also some opportunities.

The latter includes bipartisan interest in

ensuring consumers have control over their personal data, and that political battles on major issues could give leaders incentive to work together on small, bipartisan issues—like those important to credit unions.

We also work with AACUL to create a national, state-level advocacy agenda. This reinforces our commitment to execute a common advocacy agenda and provide impactful support for league efforts.

Our agenda also puts credit union members in the center, because when we talk to policymakers about what they're working on and about members, we win.

That's because credit unions exist to serve their members, and our agenda supports that ability to serve members.

**Q:** What are our top advocacy priorities?

**A:** Our members want us to reduce regulatory burden and expand and protect credit union powers and opportunities so consumers and small businesses can more easily access credit union services.

They want us to enhance information security to ensure member data is protected from cyberattacks and data breaches, and they want us to preserve the credit union tax status at both the federal and state levels so consumers continue to enjoy not-for-profit, cooperative financial services.

Everything we do as a CUNA/league advocacy team ties back to this agenda, whether it's our work with the CFPB to reduce regulatory barriers, charter enhancement legislation we may take to Congress this year, or data breach legislation that would hold merchants to the same security standards as credit unions.

**Q:** How can we take advantage of bipartisan support for data security legislation?

**A:** The data security issue is interesting because so much divides Congress along partisan lines. The divisions in Congress on data security cut a different way: They cut over committee jurisdiction. First, we must figure out how to get beyond this committee jurisdiction issue that has kept data security legislation from proceeding in the past.

The good news is there might be a path that involves a debate Congress will likely have over the next couple of years on data privacy regulations. They'll focus on how institutions that hold consumer data will be able to use that data: How do

banks and credit unions use that data to drive lending decisions? What are tech companies doing with the data they collect from consumers? What are the social media companies doing with their data?

To be sure, there will be some risk. Credit unions will be resistant to new regulations or limitations on how they may use their member data—and you can be certain that we'll fight that. But it may give us the opportunity to advance data breach legislation.

We're making a compelling and basic argument that the merchants that accept cards for payment must be held to the same security standards as the credit unions that issue the cards. That's what we're after in Congress. I

**'The 116th Congress looks a lot different than the one we'd been working with.'**



think this Congress may present us with one of the better opportunities we've had to make progress on this issue.

**Q:** What are CUNA's top priorities in working with NCUA?

**A:** We'd like to see the Senate confirm new members of the NCUA Board. Chairman J. Mark McWatters' term expires in August, Board Member Rick Metsger is serving on an expired term, and there's a vacancy on the board.

The president nominated Rodney Hood to replace Metsger, and he nominated Todd Harper to serve on the NCUA Board. Until 2017, Harper served as the director of public and congressional affairs and as the chief policy advisor to the NCUA chairman. He's also a former senior aide to former Rep. Paul E. Kanjorski, D-Pa.

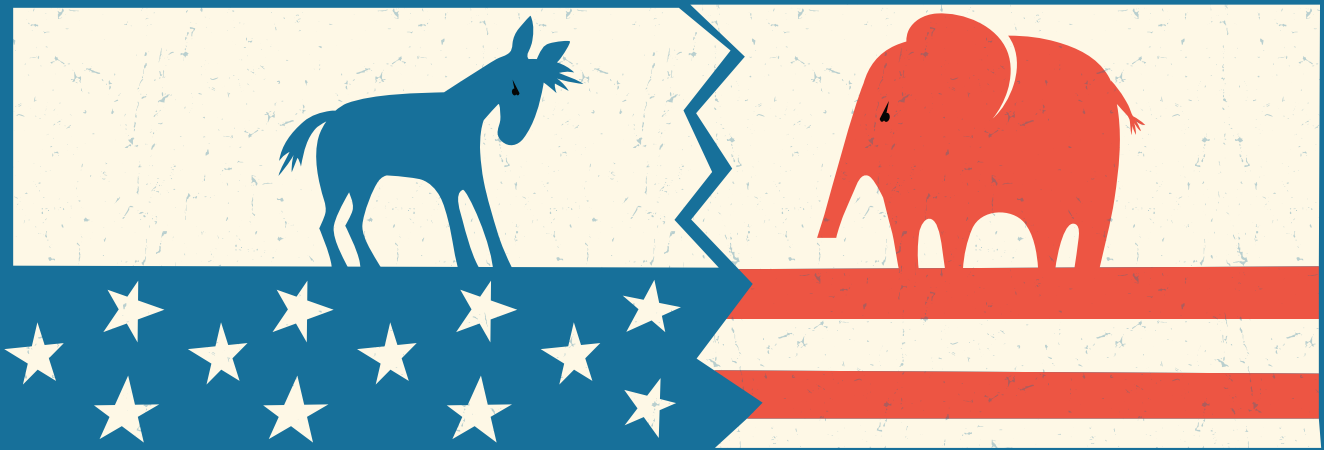
A lot of the work we want to do with NCUA

requires action at the board level. For example, we believe NCUA will propose a rule on alternative capital. They issued an advance notice of proposed rulemaking in 2018.

They received a lot of information from stakeholders, and they had a public briefing on the topic, so they're in a place on the rulemaking timeline for a proposed rule to come out and hopefully be finalized soon. They're also working on a rule that would amend their appraisal requirements. We expect that to be finalized this year. And they're working on updates to federal credit union bylaws. So it's a busy time at NCUA right now.

## Resource

› CUNA Advocacy: [cuna.org/advocacy](http://cuna.org/advocacy)



## SUCCESS IN A DIVIDED CONGRESS

Through its federal political action committee, the Credit Union Legislative Action Council, CUNA invested nearly \$7 million in 388 House and Senate races in 2018—and won 349 of them, says Ryan Donovan, CUNA's chief advocacy officer.

"Ninety-one percent of our candidates won their elections," he says. "We played in 48 open seats and won 45 of them. Through our political activity and the fact that members of Congress know there are real people behind it, all this positions us very well in the next Congress.

"When you look at how that Congress is coming together in terms of the leadership votes in the Senate and the House, and particularly on the committees where we have the most interest, you can see a lot of strong support for credit unions," he continues.

For example, while Senate Banking Committee Chair Mike Crapo, R.-Idaho, and House Financial Services Committee Chairman Maxine Waters, D.-Calif., belong to different political parties, they share strong support for credit unions.

"It's the same for their ranking members," Donovan says. "Sherrod Brown, D.-Ohio, and Patrick McHenry, R.-N.C., also are both strong credit union supporters. That's very helpful, because any legislation that we hope to get through in the next Congress is going to go through those committees."

"This isn't about Republicans or Democrats," adds Richard Gose, CUNA's chief political officer. "It's about credit unions. That's where our ultimate decision lies: what's best for credit unions."

CUNA

**MAP** 

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# Heroes in Action

RON JOOSS AND JENNIFER PLAGER

These leaders have promoted credit union principles to transform their communities.

*Credit Union Magazine's* 2019 Credit Union Heroes include a former teacher who's still displaying class as a financial educator, an ex-banker who's now preaching the credit union gospel, a financial counselor with a passion for outreach, and a self-described "bridge" to the community with a penchant for collaboration.

While each hero has her own journey, they share a commitment to community and a selfless desire

to improve the lives of society's most vulnerable.

Of the many nominations from the readers of *Credit Union Magazine*, we've selected these four as Credit Union Heroes—those who relentlessly promote credit union philosophy, dedicate themselves to credit union principles, and make sustainable differences in their communities.

Now, we're asking you to select one of these talented people as

the 2019 Credit Union Hero of the Year.

Read each hero's profile and cast your vote at [news.cuna.org/cuhero](https://news.cuna.org/cuhero) for the top hero.

We will honor the winner during CUNA's America's Credit Union Conference this June at the Walt Disney® World Resort in Florida.

## **A touch of class**

The best educators have a passion for touching the lives of others.

As financial education director at Virginia Credit Union (VACU) in Richmond, Cherry Dale led her organization's efforts in touching more than 27,000 lives in 2018.

Dale, a former kindergarten teacher, brings to her job not just a passion for teaching others, but also dedication, organization, and an inspirational work ethic.

The \$3.6 billion asset credit union's financial curriculum focuses on practical skills such as setting and achieving savings goals, budgeting, and preparing for home ownership.

One of Dale's first projects at VACU was developing a financial education curriculum for local high schools. The result was "Smart Start," a six-lesson, train-the-teacher program that reached more than 2,500 students last year.

When the credit union introduced the program, there was no requirement to teach financial education at Virginia high schools. Dale created partnerships with local schools.

"I heard over and over from educators that they wanted something they could use immediately in the classroom," she says. "Now, there is a financial education mandate, and we're excited about that. The program is meant for teachers who don't have a lot of background or experience in personal finance. They can easily apply it in the classroom."

VACU has applied a similar train-the-trainer concept at Virginia Commonwealth University, where it instructs students in the business school to counsel other students as part of the University 101 personal finance module. "We've seen that program grow as well," Dale says.

Her four-person financial education team also focuses on adult members, whether it's working with select employee groups or holding regular workshops at VACU facilities. Under her leadership, the

annual reach of the credit union's financial education program has quadrupled.

Dale also is active in the local community. Since 2013, she has chaired the Virginia Jump\$tart Coalition, the state branch of the national organization that promotes personal financial literacy.

"I love Virginia Jump\$tart because it's about the community working together to better the financial health of students," she says. "It keeps me plugged into what's happening in financial education."

VACU also partners with parent-teacher associations at local schools to offer financial education classes and provides matching funds to encourage youth savings. Last year, 224 students saved more than \$200,000 through this effort.

"What's great about this program is that it gets parents involved," Dale says.

Dale even has a regular spot on a local TV station. Last year, she filmed about 20 financial educa-

tional segments with a local NBC affiliate. "We probably reach 50,000 people with each of those segments," she says.

She finds inspiration in the fact that financial education truly empowers people.

"No matter where you are in life and regardless of your income, it gives people tangible tools to empower themselves," she says. "That's what the people-helping-people philosophy is all about, and that's the core idea of what we do at Virginia Credit Union."

### The gospel of credit unions

Harlene Johnson has spent much of her life in service to others. Is it any wonder she found her path to credit unions through the church?

Johnson enjoyed a successful banking career in Louisiana when marriage took her to Houston, where she opted to be a stay-at-home mom who dedicated her free time to volunteerism and the church. Soon enough, New Light Christian Church in Houston made



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**Financial education truly empowers people.**

**Cherry Dale**  
Financial education director  
Virginia Credit Union



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**I love to share the knowledge and the blessings I have with others.**

**Harlene Johnson**  
President  
Light Commerce Credit Union

plans to charter a credit union. And church leaders quickly determined that Johnson was well-qualified to lead that initiative.

Johnson's banking acumen—and determination—led Light Commerce Credit Union through the chartering process. But from the beginning, she was struck by credit unions' openness.

“The league aligned me with credit unions in the area that mentored me,” says Johnson, who serves as the president of the credit union. “I also connected with other faith-based credit unions, who shared their wisdom and their experiences. Even to this day I can call any of those credit unions, and they'll provide me with the support I need.”

Like many urban credit unions, one of Light Commerce's priorities is providing an alternative to payday lenders. The \$2.7 million asset credit union attacks the problem at the source.

“One of the first things we decided was that when predatory lenders called us to verify member deposits, it was important for us

not to do so without first speaking with the member one-on-one,” Johnson says.

During these phone conversations, Light Commerce representatives urge the members to contact the credit union for a one-on-one consultation before taking out a loan. The credit union representative outlines the repercussions of a payday loan, and more often than not fills that void with a loan from the credit union with more manageable terms.

Johnson also makes financial education a priority. “We take advantage of every opportunity we can—church events and credit union workshops—to speak to our members about finances,” Johnson says. “I do a lot of one-on-one, free financial counseling. I am a CUNA-certified financial counselor, so I work with the members on a one-on-one basis.”

Light Commerce recently obtained the designation as an Emerging Community Development Financial Institution by the Treasury Department. With that designation, the credit union received

a \$124,000 grant, which will be used to develop a microenterprise lending program and a payday alternative lending program based on member relationships rather than credit scores.

Johnson takes great pride in the fact that, although small, Light Commerce offers a robust menu of products and services, including mobile banking, online banking, and debit cards. She offers no secret to success other than sponsor support and efficient operations that have allowed the credit union to grow.

“Because we are small, I am always monitoring expenses,” she says. “As contracts come up for renewal, I am always looking for a better way of doing something that will provide us more for less.”

Johnson has made Light Commerce a part of the Houston community—and a true reflection of her passion for serving others. “I love to share the knowledge and the blessings I have with others,” she says. “Being a part of a wonderful church that helps people not just spiritually but in all areas of their lives has given me the freedom to pursue that passion and make a difference in the community.”

### **The power to succeed**

Diane Sandoval-Griego believes in giving people the power to succeed, whether it's by providing financial counseling to create a better budget, finding programs to meet their financial needs, or pointing them to the nearest food bank.

Identifying those needs sometimes means stepping away from her desk and going out into the community.

“We were created for people helping people,” says Sandoval-Griego, financial empowerment and outreach manager at \$168 million asset Guadalupe Credit Union in Santa Fe, N.M. “If we never leave our desks, it defeats our purpose.”

Known as Guadalupe's catalyst of financial counseling and outreach



efforts, Sandoval-Griego has been instrumental in financial education programs and services that are tailored to the individual needs of the community.

One example is the relationship Sandoval-Griego and the credit union have forged with the Taos Pueblo, a Native American community in Northern New Mexico. When the group expressed the need for more community members to buy houses, make repairs, or get caught up on mortgage payments, Sandoval-Griego developed a customized financial literacy program. This effort not only promotes housing programs available to pueblo residents, it also puts a financial coach onsite at the pueblo on a regular basis.

That way tribal members who don't have the means to go off-site can meet with the coach regularly to work on their financial goals, she says.

While the pueblo builds its housing infrastructure, the credit union works with residents to get them on track with their finances through education and better loans, including Guadalupe's predatory debt relief program, Sandoval-Griego says.

That relationship is just one example of how she steps outside the credit union's walls to develop programs that assist the community with their financial needs.

She's also worked with the Santa Fe Farmers Market to develop a program to provide financial education to farmers and to provide funds through a microlending program. Plus, a predatory debt relief program provides consolidation loans for members who are stuck in a predatory debt cycle, along with financial coaching.

Sandoval-Griego's latest effort: Bringing community providers together to find ways to assist grandparents who must raise their grandchildren due to the opioid crisis. These grandparents don't always know what resources are available, or they're hesitant to

seek assistance for fear of outing their children.

The work Sandoval-Griego does with financial counseling and outreach at Guadalupe fits her passion for ensuring people can meet their needs and reach their goals.

"We don't always have all of the answers, but we try as hard as we can to research and find some type of solution or recommendation to assist members," she says. "You learn a lot from your own membership, and it's important to listen not only to their needs, but also the obstacles they face that may be corrected or rerouted."

### A 'bridge' to the community

Bridget (Looby) Staffileno often jokes that she's "the 'bridge' to the community and knowing what's going on."

As the vice president of community affairs at \$345 million asset Catholic Federal Credit Union in Saginaw, Mich., Staffileno looks for opportunities to partner with community organizations to make an impact on people's lives.

"Regardless of what we do, we

don't just write a check," she says. "It's boots on the ground. We actually participate."

Staffileno was among the credit union leaders who gathered in 2013 and dreamed up the idea of Credit Unions Impact Saginaw, a collaborative effort by local credit unions to improve the lives of those who live in the community.

"We want to provide access to local events and attractions for those who may not be able to take full advantage of them," Staffileno says. "We're always looking at worthy causes that would enrich the lives of local residents."

Its first event was a triathlon for children. Since that time, Credit Unions Impact Saginaw has hosted more than 20 events, including free days at the zoo and Mid-Michigan Children's Museum, concerts, hockey and baseball games, and education days.

For its fifth anniversary, Credit Unions Impact Saginaw had Travis Mills—a retired Army staff sergeant and a quadruple amputee from the war in Afghanistan—and child safety activist Elizabeth Smart talk



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Financial empowerment and  
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**Bridget (Looby) Staffileno**  
Vice president of  
community affairs  
Catholic Federal Credit Union

A regular attendee at the Michigan Credit Union League Annual Convention & Expo, Staffileno wanted to build on the success of the event's silent auction and golf outing that raised money for Children's Miracle Network (CMN) Hospitals. Her idea to include a fun run/walk was born in 2016 with assistance from the Mid-Michigan Chapter of Credit Unions.

The first year, Staffileno made the fliers, worked with a local race management company, had her son design the T-shirt, and promoted the event. After raising \$700 for CMN the first year, last year's race raised \$13,000.

It has become an event at future league conventions.

"I want everyone to have an opportunity to participate," she says.

In addition to advocating for credit unions at the state and national level, and volunteering for other community organizations, Staffileno serves as a trustee on Catholic Federal's scholarship committee and as chairman of the Mid-Michigan Chapter of Credit Unions.

to high school students about their experiences and how setbacks shouldn't define their futures.

"Those are moments that take your breath away," Staffileno says. "We are creating memories for some of these kids and enlarging

their lives."

An eight-time Boston Marathoner (this April will be her ninth), Staffileno also found a way to weave together running, credit unions, and meeting the needs of community members.

## VOTE FOR THE 2019 CREDIT UNION HERO OF THE YEAR

Voting for the 2019 Credit Union Hero of the Year will take place through March 22 at [news.cuna.org/cuhero](https://news.cuna.org/cuhero). We'll honor the winner (or a representative) at CUNA's America's Credit Union Conference, June 17-20 at the Walt Disney World Resort® in Florida. Visit [cuna.org/acuc](https://cuna.org/acuc) for conference information.



Cast your  
vote at [news.cuna.org/cuhero](https://news.cuna.org/cuhero)



Cherry  
Dale



Harlene  
Johnson



Diane  
Sandoval-Griego



Bridget  
(Looby)  
Staffileno

# Meet the finalists for **CREDIT UNION HERO** OF THE YEAR



**Cherry Dale**  
Financial education director  
Virginia Credit Union



**Harlene Johnson**  
President  
Light Commerce Credit Union



**Diane Sandoval-Griego**  
Financial empowerment &  
outreach manager  
Guadalupe Credit Union



**Bridget (Looby) Staffileno**  
Vice president community affairs  
Catholic Federal Credit Union

Cast your vote by March 22.  
[news.cuna.org/cuhero](https://news.cuna.org/cuhero)

# Policy Challenges Loom

# LARGE

MIKE SCHENK



Trendlines

Banks have renewed and reinvigorated their attacks on our tax status.

## As the U.S. economic expansion approaches its record-breaking 10th year, many wonder how much longer the good times can last.

Some say the U.S. economy is precariously deep into the credit cycle. Some significant headwinds have investors worried, which is reflected in increasing financial market volatility.

While obsessing over those developments, it's helpful to recall the words of Massachusetts Institute of Technology economist Rudi Dornbusch, who famously noted, "Economic expansions don't die of old age—they're murdered by the Federal Reserve."

However, with only modest inflation pressures, CUNA economists expect the Fed to remain cautious going forward, increasing the benchmark federal funds rate only twice over the next year. Rather than killing the recovery, we believe Fed restraint should lead to decent overall economic growth going forward, continued labor market health, and solid household earnings gains.

Consumer balance sheets are—and should remain—in good shape, with debt-to-income ratios near 25-year lows.

That's all good news for credit union operations. It suggests healthy (albeit slower) loan growth, high asset quality, less obvious liquidity pressures, and decent earnings overall.

Still, as the nation's credit unions convene in Washington, D.C., for the 2019 CUNA Governmental Affairs Conference, policy challenges loom large.

From a policy analysis perspective, banks and bank attacks continue to be a big concern. Banks have renewed and reinvigorated their attacks on the credit union tax status.

While banks claim credit unions have an unfair advantage in the marketplace, Congress delivered nearly \$30 billion in annual tax breaks to banks in the 2017 Tax Cuts and Jobs Act. Bank profits and shareholder dividends are at record levels, and big banks continue to dominate the financial

services marketplace.

The three largest U.S. banks each are larger than the entire credit union movement. And the largest 100 banks now control 75% of total depository institution assets—a 34 percentage point increase since 1992.

All other banks experienced a collective decline in market share, to 17% as of third-quarter 2018 from 53% in 1992.

Plus, big banks have paid hundreds of billions of dollars in fines for bad behavior over the past 10 years.

None of this, of course, stops banks from continually trying to link the credit union federal income tax status to credit union size, growth, and service offerings. Lost in their rhetoric is the fact that credit unions' tax status arises from their structure as not-for-profit financial cooperatives and from their unique and unchanged mission to promote savings and provide access to credit for provident purposes.

Credit unions' democratic structure resulted in the transfer of \$12 billion in direct financial benefits to member-owners in 2018. Those benefits come in the form of lower interest rates on loans, higher yields on savings accounts, and fewer and lower fees compared with those at the nation's for-profit commercial banks.

Without stockholders demanding a market rate of return on their investment, credit unions leveraged the \$1.7 billion value of the federal income tax expenditure by delivering seven times that total in direct financial benefits. That expenditure is one of the best investments government makes in average working-class citizens.

It's worth mentioning that while

credit unions enjoy an exemption from federal income taxes, they do pay a wide variety of taxes, and those payments are significant.

According to IMPLAN, credit unions paid \$4.2 billion in direct federal taxes and \$2.4 billion in direct state and local taxes in the most recent tax year. Direct, indirect, and induced taxes arising from credit union activity totaled \$10.7 billion at the federal level and \$6.4 billion at the state and local levels during the year.

## Bank redlining

The banking industry also continues to try to convince Congress to impose Community Reinvestment Act (CRA)-like requirements on credit unions. Commercial banks originally received CRA sanctions in the late 1970s because they were found to widely engage in discriminatory lending practices.

For decades, the banking industry practiced "redlining"—formally,

systematically, and blatantly blocking credit extension in minority and lower-income communities throughout the U.S.

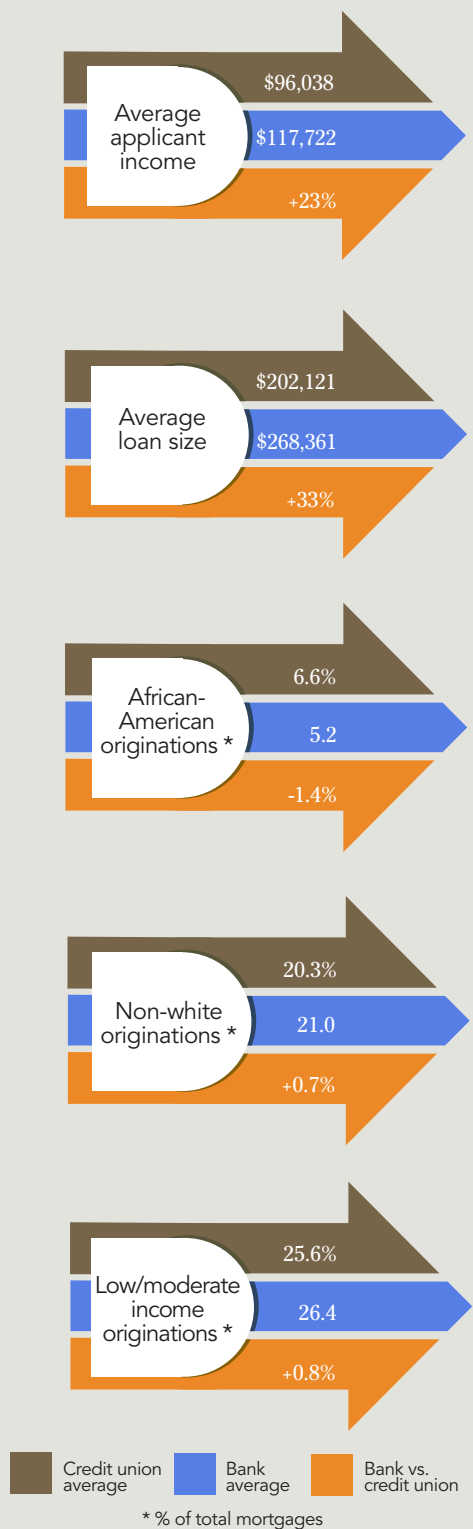
However, during the century or so that credit unions have operated in the U.S., these member-owned financial institutions have never engaged in such behavior and have never been accused of such behaviors by anyone who has

seriously examined the record.

Overall, two-thirds of credit unions serving roughly half of credit union members face significant field-of-membership (FOM) restrictions requiring that service focus on narrowly defined, single-sponsor occupational groups, multiple-sponsor occupational groups, and/or association-based groups such

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**CREDIT UNIONS' DEMOCRATIC STRUCTURE RESULTED IN \$12 BILLION IN DIRECT FINANCIAL BENEFITS TO MEMBERS IN 2018.**  
”

# Average mortgage originations



Source: CUNA and Federal Financial Institutions Examination Council

as religious or fraternal organizations (such as labor unions).

It's abundantly clear that credit unions don't need new regulations to compel them to do what's right. Home Mortgage Disclosure Act (HMDA) data reveals credit unions collectively reflect exemplary lending performance despite FOM restrictions and without CRA requirements.

Compared with banks, credit unions attract applicants with lower incomes, originate smaller loans, and—as a percentage of total mortgage originations—offer loans to ethnic minority and low/moderate income households at the same rate as banks (“Average mortgage originations”).

When compared with the largest 100 banking mortgage originators, the nation's largest credit unions typically rank among the top 20 in terms of mortgage lending performance.

The record is consistent and clear. Since their inception in the early 1900s, U.S. credit unions have had the reputation of offering full and fair service to all members, including those on the lower rungs of the economic ladder. They certainly don't need new laws demanding that behavior.

But challenges, of course, aren't confined to attacks from the banking industry.

## Data security

Data security continues to add significant cost, stress credit union operations, and frustrate members.

Unlike credit unions, merchants do not follow strong data security requirements. Financial institutions, including credit unions, are subject to strict data security standards under the Graham-Leach-Bliley Act. Retailers are not. This was painfully obvious in 2018.

According to the Identity Theft Resource Center, merchants were responsible for 93% of all data breach records exposed in 2018,

and they were responsible for nearly half of all data breaches overall.

In contrast, credit providers, including credit unions and banks, were responsible for only 0.4% of records exposed during the year.

Total records exposed by merchants in 2018 increased 129% compared with 2017.

The data is compelling: Congress should pass legislation to impose data security standards on merchants to protect consumers and reduce criminal access to financial information.

That legislation should include strong federal protection and consumer notification standards with effective enforcement provisions, and those standards should be on par with the standards to which financial institutions adhere.

Financial institutions ought to be able to inform members and customers about breaches, including information on where they occurred. And the entity that incurs the breach ultimately should bear the costs.

Our list of concerns and challenges is long. The CUNA Policy Analysis team is continuously compiling and updating data sources on a variety of issues that concern credit union leaders.

From regulatory burden to Federal Credit Union Act modernization and diversity and inclusion, our team is collecting, summarizing, and delivering convincing and compelling data for your interactions with policymakers.

Learn more at [cuna.org/economics](http://cuna.org/economics) or contact us at [custat@cuna.coop](mailto:custat@cuna.coop) for assistance.



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# CUNA MEMBER EXPERIENCE, SALES & SERVICE SCHOOL

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*"I found this school very beneficial. It's eye-opening to compare your CU to others in various areas, from coaching to creating strategy and everything in between. It's very helpful to share ideas of what works and doesn't work – huge networking opportunity!"*

- Cristina Mancha, Sales & Service Supervisor at Randolph-Brooks FCU

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## 6 reasons to worry about cybersecurity

Anyone for the rise of the robots?

What was the No. 1 risk to markets in a recent study by the Depository and Trust Clearing Corp.?

1. **The continuing trade war.**
2. **Higher interest rates.**
3. **The upcoming Spice Girls world reunion tour** (especially now that Posh is out).

Actually, it's No. 4: the threat of a cybersecurity attack.

It's such a big issue that *Forbes* no less published an article on 2019's top 60 cyber concerns—a list so vast it just goes to show you what happens when you pay authors by the bullet point.

It does, however, beg the question, why is cybersecurity the biggest risk?

Here are six reasons:

**1. There's a lot more stuff to worry about.** A few years ago, the top cybersecurity targets were (in order) servers, personal computers, and networking equipment. Today we have something called the "internet of things."

From outlets controlled by Alexa to the latest high-def curved 4K TV, these devices are controlled by small computers which can be taken over and even repurposed (so that innocent-looking internet-connected radio could be reprogrammed to attack the power grid while ironically playing "Dancing in the Dark" in an endless loop). The growth of these devices has been staggering as well, increasing from 15 billion in 2015 to more than 26 billion in 2019.

**2. Some of that stuff is critical.** Take your car. Starting my first car—a 1975 Ford Maverick (don't judge)—required having a can of starter fluid and a screwdriver. A successful start meant I drove off with my eyebrows intact.

In contrast, today's cars have electronics packages that are tightly integrated into every function of



the vehicle. This isn't just the radio either. Computers factor into such necessities as the braking system.

**3. Terrorists or rogue nations may do us harm.** Most hackers are in it for the money. They're not rewarded for doing harm intentionally or inadvertently but by stealing information, getting access to funds, or ransoming your pictures. But others out there may have very different intentions.

**4. Mobile makes hacking easier.** While 4G and newer 5G mobile networks are fast enough to watch the latest Netflix movie with little buffering, this comes at a price—besides the second mortgage you took to get the phone.

Namely, some of the inherent protocols in these cell networks, which allow us to both browse data effortlessly and drive around between cell towers talking to grandma, make for a system ripe for exploitation.

**5. Artificial intelligence (AI) cuts both ways.** There isn't a technology vendor today that doesn't slip "AI" into its presentation. (Fun game: At the next pitch you attend, yell out "Is there a problem in the AE-35 unit?" every time the salesperson mentions AI).

A primary area of interest for AI technology is cybersecurity: using computational power to recognize and react to larger patterns. This allows an organization to preempt attacks before they start.

The problem is, the bad guys also have access to some of these AI tools. Anyone for the rise of the robots?

**6. Protection is piecemeal.** No single regulatory standard for protecting data and systems exists in the U.S. We have the Gramm-Leach-Bliley Act which covers financial institutions, the Payment Card Industry Data Security Standard which covers aspects of merchants, and "Hope Really Is a Strategy" for just about everyone else.

That said, some states have implemented their own standards which, while helpful to a point, has scrambled the requirements, especially for multistate organizations.

The best way to think about cybersecurity is like buying a car: You can order the basic model (it just has brakes) or go for the luxury version (airbags, radar, crash prevention). Unfortunately, the one most likely to be hacked is the one with the lowest level of protection.

And once it's compromised, it may not stay in its lane. That's bad news on the interstate.



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## with Sue Cuevas

Nueva Esperanza Community Credit Union, Toledo, Ohio

Sue Cuevas, president of \$2 million asset Nueva Esperanza Community Credit Union in Toledo, Ohio, has been involved with the institution from day one. She has recruited potential members at festivals, church picnics, and other community events. At one time she signed up members for the Latino credit union from her mobile office: her car equipped with a copier.

**Credit Union Magazine:** How did you get involved with Nueva Esperanza Community?

**Sue Cuevas:** I was a vice president in corporate banking in 2010 when I received a call from a friend who said they were starting a Latino credit union, the first registered in Ohio. Being in the bilingual lending and banking business, I believed I could help. I had no clue what credit unions were prior to that.

I googled “credit union” and the first thing I saw was “people helping people.” You don’t hear that very often. So I decided I would help. Little did I know I was the only employee, and that it was a from-the-bottom-up credit union.

**Q:** Nueva Esperanza means “new hope.” How does that fit with the members you serve?

**A:** It brings hope to a lot of families and individuals, even those who aren’t Latino. You can have situations where maybe a spouse passed away or the member lost their job, and they just need someone to believe in them again. We’ve been able to help in those situations. We’re proud of the name.

**Q:** What have been some of the biggest challenges in establishing the credit union?

**A:** Being a small credit union with just 1.5 employees and trying to accommodate all of the things that are needed in daily operations have been a challenge. But my board members help in any capacity they can. So together we do thrive. Expanding our services has been a little slower because of those challenges.

**Q:** Eight years ago, did you think you’d be where you are today?

**A:** Oh no. I didn’t even think I would be with a credit union. My goal was to stay less than a year. But it’s funny: This credit union movement and this credit union feeling gets into you.

I take this very personally. I love what I do. I love helping people. I love being able to make things work. It’s not always a “yes” in lending, but sometimes that no turns into a yes six months or a year later. Every story in our loan portfolio has, if not happy tears, some gratification that we’ve been able to make a difference.

**Q:** What advice would you offer other credit union leaders?

**A:** Have passion for what you do, because passion will turn every-



thing around. Passion, perseverance, and patience are the three things that have kept me going for eight years. I need to have passion to do what I’m doing. Not every day is a good day, but you better enjoy what you’re doing because if you don’t, it’s going to be an ungrateful, unsatisfying day. Do what you love. The ability to help people is my passion.

**Q:** What’s the best advice you’ve received?

**A:** Be true to yourself and be who you are. If you believe this is where you need to be, and if you believe in doing what you’re doing, keep going. Do not give up.



Listen to an interview with Cuevas at [news.cuna.org/podcasts](https://news.cuna.org/podcasts).



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