Credit Union MAGAZINE

SUMMER 2019

SERVING CANNABIS BUSINESSES

TECH-SAVVY BOARDS

More to come for mobile

Rachel Pross
Maps Credit Union

Credit Union National Association
CUNA

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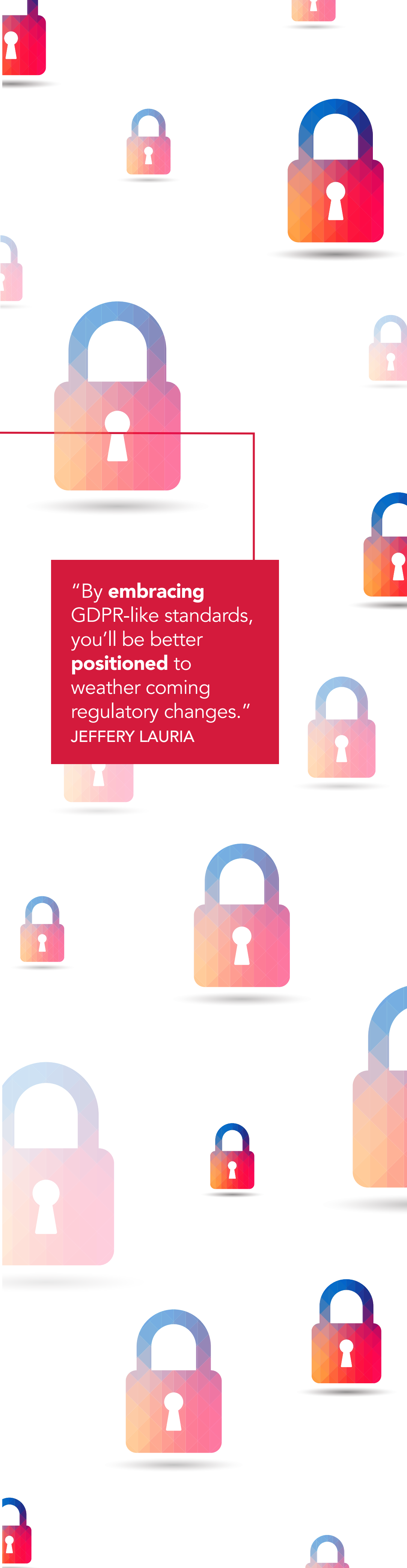

"By **embracing** GDPR-like standards, you'll be better **positioned** to weather coming regulatory changes."
JEFFERY LAURIA

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Digital Features

VISIT CUNA.ORG/NEWS FOR THESE ONLINE EXCLUSIVES

What caught your eye

The inspirational stories of our Credit Union Heroes produced 6 of the 10 most-read articles through March 31 when voting closed.

Look for our coverage of **Harlene Johnson**, Credit Union Hero of the Year, when she is honored at CUNA's America's Credit Union Conference in June.

What's on your playlist

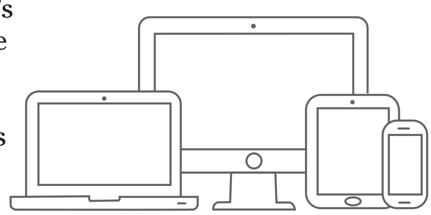
On the CUNA News Podcast, we feature voices from across the credit union movement—board members, executives, industry experts, and nationally known thought leaders.

Check out our latest podcasts and delve into our library by scanning the QR code below.

CUNA NEWS

More from our pages

In a companion piece to this issue's article on mobile banking ("Engage members with mobile," p. 34), PSECU's Jessica Hutchinson talks about the critical role mobile plays in a digital-first strategy to give members the best experience.



Look for us out in the field

CUNA National Young Professionals Conference

June 13-14
Madison, Wis.

CUNA Management School, the long-running professional development program for credit union leaders.

July 14-24
Madison, Wis.

Co-located CUNA Technology Council and Operations & Member Experience Council Conference

Sept. 11-14
Chicago


Introducing
The Kasasa Loan™
Give borrowers the power to pay ahead...and take it back.

The painstaking work behind cannabis banking

Community safety is a prime motivator for serving cannabis businesses.

It started as a pilot program at O Bee Credit Union in 2014. Today the Tumwater, Wash., credit union serves more than 200 businesses.

The program was cannabis banking.

O Bee CEO James Collins is one of several credit union executives throughout the country who, with their boards, grappled with the risks, compliance requirements, and operational framework necessary to serve cannabis businesses.

Cannabis is legal in some form (medicinal, recreational, or both) in more than 30 states, according to the National Conference of State Legislatures, but remains illegal on the federal level.

Rachel Pross, chief risk officer at Maps Credit Union in Salem, Ore., testified before the House Financial Services Committee on CUNA's behalf. Her credit union's basic cannabis services have helped remove millions of dollars in cash from community streets.

In our cover story ("Cash crop," p. 20), these pioneers emphasize cannabis banking is a labor-intensive effort requiring manpower and relentless due diligence.

Other credit unions are waiting for a federal solution or safe harbor legislation in states where cannabis is legal and where state regulators have authorized and implemented a compliance structure.

Our Summer issue also looks at:

› **General Data Protection Regulation (GDPR)**, a data privacy law issued by the European Union. Credit unions serving members overseas may be affected now. But you'll see why some data and privacy experts encourage all credit unions to embrace GDPR-like standards today to weather any coming regulatory changes.

› **Mobile banking** as a critical driver for membership growth. In fact, some call mobile banking "table stakes" and the true member engagement platform.

› **The role of data intelligence.** Becky Curry, senior vice president of data intelligence at ORNL Federal Credit Union, Oak Ridge, Tenn., explains how credit unions can get the most from their data.

And don't miss our subscriber-exclusive online features delivered each week to your inbox and available at *news.cuna.org*.

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Ideas & Inspiration

A benefit for when 'life happens'

When "life happens," employees at Members First Credit Union in Midland, Mich., can rest assured knowing assistance is available.

"There are things in life that happen that we can't plan for," says Kris Walters, human resources manager at the $521 million asset credit union. "And when they do happen, they cause stress and strain on all of us."

"Life Happens" is a $500 annual benefit employees can use to fund expenses for pet insurance, wellness items, insurance, student loan debt reimbursement, or car repairs.

Employees—who are eligible for the benefit after one year of service—submit proof to receive reimbursement.

"We wanted to offer a benefit that gives employees flexibility and choice on how it would work best for them," Walters says. "Our goal was to meet employees where they are in their lives and fill a need."

Since it was introduced in 2018, 28 employees have claimed Life Happens benefits: Twelve used it for car repairs; four, for travel; and 12, for wellness-related expenses, such as signing up for a personal trainer, buying a FitBit or running shoes, or joining Weight Watchers.

"Twenty-eight times we have impacted an employee and filled a need, either by paying for an unexpected expense or by helping them invest in themselves," Walters says. "Twenty-eight times an employee didn't have to wonder or worry about where that money was coming from."

Kris Walters

'Ideal Wheels' snaps up member engagement

Ideal Credit Union in Woodbury, Minn., delivered a fun way to engage members for the spring car-buying season.

As part of its "Ideal Wheels" photo contest, Ideal asked members who financed vehicles with the credit union to share photos of themselves with the vehicle via social media. Three randomly chosen winners received a $50 gas card.

The promotion shows appreciation to members who chose Ideal for their vehicle financing and shares their stories through creative photo submissions and captions.

"Our tagline is, 'Live the ideal life,'" says Jason Fihn, senior marketing administrator at the $732 million asset credit union. "We love to share content our members provide. These are great examples of how members are living their version of the ideal life we hopefully helped them achieve."

Adds Cindy Kurtz, Ideal's marketing communications manager, "We like to share the moment with our members. For example, when they buy a new car or a new house, we share the excitement of reaching that milestone in their life and the joy it brings. That's what builds relationships. Ideal Wheels is an extension of that."

Ideas & Inspiration

Master skills to become a better manager

It takes a wide array of skills to be an effective manager—between 90 and 120 according to a recent survey.

But you don't need to possess them all at once. Instead, continuously hone your ability to manage.

"With each new skill you master, you'll notice your confidence and ability levels rising," says James Manktelow, co-author of "Mind Tools for Managers: 100 Ways to Be a Better Boss" with Julian Birkinshaw. "But it's a good idea to start with the ones that give you a solid foundation to build on."

Five skills managers should master:

1 **Develop emotional intelligence.** Have self-awareness, self-control, motivation, empathy, and social skills. These traits are necessary to behave in a mature, wise, empathetic way with people around you.

"Emotionally intelligent managers are a joy to work with, which is why they attract and retain the best people," Birkinshaw says.

2 **Build trust within your team.** People in trusting teams work efficiently and can deliver results. Build trust through leading by example, communicating honestly and openly, getting to know employees on a personal level, avoiding blame, and discouraging behaviors that breach trust.

3 **Bring people together to solve problems.** It's tempting to solve a problem on your own but bringing together a team of people to address complications can be beneficial. "Brainstorming is popular for this, but it also pays to understand structured problem-solving processes, know how to facilitate meetings well, and manage sometimes weird group dynamics that can undermine a good team process," Birkinshaw says.

4 **Prioritize tasks for you and your team.** "All of us have a huge number of things we want to do or have to do," Birkinshaw says. "The demands can often seem overwhelming to us and the members of our team. This is why prioritization is an important management skill."

5 **Build good working relationships.** The ability to build strong relationships with people at all levels is often seen as the most important management skill. Create high-quality connections that are made up of respectful engagements, task enablement, and trust-building.

Search for truth is at the root of **Generation Z's** behavior

Undefined identity
"Don't define yourself in only one way"

Expressing individual truth

'Communaholic'
"Be radically inclusive"

Connecting through different truths

Dialoguer
"Have fewer confrontations and more dialogue"

Understanding different truths

Realistic
"Live life pragmatically"

Unveiling the truth behind all things

Source: McKinsey & Co.

As mobile grows, so does crime

Mobile banking continues to grow, and with that growth comes an increase in crime, according to the H2 2018 Cybercrime Report from ThreatMetrix.

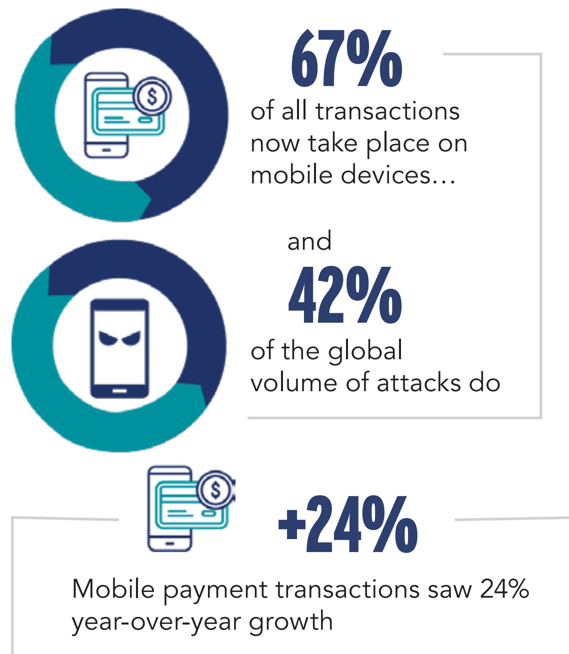
Sixty-seven percent of financial services transactions now come from mobile devices, a 13% year-over-year increase, indicating a growing preference for mobile over desktop.

North American financial services firms saw a 48% year-over-year growth in overall attack rates and a 116% rise in mobile transactions, with a 35% increase in mobile attacks.

The most noticeable growth in mobile attacks is on account logins as fraudsters attempt to infiltrate user accounts by brute force (using mobile bots) or stealth (using mobile remote access attacks). This contributed to the 107% growth in mobile account takeovers during the first half of 2018.

"This indicates a potential shift in focus as fraudsters target mobile, with account takeovers offering immediate access to customer balances and personal credentials," according to the report.

Read more about mobile trends in "Engage members with mobile," p. 34.



Source: ThreatMetrix

Ideas & Inspiration

'WE'RE DOING OURSELVES A DISSERVICE IF WE DON'T WAKE UP EXCITED TO GO TO WORK EACH MORNING.'

Phil Blair, president,
ManpowerWest

Putting business intelligence to work

Business intelligence
Identify members who are in the market for a new car

Artificial intelligence
Model the types of cars they may want

Augmented reality
Show members what the car would look like with them behind the wheel or in the driveway

Marketing automation
Offer additional information about the car and suggest getting preapproved for a loan

Geofencing
Find out when members are on the car lot and text a preapproval

Source: 2019-2020 CUNA Environmental Scan Report (cuna.org/escan)

'Revel in the variation'

Most credit union leaders achieved their current job status by being good problem-solvers.

"See the problem, solve the problem" is, in fact, a mindset of corporate America, says Matt Mullarkey, a University of South Florida professor, during the PSCU Member Forum in Austin, Texas.

Data science also takes a certain mindset, but one that's different from what most executives used to achieve their current position, he says.

"You are very good at crushing the mean," Mullarkey says. "But what if the mean is the problem? You have to revel in the variation."

Take, for example, hospital wait times. "The average wait time may be 15 minutes," he says. "But what about the person who waits 50, 60, or 70 minutes, walks out of the office, and never comes back again? It's not the average, it's the variation around the mean that kills them."

Similarly, it's not interactions with satisfied members that hurt credit unions. Instead it's interactions with unhappy members that do the most damage, he says.

PSCU is a CUNA associate business member at the premier level.

South Carolina Federal turns fire into service opportunity

South Carolina Federal Credit Union in South Charleston turned a potential disaster into a service opportunity when it suffered an electrical fire.

Faced with the prospect of closing the financial center for four days before a holiday weekend, the South Carolina Federal team sprang into action.

In a matter of hours, the $1.7 billion asset credit union erected a 20-by-45-foot tent on the parking lot of the existing facility.

The credit union's information technology team equipped staff to provide full service to members, while human resources staff worked with employees to secure schedules.

The marketing team alerted members to the change in service, and many departments worked quickly and in unison to maintain business continuity despite the repairs underway indoors.

The tent was adorned with live plants and tables to provide a more hospitable atmosphere. For two days of the closure, South Carolina Federal provided a catered lunch for staff and members to make the most of the situation.

The quick improvisation was a twofold win. Members received the service they needed without interruption and employees adhered to their regular working schedule in a safe and pleasant environment.

Ultimately, the affected branch initiated 30 loans from its alternate location and surpassed its $1 million goal for the month.

South Carolina Federal achieved all of this while maintaining a net promoter score of 88% with no complaints from members.

Adopting the technology consumers expect

Failing to embrace new technology puts us at risk of becoming irrelevant.

I know we've all heard these examples, but let's review them again. Back in 1995, did you think Blockbuster would become irrelevant? Did you predict Toys R Us would no longer be the easiest place to find popular toys?

The pace at which technology has changed our world is staggering. The fact is, the marketplace changes quickly, and sometimes a shift can knock out an industry titan—or even the industry itself.

It means we live in a time that's both exciting and increasingly challenging.

How does this affect credit unions? For starters, we need to keep up with technology. Our members want it, and we can't win over new members if we don't offer the latest innovations.

This is certainly a challenge we face today. It's not as easy as saying, "Yes, let's embrace technology!" It takes time, expertise, and substantial funding to adopt platforms consumers expect.

Our competitors, especially the largest banks, have an edge over us simply because they have more resources. They can pour money into the latest banking apps and market their new services across every television screen in America.

Then there are newer competitors.

Fintech is here to stay. They're growing their services and attracting customers at astounding rates.

Consumers enjoy their simple design, ease of use, and creative marketing. And these companies market themselves as the anti-bank: a solution to impersonal transactions without customer interest at heart.

Just look at some of the taglines on their websites. SoFi—a finance company that can get you ahead. Ally—a relentless ally for your financial well-being. Avant—benefits to meet your needs. These are our messages!

> "TECHNOLOGY IS AN INSURGENT, AND IT ALWAYS INSTIGATES CHANGE."

We aren't fintechs, but we can compete with them. We have to collectively assess our strengths and build new capabilities to make sure technology doesn't damage our relevance.

We have to be proactive and shift with the pendulum. Technology is an insurgent, and it always instigates change. We have to recognize its power and become early adopters.

We need this competition to ignite all of us to do more. If we fail to embrace and use technology, we risk losing relevance with existing members and we'll have a hard time bringing in new members of younger generations.

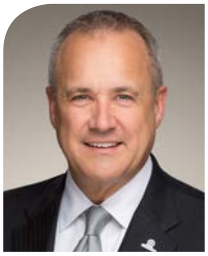
And none of this hard work will make the difference we need to move our market share if we don't communicate it with consumers. It's one of the big myths we found in our Awareness Initiative research: consumers don't think credit unions have the technology they need to access their money easily. Open Your Eyes to a Credit Union® confronts this myth and others to show potential members the value in joining a credit union.

The good news is I know we're not Blockbuster. The former video rental behemoth met its fate because it was too slow to react to changes in consumer behavior. We stopped watching movies on VHS and DVD, and Blockbuster was stunned by streaming upstarts like Netflix.

Credit unions won't let this happen. So many have embraced apps and faster membership onboarding processes. We all just need to work together and cooperate, as only we know how, to make sure everything we do is simple and seamless.

Some credit union members won't want to download an app to see their balance. That's fine. Credit unions are "people helping people," and we will always have a supportive person to assist members.

What we can't afford is to do is stick with what we know and ignore changing consumer expectations. If technology-driven services are what our current and prospective members want, that's what we need to deliver.



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(Photo: Maps Credit Union)

A Public Service
Maps Credit Union in Salem, Ore., has helped remove millions of dollars in cash from the streets by providing basic banking services for cannabis-based businesses, says Rachel Pross, chief risk officer.

CASH CROP

GLEN SARVADY

Cannabis-banking leaders shed light on a growing line of business that has major implications for public safety, financial inclusion, and credit union economics.

In the fall of 2013, James Collins heard gunshots while relaxing at his home in Central Washington. It turns out a neighbor had an illegal marijuana grow operation, attracting three armed men who showed up at his house.

"They weren't after his crop; they were after his cash," recalls Collins, president/CEO at $301 million asset O Bee Credit Union in Tumwater, Wash.

The experience underscores the public safety hazards created with the presence of cash businesses—particularly high-volume cannabis dispensaries.

Focus

- **With a clear trend** toward legalization, more credit unions are exploring cannabis banking opportunities.
- **Serving** cannabis-related businesses is a labor-intensive endeavor.
- **Board focus:** Cannabis banking is nothing to enter into lightly, and requires a deep understanding of regulatory expectations and requirements.

Serving these types of businesses remains a murky prospect from a legal standpoint, at least on the federal level. Recreational marijuana is now legal in 10 states and the District of Columbia, while medical marijuana is legal in more than 30 states, according to *Business Insider*.

Because cannabis remains illegal at the federal level, however, it is almost entirely a cash sector. Basic banking services are hard to come by for legitimate businesses, and credit card processing is out of the question.

While some community financial institutions have stepped forward to fill the vacuum, reliable market statistics are elusive for logical reasons.

"There's a hesitancy for financial institutions getting into this space from putting a target on their backs and jeopardizing relationships with vendors and correspondent banks," explains Deirdra O'Gorman, founder/president of DX Consulting, which advises financial institutions setting up cannabis programs. "The rule of thumb is, 'keep quiet.'"

The same holds for cannabis businesses. Once they manage to obtain an account, proprietors don't want to become too vocal and risk losing the convenience.

Roughly 30 financial institutions are serving cannabis businesses at scale, but O'Gorman points to an indicator she believes reflects growing activity: Financial institutions filed 62% more cannabis suspicious activity reports (SARs) at the end of 2018 compared with 2017 ("Growing activity," p. 25).

According to the Financial Crimes Enforcement Network (FinCEN), 551 financial institutions filed SARs related to cannabis in the fourth quarter of 2018. However, some of this activity could be people filing termination SARs for accounts discovered transacting in

Listen to an interview with James Collins on serving cannabis businesses at *news.cuna.org/podcasts*.

A 'REASONABLE AND SOUND' APPROACH

CUNA wrote in support of House and Senate companion bills that would clarify the federal treatment of marijuana where it is legal and permit credit unions in those states to serve members' related needs.

The Strengthening the Tenth Amendment Through Entrusting States (STATES) Act of 2019 was introduced by Sen. Elizabeth Warren, D-Mass.; Sen. Cory Gardner, R-Colo.; Rep. Earl Blumenauer, D-Ore.; and Rep. Dave Joyce, R-Ohio.

"The STATES Act would provide credit unions and other financial institutions accepting deposits from, extending credit, or providing payment services to an individual or business engaged in marijuana-related commerce in states where such activity is legal with legal protections, so long as they are compliant with all other applicable laws and regulations," the letter reads.

"Furthermore, the legislation makes clear that compliant financial transactions do not constitute trafficking or result in proceeds of an unlawful transaction, providing additional clarity to credit unions and the members they serve.

"This is a reasonable and sound approach. We look forward to working with you to advance your legislation into law."

The SAFE Act, introduced in the House, has similar aims.

While CUNA takes no position on legalizing or decriminalizing cannabis, credit unions in states where it is legal have members and member businesses that need access to financial services.

Rachel Pross, chief risk officer at $745 million asset Maps Credit Union in Salem, Ore., testified on CUNA's behalf before the House Financial Services Committee in February.

She detailed how the credit union has helped remove millions of dollars in cash from the streets of its community, and how providing legal cannabis-based businesses with access to financial services is a public safety issue.

> ‘NO ONE ELSE WAS GOING TO STEP UP.’
>
> JAMES COLLINS

cannabis, or financial institutions may be managing only one or two accounts, O’Gorman says.

Here, several credit unions share their experiences as early providers of cannabis-banking services. They shed light on an important issue and prepare other credit unions for the demands of an expanding sector with major implications for public safety, financial inclusion, and credit union economics.

Entering the business

O Bee, Maps Credit Union in Salem, Ore., and Numerica Credit Union in Spokane Valley, Wash., entered the field in the latter part of 2014, coinciding with the Justice Department’s issuance of the “Cole Memo.” This provided a level of comfort that credit unions could operate without undue fear of federal prosecution.

Maps’ entrance into this business came when it found it was already serving some cannabis businesses, says Rachel Pross, chief risk officer for the $745 million asset credit union. “So, the decision became, whether we shut them down or if we keep them, what is the compelling reason?” she says. “What we got to was the community safety issue, including the fact that these businesses were paying their employees in cash. We have a responsibility to our community, and these businesses are legal in our state, so how can we serve them?

“We took a timeout early on and didn’t accept new accounts until we got scaffolding in place,” she continues, referring to the required regulatory backbone.

“The board vote was not unanimous,” adds Shane Saunders, Maps’ chief experience officer. “There was heated discussion, with passion on both sides of the debate. A key factor is that we’re not taking a position on the morality of it.

“The folks we talk to are business people, with growth plans and market strategies,” he continues.

O Bee entered the business when it realized “no one else was going to step up,” Collins says. “We had a member write our board a letter. He ran a sheet-wall business and decided to try something new. We had banked him for some time.

“He said, ‘I’m the same guy, but now that I’m doing cannabis you won’t bank me.’ It made us think,” he continues.

At the time, O Bee had law enforcement on its board, Collins says. “Their attitude was, ‘I’d rather know where the cash is than not, and I’d rather have it here—with cameras.’ ”

Washington State’s Department of Financial Institutions provided a guiding hand in advance of O Bee’s launch. “Their attitude was, ‘if you’re going to do this, we’re going to help you do it right,’ ” Collins says.

Mark Valente takes the same approach as acting commissioner, Division of Financial Services, at the Colorado Department of Regulatory Agencies. The agency regulates state-chartered credit unions in Colorado, the first state to legalize recreational marijuana use.

“The lack of banking and financial services for cannabis-related businesses has resulted in numerous issues, not just for the industry but for the broader community,” he says. “Primarily cash businesses raise public safety concerns, inhibit transparency of the flow of funds to detect nefarious activity, and create challenges for the business to pay its general expenses.

“Allowing financial institutions to provide basic banking services to cannabis-related businesses allows these entities to focus on their business and provides better audit trails for the owners and others to track the funds received,” Valente says.

Once O Bee launched its program for cannabis-business owners, Collins discovered another financial inclusion benefit and a welcome, if unexpected, avenue for account growth.

“Employees of these businesses started coming in looking to cash checks,” Collins says. “We discovered that other banks wouldn’t honor a check if they saw the word ‘cannabis’ on it.”

Such prohibitions reportedly remain in place to this day, including one of the nation’s largest banks.

“So, we opened accounts for them,” he says.

Financial access issues run even deeper, leading Collins to champion indirect lending to cannabis-industry employees through O Bee’s existing credit union service organization.

“You’re probably not going to get an auto loan if your employment verification shows cannabis," Collins says. "So your loan is probably from one of three credit unions."

"Employees of the industry are being denied services, and they tend to be lower income," adds O'Gorman. "That's a story that goes unreported, and I wish more financial institutions would step up."

Saunders concurs. "I met an entry-level employee manning a booth at a cannabis conference who told me how awesome it was to have direct deposit. In 25 years of banking I've never heard someone say, 'I'm stoked about direct deposit!' "

One of Numerica's tenets is to build its communities, says Lynn Ciani, general counsel and chief risk officer for the $2.3 billion asset credit union. "We figured if we could protect members from the crime attendant with a cash-only industry we would be doing just that.

"Our board was very brave," she adds. "We brought a proposal to them in March [2014]. They had a lot of questions, which we responded to by April, and they approved it."

A $30 million exit plan

An indication of the degree of community impact—and depth of the issue—came in January 2018 when then-Attorney General Jeff Sessions rescinded the Cole Memo. The true linchpin, however, was the FinCEN guidance the Department of Treasury issued.

Not knowing whether this would be withdrawn as well, Pross began taking the necessary steps to unwind Maps' cannabis program based on the exit plan the credit union had built before entering the business.

This included ordering $30 million of cash from the Federal Reserve to have on hand should associated accounts need to be liquidated.

Pross also began scheduling time for account holders to visit the branch—with armed escorts—to retrieve those balances in cash. Discontinuation of the program would have released $30 million onto the streets, a figure that has only grown since.

Fortunately, the situation proved to be merely a drill. FinCEN stood by its existing guidance and the U.S. attorney with jurisdiction for Oregon, which now has prosecutorial discretion over pursuit of area financial institutions, issued a memorandum regarding his priorities on marijuana enforcement.

These aligned with the tenets of the Cole Memo.

"It was a great test of our exit strategy," Pross says.

To date, no U.S. attorney's office has expressed interest in pursuing action against such institutions. Guy Messick, president of the legal and consulting firm Messick, Lauer & Smith, questions the wisdom of any other stance.

"Preventing these businesses from using financial institutions would create more problems than they'd be solving," he says.

One lesson learned is that the prescribed 24-hour wind-down was not in the best interests of employee or community safety.

Numerica's contingency plan contemplates a month-long process, during which Ciani and her team would line up appointments with affected account holders and determine the best method of funds remittance.

A trend toward legalization

With the Cole Memo in the rearview mirror and a clear trend toward legalization in states across all geographies, more credit unions are quietly exploring opportunities. An anecdotal metric is the number of requests these early movers are fielding for informational sessions.

O'Gorman estimates "30 to 40 states" have reached out to her firm for additional information, and between them, Pross and Ciani have spoken with credit union groups in Florida, Oklahoma, Michigan, Massachusetts, and throughout the Midwest.

"Once Treasury announced they'd stand behind the FinCEN guidance and no U.S. attorneys pursued action, a lot of the shock effect wore off," Messick says.

The fact remains that cannabis is illegal under federal law, however, and a shift in enforcement policy is hardly implausible. The first traction to address this conundrum on a federal level came earlier this year, when the CUNA-backed Secure and Fair Enforcement (SAFE) Act was the first to receive a hearing in the new Congress following the government shutdown.

The SAFE Act would provide

'OUR BOARD WAS VERY BRAVE.'

LYNN CIANI

financial institutions with a safe harbor in states where cannabis has been legalized—with the key requirement that the state regulator has authorized and implemented a compliance structure.

Rep. Ed Perlmutter, D-Colo., who has a unique vantage point on the issue's impact on his state, has championed the legislation. The timing of the hearings is "a testament to how strongly Rep. Perlmutter has been advocating this point," says Jeremy Empol, vice president for government affairs at the California and Nevada Credit Union Leagues.

Pross testified at the five-hour hearing, which is available for viewing online.

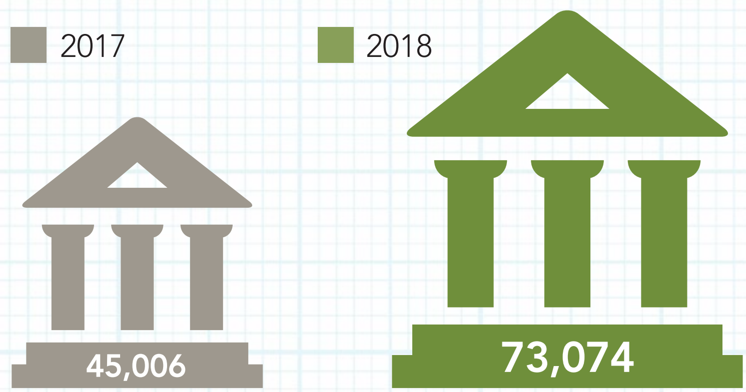
"If you watch the questions, you realize that people—and more so members of Congress—really don't understand the depth of the problem," says Empol. "Rachel made a great point that law enforcement relies on financial institutions as partners: a first set of eyes for the Bank Secrecy Act [BSA]."

Without bank accounts, there's one less access point for law enforcement, he says. "We need to bring the business out of the shadows so law enforcement can figure out if Joe's Pot Shop is really that or a front for something else."

Despite SAFE's passage from committee on a 45-15 bipartisan vote, with more than 150 co-sponsors having signed on in support, "the path to law is not crystal clear," Empol concedes, with Senate priorities a key hurdle. "But we're further along with the bill reported from committee than we've ever been before. The pressure is building on Congress to do something."

Growing activity

The number of suspicious activity reports (SARs) related to marijuana-related businesses increased **62%** from **2017 to 2018**.



Source: Financial Crimes Enforcement Network

Note: SARs are a proxy for overall cannabis banking activity. Only 22% are connected to account terminations.

A labor-intensive business

Credit union leadership teams should be under no illusions about the effort that goes into serving cannabis businesses.

"Some people see dollar signs, but many of them haven't thought through the cost, manpower, and due diligence required for full compliance," warns Empol.

Pross recommends a ratio of one full-time employee for every 15 accounts in the early stages, when onboarding due diligence is particularly heavy and staff is still building expertise and efficiencies.

Maps also requires "BSA 101" training for new accounts to head off surprises and hiccups.

The good news is these credit unions have priced their services to reflect the additional costs. Maps prices its service to be self-funding with an "appropriate" margin, Pross says.

"Our goal is to provide services to these businesses," she says. "We have no interest in pricing them out of the market."

Plus, serving cannabis businesses delivers additional credit union benefits by driving more robust risk and BSA programs.

Pross, a 10-year credit union veteran, joined Maps with a mandate to build out a holistic risk and compliance function.

The credit union had less than 40 cannabis-related accounts when she joined; now there are more than 500—and it's safe to say this wouldn't be possible without a solid risk and compliance backbone.

"Make sure you have robust anti-money laundering and BSA procedures, following to a T the FinCEN guidance documents," says Jared Ihrig, CUNA's chief compliance officer. "Certainly, the examiners are looking at that as they come into shops, recognizing, again, that 'federal vs. state' tension.

"We recognize credit unions are trying to serve the needs of their communities in this space," he continues. "But I do expect this to evolve. It's nothing to enter into lightly. Go into it with eyes wide open with respect to the regulatory expectations and requirements."

With so few banks and credit unions in the mix, market share has not been a concern for any of these players to date. Although they are beginning to see a bit more competition, market demand will likely grow rapidly enough for the foreseeable future to alleviate any concerns.

Numerica and Maps have each revamped and reduced their pricing multiple times, reflecting a commitment to share economies of scale with members while maintaining fair margins.

Pross wants to dispel any notion that cannabis can be a panacea for liquidity issues. "It's a fallacy," she says.

Maps does not include funds from cannabis accounts in its liquidity strategy because doing so would create exposure should the credit union need to shut down the product line.

All parties agree there are no shortcuts. Credit unions must keep third parties such as armored car services and insurers well-informed to avoid disconnects, Collins says.

O'Gorman raises a warning flag about "companies coming in on the payment side promising credit card solutions by recycling bank identification numbers or routing offshore."

Even these early movers with robust compliance programs confine their offerings to basic account services for a reason: It's easy to take a misstep.

"If one credit union makes a mistake," Pross says, "it's going to reflect poorly on all of us."

'MAKE SURE YOU HAVE ROBUST ANTI-MONEY LAUNDERING AND BSA PROCEDURES.'

JARED IHRIG

A medical model

Despite the locations of these early movers, "I definitely don't see this as a West Coast issue," says Pross, who also believes there is potential for a viable financial services business in states that have approved cannabis for medical use only.

VSECU in Montpelier, Vt., is evidence of this opportunity. The state's legislation legalizing medical marijuana limits the issuance of licenses to five dispensaries. Some of these businesses approached VSECU for services, prompting a due-diligence process.

"Federal banks wouldn't touch it, and state-chartered institutions were leery as well," says Greg Huysman, director of business services and lending at the $780 million asset credit union. Before proceeding, VSECU consulted closely with Vermont authorities, who wanted to see an established entity facilitate the removal of cash from the streets.

Among the business benefits, VSECU's enhanced compliance infrastructure positioned the credit union to serve the subsequently legalized hemp and CBD segments. Out of an abundance of caution, VSECU rolls these accounts under the same cannabis framework.

Like O Bee, the credit union has seen an inflow of individual accounts from employees of these companies, who ran into bureaucratic roadblocks elsewhere.

New York state took a similar approach to medical marijuana legalization, issuing a handful of licenses. SEFCU in Albany, one of the state's largest credit unions, conducted a "long and deliberate due diligence process" which led to account openings for two of these licensees, says Michael Castellana, president/CEO of the $3.8 billion asset credit union.

As the process neared completion, however, the Federal Reserve Bank of New York expressed reservations, leading SEFCU to reverse course rather than put its Fed account at risk. SEFCU is now waiting for a federal solution or safe harbor legislation that would allow it to provide banking services to this large and complex industry.

"It's an easily solved problem, but it begs for a federal solution," Castellana says.

Even credit unions with no desire to pursue cannabis accounts are likely more involved than they realize.

"In states with both recreational and medical activity, it's hard to keep those funds out of your institution," O'Gorman says. "Invariably, there will be an electrician, attorney, or someone else providing services to those licensed businesses whether you like it or not.

"Some financial institutions enter the field because they'll learn more and have information at their fingertips to intelligently assess the risk," she continues.

"It's a situation that can't be sustained," Messick says. "It has to change."

Fortunately, the credit union movement has some innovators to boost the learning curve.

Resources

- *CUNA advocacy resources: cuna.org/advocacy*
- DX Consulting: *linkedin.com/in/deirdraogorman*
- Messick, Lauer, & Smith: *cusolaw.com*

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GDPR: A sign of what's to come?

LUCY HARR

The EU's General Data Protection Regulation could become a new privacy model for U.S. institutions.

AML. BSA. SAFE. OFAC. Add another ingredient to the alphabet soup: GDPR. Although the European Union's (EU) General Data Protection Regulation—or GDPR—may not be in your credit union's compliance cupboard now, the regulation is taking privacy protection to a new level.

GDPR went into effect in May 2018 and aims to harmonize data privacy laws within the EU.

With 133,000 members in 200 countries and territories, United Nations Federal Credit Union not only serves members in Europe, it has offices in Europe and European employees.

As a result, the Long Island City, N.Y.-based credit union realized GDPR would affect its operations.

"Every country had different requirements regarding the use of data," says Manisha Shah, first vice president, deputy general counsel, at the $5.5 billion asset credit union. "GDPR addresses the lack of coordination that existed."

In Europe, privacy is seen as a fundamental right, which is different than the view held in the U.S. However, that's beginning to change.

"Until recently we were giving away information in the U.S.," says Lee Painter, principal in the CliftonLarsonAllen information security services group. "And when it was revealed what Facebook and Google were doing with data, we weren't too happy about it."

Facebook and Google data scandals were not the genesis for GDPR. But tech companies' proven appetite for customer data contributed to the success of lobbying efforts to pass it, Shah says.

The impact on credit unions

Strict privacy laws already exist in the U.S. for financial institutions and health-related organizations, says Lance Noggle, CUNA's senior director of advocacy and counsel.

For example, severe penalties await those failing to comply with the Graham-Leach-Bliley Act, which requires financial institutions to explain how they share and protect customers' private information, and the Health Insurance Portability and Accountability Act. Violations of either can result in steep fines or imprisonment.

But merchants and other organizations may not suffer any financial consequences for data breaches—at least not yet.

GDPR marks a major shift in privacy regulations and it's changing the privacy landscape, Painter says. Any company that does business in the EU or with EU citizens may be affected.

Misusing or inadequately protecting an individual's data could result in strict monetary penalties.

But how does GDPR affect credit unions?

For most credit unions, it shouldn't impact operations now, says Andrew Price, regulatory counsel for the World Council of Credit Unions.

"You probably need something more substantial than a member's incidental use of an ATM in the EU," Price says. "But credit unions operating in Europe—those serving the military or airlines—may need to be in compliance."

To figure out where to start on its GDPR compliance plan, United Nations Federal hired an EU-based law firm to conduct a readiness assessment.

"As a credit union, we were used to looking at data with a focus on security," Shah says. "We wanted outside counsel to apply a different lens to focus on data privacy."

From there, the credit union conducted a gap analysis to understand what it would take to comply with GDPR and devised a project plan that included creating a data map. This identified the credit union's data and the flow of that information.

"We realized we needed to explicitly state, 'We are in the United States,'" Shah says.

United Nations Federal also had to identify all vendors who had access to their data and ensure their compliance through contract addenda.

Finally, the credit union updated its privacy policy and account documentation, added a cookie disclosure on its website, and trained key individuals to respond to data subject access requests.

While GDPR may not affect current operations at your credit union, it's not something credit

'CREDIT UNIONS OPERATING IN EUROPE—THOSE SERVING THE MILITARY OR AIRLINES—MAY NEED TO BE IN COMPLIANCE.'

ANDREW PRICE

Focus

- ›**GDPR** may set off a wave of new privacy regulations in the U.S.
- ›**Treat GDPR** as a standard against which to measure your own data security practices.
- ›**Board focus:** Educate directors and members about the value of their personal data and why the credit union may need to be more restrictive.

unions can ignore.

"Strictly speaking, GDPR is not a direct influence on most domestic credit unions and their everyday operations," says Jeffery Lauria, vice president of technology at iCorps Technologies, an information technology consulting and outsourcing firm.

"That said, GDPR can be treated as a standard against which to measure your own data security practices," he says. "Considering GDPR is currently one of the most restrictive data policies in the world, other entities—be they businesses or governments—will look to GDPR as a model to follow."

California privacy impacts

That's already the case in Califor-

PREPARE FOR AN INCREASED PRIVACY FOCUS

To prepare for the possibility of more stringent data privacy requirements, Rita Fillingane, vice president, research and collaboration, at the California and Nevada Credit Union Leagues, suggests taking these steps:

›**Determine** when and what personal information the credit union or credit union service organization (CUSO) may be collecting about covered consumers.

›**Verify** how you store personal information and for how long.

›**Inventory** all third-party providers that may access or obtain personal information while providing services to the credit union. Verify that contractual requirements are consistent with the California Consumer Privacy Act and modify them if they do not comply with the law accordingly.

›**Establish** a toll-free telephone number and web address for consumers to submit opt-out requests. If providing a web link, make sure the link does not violate other laws, such as the Americans with Disabilities Act.

›**Prepare** consumer-facing notices.

›**Update** the credit union's or CUSO's policies.

›**Create** a process for deleting any personal information not covered by other state and federal privacy requirements.

›**Develop** a process on how to respond to consumers' inquiries regarding their personal information.

Jeffery Lauria, vice president of technology at iCorps Technologies, offers additional tips regarding General Data Protection Regulation (GDPR) compliance:

›**Conduct** a risk assessment and inventory and review your consumer touch points. Documenting workflows is important, as is how your applications store data with other services.

›**Ensure** your opt-in language is unambiguous and adheres to GDPR consent standards.

›**Focus** on user data. Data transfers must be made in a secure and private manner, preferably encrypted.

›**Document** all compliance efforts. GDPR requires maintaining clear user records, especially demonstrations of consent. Keep a thorough, time-stamped record of all relevant documents.

›**Amend** your data protection plan. Do your standard practices align with those put forth by GDPR? Have you checked that your mobile devices are also compliant? Implement controls and processes for what your credit union says it does with data and how you protect it.

›**Consider** hiring a data protection officer to assist with preparation, such as testing incident response plans.

›**Leverage** the cloud. Cloud application security services can identify applications and services used by all devices on your network, allowing you to oversee your users' activity.

›**Implement** unified threat management, which provides more centralized security management for streamlined oversight.

›**Conduct** a data audit. Data often is stored across a number of different platforms. Try to migrate your members' information to a few secure platforms with built-in security and automatic back-up.

nia, which passed the California Consumer Privacy Act (CCPA) of 2018. The new law, which becomes effective Jan. 1, 2020, largely reflects the GDPR protections and has comparable consequences.

"The CCPA will affect credit unions and credit union service organizations (CUSOs) that meet the definition of 'business' under the CCPA," says Rita Fillingane, vice president, research and collaboration, at the California and Nevada Credit Union Leagues.

The CCPA defines "business" as an organization doing business in California that collects consumers' personal information, directs how it's used, and meets one of three thresholds:

1. It has annual adjusted gross revenues over $25 million.

2. It buys, receives, sells, or shares for commercial purposes, the personal information of 50,000 or more consumers, households, or devices annually.

3. It derives at least 50% of its annual revenues from selling consumers' personal information.

Credit unions and CUSOs meeting this business definition will be required to comply with any CCPA provisions outside the scope of the Gramm-Leach-Bliley Act and the California Financial Information Privacy Act.

Credit unions and CUSOs not in compliance with the CCPA regulations could face potential regulatory penalties and litigation by private citizens.

"In short, if a business is subject to CCPA, any data breach could expose it to significant monetary penalties," Fillingane says.

Many experts believe similar regulations will eventually be instituted throughout the U.S.

"GDPR is a sign of things to come," Lauria says. "While GDPR is not always applicable to domestic firms, the degree of regulation will be a reality for U.S.-based businesses sooner rather than later.

"By embracing GDPR-like standards, your credit union will be better positioned to weather coming regulatory changes because you will have already adapted," he continues. "That means you will be ahead of the competition and avoid down time if any complications should arise."

Third-party compliance

It's not enough for your credit union to be compliant. Lauria advises credit unions to check with third-party partners to make sure they're complying with GDPR regulations.

As part of its compliance plan, United Nations Federal includes a GDPR addendum in its vendor contracts. The addendum also addresses NCUA's Part 748, which U.S. vendors know they cannot avoid.

The rule requires a credit union's information security program to be designed to ensure the security and confidentiality of member information.

It also calls for "a credit union's service providers by contract to implement appropriate measures designed to meet the objectives of these guidelines."

On the other hand, some vendors also are adding GDPR clauses into contracts because they're concerned about their GDPR compliance liabilities.

"If you find these in your vendor contracts," advises WOCCU's Price, "you need to talk to counsel."

CO-OP Financial Services is working with its clients who determine they need to be GDPR- or CCPA-compliant to meet their needs and those of members, says Layna Braze, enterprise compliance manager.

"CO-OP Financial Services has implemented an information security program designed to protect CO-OP systems and data," Braze says.

"The program is aligned with internationally and nationally recognized best practices in information security. This includes the protection of customer information, the systems that hold customer information, and how customer information is transmitted," she says.

Although the new privacy rules are complex, it comes down to knowing what data you have, where it lives, and how you're going to protect it.

"In general, credit unions need to

'IF A BUSINESS IS SUBJECT TO CCPA, ANY DATA BREACH COULD EXPOSE IT TO SIGNIFICANT MONETARY PENALTIES.'

RITA FILLINGANE

have a better idea of what type of member data they are maintaining, handling, and sharing," says Jeff Owen, chief operations officer for Rochdale Paragon Group.

"While we are not aware of any specific fines, lawsuits, or findings pointed at credit unions at this point, it seems certain these types of regulations and rules will begin impacting credit unions in the near future," he says.

As a financial cooperative, Lauria says it's imperative that credit unions communicate to all parties the value in adopting GDPR-like data policies.

"Educate your board and members about the value of their personal data and why the credit union as a whole wants to take a more restrictive approach," he says.

"Most of the changes will be internal, and the majority of your members will not see them. However, it is the board's job to empower members to take control of their personal data and communicate how the credit union is taking similar precautionary steps."

Resources

- ›CUNA compliance resources: *cuna.org/compliance*
- ›CliftonLarsonAllen: *claconnect.com*
- ›CO-OP Financial Services: *co-opfs.org*
- ›iCorps Technologies: *icorps.com*
- ›Rochdale Paragon Group: *rochdaleparagon.com*
- ›World Council of Credit Unions: *woccu.org*

CUNA CALLS FOR ROBUST DATA SECURITY STANDARDS

The time has come for new federal protections regarding the use and security of data held by businesses and entities, CUNA says in letters it sent to the House Energy and Commerce Committee and the Senate Committee on Commerce, Science, and Transportation.

The letter to the House Energy and Commerce Committee states:

"Since Americans' personal information has become so valuable in the aggregate to businesses and criminals worldwide, the time has come for new federal protections regulating the use and security of data held by all businesses and entities. Europe's General Data Protection Regulation (GDPR) and California's California Consumer Privacy Act (CCPA) show that foreign governments and states aren't willing to sit on the sidelines and neither should Congress. Action is required to ensure that all Americans can enjoy robust protection of their most important personal data from misuse and theft."

CUNA notes the insteacurrent gaps in data protection and privacy laws hurt consumers and businesses because bad actors can misuse information.

"Although data security is a major issue for credit unions, we realize the problem is much bigger than the financial services industry with robust privacy and data security requirements for all industries becoming increasingly necessary," the letter reads. "The cornerstone of any new privacy requirements should be robust data security requirements for business and other entities that collect consumers' personal information."

CUNA believes any new privacy law and/or data security requirements should:

›**Cover** both privacy and data security.

›**Cover** all companies that collect, use, or share personal data.

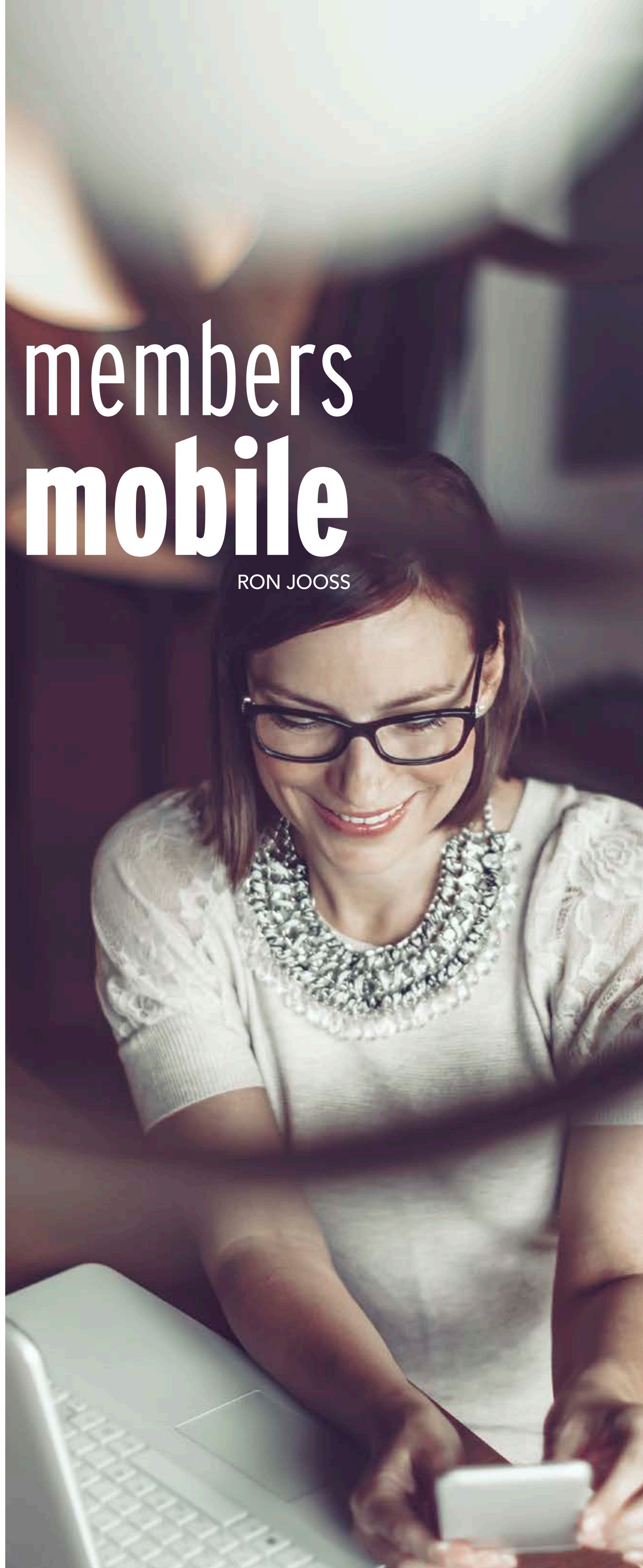
›**Be based** on protection of data to prevent from theft and misuse. Disclosure after the fact is important, but it's not a substitute for adequate protection.

›**Provide** mechanisms to address the harms that result from privacy and security violations, including data breaches. Individuals and companies should be afforded a private right of action, and regulators should be able to act against entities that violate the law.

›**Preempt** state law to simplify compliance and create equal expectation and protection for all consumers, with a goal to create a national standard for all to follow.

Engage members **with mobile**

RON JOOSS



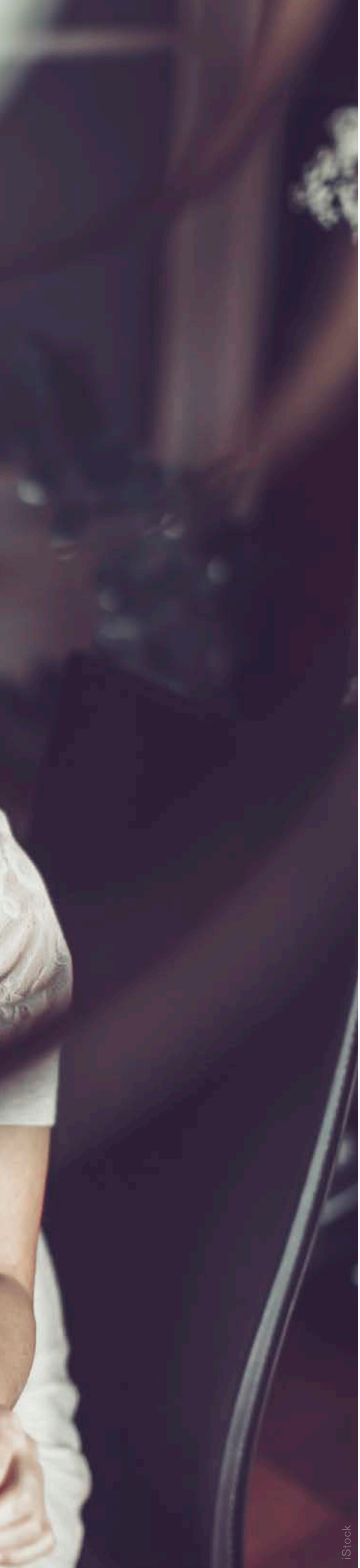
Mobile services are an engine for membership growth and relationship-building.

Financial institutions' initial foray into mobile banking in the late 1990s featured basic transactions via text messaging. But the era of mobile banking as it's understood today began in 2008 when Apple opened its app store. Big banks soon came out with mobile banking applications, and credit unions were fast followers.

Today, mobile banking is table stakes for financial institutions, and some forward-thinking credit unions have leveraged mobile services to boost their memberships.

What's the next iteration of mobile banking?

"Mobile used to be about functionality—self-service and enabling consumers' financial chores," says Jeffery Kendall, senior vice president/general manager of Kony DBX, a digital banking platform and application


iStock

suite provider. "Now it's beyond convenience and starting to provide engagement and relationships with the consumer."

Instead of that "pared down, task-oriented experience," mobile is now an "engagement platform," says Tim Daley, director at Cornerstone Advisors, a financial services consultancy and research firm.

"It's something you can leverage marketing around," Daley says. "We're just scratching the surface of what data is telling financial institutions and how to market to consumers, and mobile is part of that overall experience."

Daley says credit unions have the capability to send marketing messages via mobile that "follow the arc of members' financial lives."

"That changes over the course of time—even month to month," he says. "Everyone uses Amazon, for example. But the customer's landing page always reflects your previous activity. That's a model that works."

From a financial services perspective, credit unions can use previous activity to guide members toward their next financial goal, says Anthony Ianniciello, vice president of product design for Q2, a digital platform banking provider.

"You can use the data from before they got to the mobile device to offer them personalized tools."

> 'We have a mechanism to present members with the right offers at the right time.' SCOTT JOHNSON

Information ecosystems

Q2 invests in data science and analytics to study data from its client base to create "information ecosystems" from which it builds models to predict customer behavior.

Through these predictive analytics, Q2 can identify which members are more likely to want certain products based on their profile. Users identified through these models are three times more likely to use a product than consumers from a larger, general population.

"That's ultimately where I want us to be because branches are expensive and branch traffic continues to diminish over time," says Scott Johnson, chief information officer/chief strategy officer at $3 billion asset UNIFY Financial Credit Union in Torrance, Calif.

"If we can use the data we have about our members, we have a mechanism to present them with the right offers at the right time so they act on those offers. That lowers our expenses and creates more revenue opportunities," he says.

Kendall takes marketing a step

Focus

- **Mobile** has evolved from a pared-down functional operation to a true member experience.
- **Credit unions** increasingly use software development tools to add new features to their mobile platforms.
- **Board focus:** Mobile banking is table stakes for financial institutions.

further with Kony's technology. "Say a credit union member is out shopping for a new car and they walk onto a dealer's lot," Kendall says. "Based on the location and the GPS coordinates of the device, we can let the app know the member is on a dealer's lot and we can provide offers based on the knowledge that the member is probably shopping for a new car."

Mobile also provides opportunities for personal interactions, Kendall says. Kony developed an app for one financial institution that allows members to text chat with their personal member representative, who they select based on the reps' personal profiles.

"Say a member finds a representative who is an avid mountain biker and a foodie, which are common interests," explains Kendall. "The member can choose that person as their personal representative."

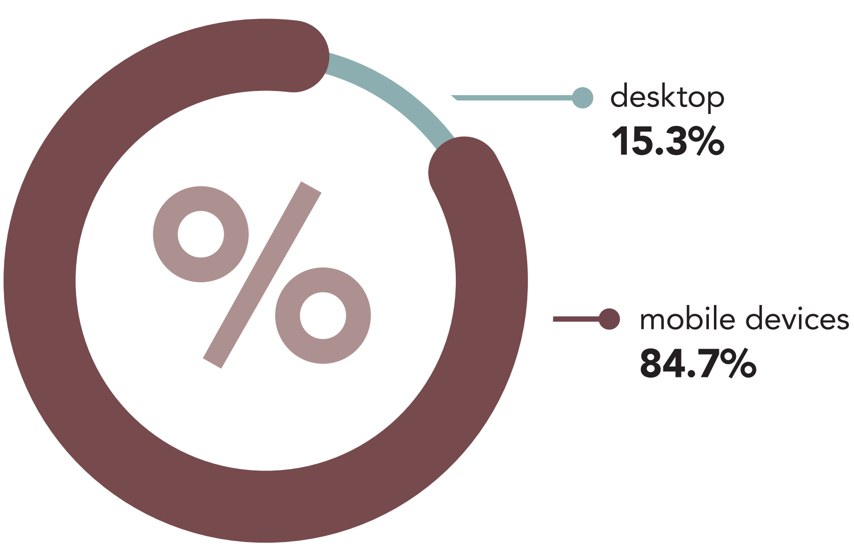
This blending of technology with the human touch is a perfect fit with the credit union tradition of membership engagement, Kendall says. "Credit unions have always been about serving the member," he notes. "Historically, they've literally known their members personally. This type of technology allows you to bolster that human relationship through a digital channel to provide that unique experience."

Video technology

Video technology personalizes the mobile experience even more, says Gene Pranger, founder/CEO of POPio, a video banking solution provider.

He says many branches are suffering from a reduction in traffic. "Where video banking comes in—where it's unique and instructive in terms of the mobile platform—is that it allows for connectivity at the moment people need to resolve issues that are important to them without having to drive to the branch."

Display ads by devices



Source: SEMrush

> 'MOBILE IS NOW AN ENGAGEMENT PLATFORM.'
>
> TIM DALEY

Pranger also notes the "sophistication of engagement" with mobile banking has increased. POPio offers document review and signature capabilities, as well as three-way calling.

When Pioneer Federal Credit Union in Mountain Home, Idaho, adopted POPio's technology, it assumed only a select group of members would use it. "But we were proven wrong," says Tracey Miller, vice president of branch operations for the $500 million asset credit union. "Every age group of our membership uses it."

The credit union's management embraced the technology because it used video banking throughout its branch network. "We already had a video team that was ready to go," says Miller, after some additional training on making loans, opening new accounts, and completing additional forms.

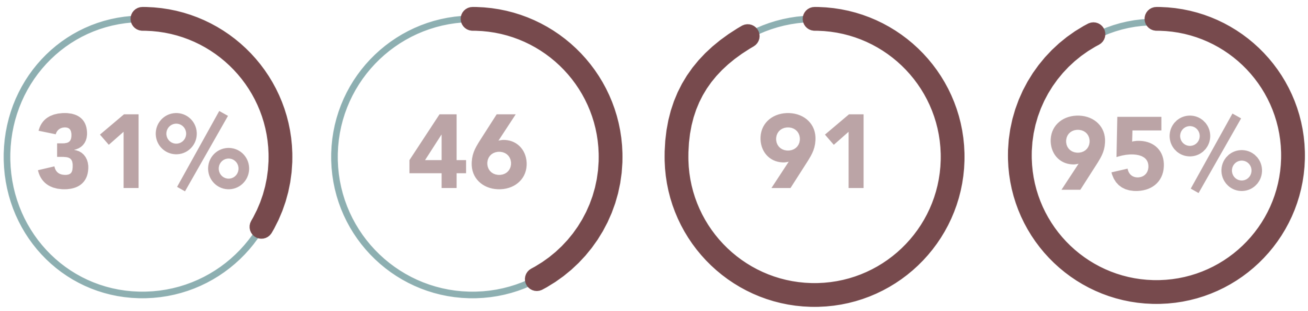
She says video also deters fraud because it's easier to identify the member and distribute paperwork via the application. "We lift that member's experience and do business faster."

Table stakes

One tool that can level the playing field for midsize and large credit unions in the mobile space is a software development kit (SDK), a software package that provides tools that allow the credit union to develop add-on technology to the mobile provider's existing platform.

Johnson calls SDK no less than "table stakes" at UNIFY Financial. The SDK UNIFY employs from Q2 allows the credit union to keep pace with big financial service providers in rolling out new features and capabilities to members.

How app use stacks up



Percentage of people who use their mobile banking app more than any other app—behind only those for social media (55%) and the weather (33%).

Percentage of consumers who have increased their mobile banking use in the past year. This number reaches 62% for millennials.

Percentage of mobile banking users who prefer using their app to a branch.

Percentage of mobile banking users who know their exact account balances, versus 85% for nonusers.

Source: Citi 2018 Mobile Banking Study

"A few years ago I would have described our mobile experience as substandard from a functionality perspective, just from the standpoint that you could do more on the desktop than you could do on the phone," Johnson says. "We were leaving a lot of 'meat on the bone,' so to speak."

'Every age group of our membership uses video banking.'

BRAD HUTCHINSON

Today, UNIFY Financial counts as many as 65% of its digital logins via mobile. One reason is that the credit union can provide new functionality in a significantly reduced time frame by using the SDK and not having to rely solely on a vendor to add new capabilities.

"One of the biggest initiatives we're working on is the ability for our members to apply for a consumer loan when they log into mobile banking," Johnson says. "That obviously has revenue implications. We currently get about two million logins a month, but there's no way for a member to apply for a loan. By using the SDK, we can provide them with a streamlined application experience that removes traditional friction and makes the entire process of applying for a loan easier.""One of our biggest initiatives is members' ability to apply for consumer loans when they log into mobile banking," Johnson says.

Georgia United Credit Union in Duluth also employs Q2's SDK. Brad Hutchinson, director of application development at the $1.3 billion asset credit union, says any new applications the credit union designs goes through a rigorous approval process with Q2. He describes that process as "timely and necessary."

Georgia United has developed a credit card balance transfer app and single sign-on functionality.

"We can give members what they need faster," Hutchinson says, without worrying about integration issues with third-party products.

"Having the ability to use a SDK to develop our own parts of a mobile banking environment is definitely a step forward," he says. "It's a step a lot of digital banking providers are taking because they know financial institutions want that functionality."

Resources

- ❯CUNA Technology Council: *cunacouncils.org*
- ❯Cornerstone Advisors: *crnrstone.com*
- ❯Kony DBX: *dbx.kony.com*
- ❯POPio: *popio.com*
- ❯Q2: *q2ebanking.com*

TECH-SAVVY BOARDS

JENNIFER PLAGER

The use of portals and remote meeting options is growing among board members.

When the polar vortex invaded the Midwest in January and wind chills in the Chicago area dipped to minus 50, Alliant Credit Union decided to open its offices later in the day.

But the planned 8 a.m. board meeting went on as scheduled.

"All board members and staff participated in that meeting from our homes," says Lee Schafer, senior vice president of corporate affairs and chief administrative officer at the $11.2 billion asset credit union. "We held an effective board meeting without having anybody at the facility."

Even when temperatures don't reach such extremes, Alliant has the technology in place to conduct board meetings with members attending remotely. It's part of Alliant's push to embrace technology and become a paperless board with board members who reside worldwide, including Europe, Florida, California, and Chicago.

It's a mindset that's becoming more common.

One-third of organizations surveyed by *Corporate Secretary* say they have at least one board member participate in meetings remotely on occasion, while 20% report remote attendance at half of all board meetings. Thirty-two percent report having a completely paperless board packet, while board members receive printed materials at 29% of organizations.

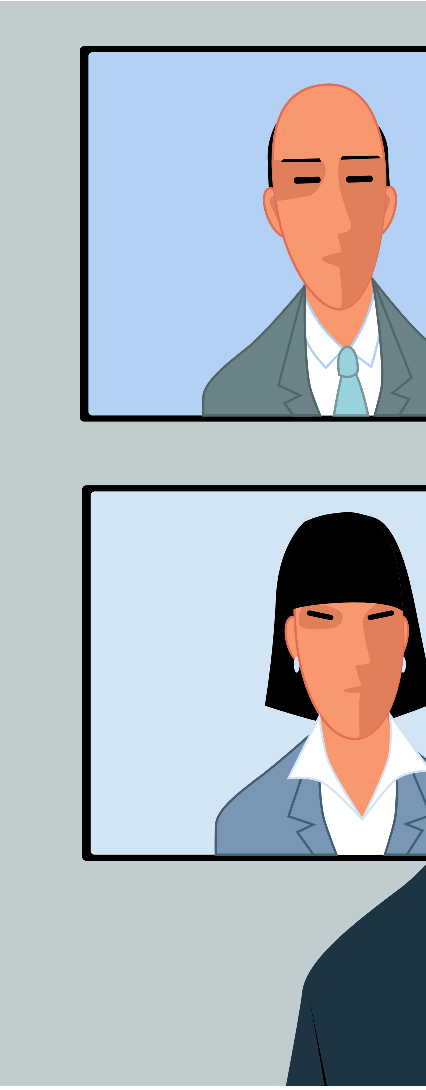
Introducing the portal

"The board tends to be the inner sanctum of the CEO," says Paroon Chadha, co-founder and CEO of Passageways, a provider of secure collaboration software for boards. "You discuss the most important and relevant issues, and the CEO assumes some confidentiality. A board portal is a way to share all of the information that's within the context of the board meeting and the workflows that happen within the confines of the boardroom."

Boards are responsible for reviewing information, assessing options,

Focus

- **Boards** are shifting to paperless, online environments for meetings.
- **Technology** improves efficiency and flexibility.
- **Board focus:** Consider using electronic board packets or virtual meetings to allow for greater board member participation and engagement.



> We needed a way to have all folks **participate effectively,** and paper just wasn't doing the trick.
>
> LEE SCHAFER

voting, and signing documents. A portal is a way to streamline those tasks and interactions between board members.

And because board members access the portal through an electronic device—their personal computer, laptop, tablet, or mobile phone—this is all accomplished without using paper.

The notion that paper is inconvenient and bulky, and poses threats to confidentiality was the driving force behind the first generation of the board portal, he says.

Gradually, the technology improved, giving board members the ability to receive information electronically in a secure manner.

The portal also serves as a resource where board members can find documents, such as bylaws, policies, previous board books, and minutes.

The current generation of board portals also allows board members to collaborate by making notations within the packet and interacting with other board members or leaders. For instance, the CEO may set the agenda, but board members also can suggest other items to include.

Or, the credit union can upload the board packet to the portal in pieces as the components are ready versus waiting for all information to be complete before compiling and sending the packet. This allows board members to digest the information in small bites, and gives them time to make notes and better prepare for the meeting.

"You can get more out of your board members because they have [digested] the information and have had the chance to go back and forth with each other," Chadha says. "They've asked questions, shared annotations, and so forth."

Going electronic

Alliant began its efforts to become an electronic board in 2010, and today the board operates in a paperless environment, Schafer says.

Like many other credit unions, Alliant used to assemble paper board packets and mail them to board members. Not only was this inefficient and cumbersome, Schafer says switching from a single-sponsor credit union to one that serves a wider population meant board members no longer all lived in the

THE BOARD PORTAL OF THE FUTURE

Portals will continue to evolve to meet board members' needs, says Paroon Chadha, co-founder and CEO of Passageways.

Two potential improvements include:

1. Predictive. As board members go through the packet, they make notes about sections where they have questions, need further discussion, or want to include supporting information.

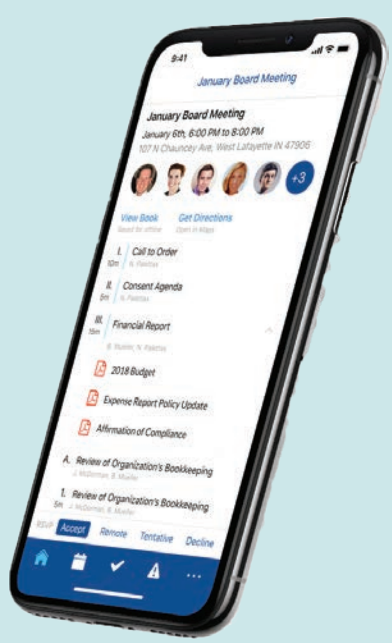
Based on the number of annotations being made, leadership should be able to grasp what items on the agenda will require more attention.

"Even before the board meeting, you should be able to know what the board discussion will be," Chadha says.

2. Self-managed data. New data and analytics tools will allow users to self-manage the amount of information they receive, whether it's a high-level summary or detailed information.

"One challenge is the amount of information that boards consume," says Dave Mooney, president/CEO and board treasurer at $11.2 billion asset Alliant Credit Union in Chicago.

"How do you manage that, and how do you make it digestible?"



(Photos courtesy of Passageways)

Chicago area.

"We needed a way to have all folks participate effectively, and paper just wasn't doing the trick," Schafer says.

Alliant replaced its paper-based board packet with a board portal, hosted meetings using an online system, and introduced online tools for board performance and development information.

"They have the right tools in place," says Schafer, who notes that Alliant issues each board member a tablet, which is upgraded every three years. "All board members, even if they attend in person, always bring their issued tablet with them to navigate the meeting because the meeting is basically all online."

> I can't even **imagine** why **anybody** would want to print out a board packet at this point.
>
> STEVE MOGENSEN

Purdue Federal Credit Union's journey to become a paperless board began 15 years ago when it gave board members an option: Use the board portal or print out the packet themselves.

"We didn't force the board to do it," says Bob Falk, president/CEO of the $1.2 billion asset credit union in West Lafayette, Ind. "If they chose to print it out, they could. We just weren't going to produce a paper packet any longer. Most of the board adapted pretty quickly."

The credit union reimburses board members for the technology hardware they purchase. Initial efforts were "a little bit clunky," Falk says, because the credit union was pulling together a PDF version of various documents and posting them on a website.

But the board now uses a portal for its packet, meeting calendar, minutes, and documents.

"You can make electronic notes, or even highlight information," says Steve Mogensen, board chair at Purdue Federal. "When you're going through [the packet] and you have a thought or question, you just type it in. When we get to that point, you ask your question. It's so much more efficient. I can't even imagine why anybody would want to print out a board packet at this point."

Many benefits

The savings in paper and postage often outweighs the cost for the board portal software or technology required to make the switch to an electronic board environment.

Other benefits:

› **Greater flexibility for meetings.** Because the packet is on the portal and meetings are conducted via an online meeting system, board members can be actively involved even when not physically present. "It allows us to engage remote board members without [meeting in person] every month," Schafer says.

› **Improved compliance.** Some credit unions have policies in place requiring board members to retain copies of board packets for a specific amount of time. A portal erases the storage issue that paper packets present.

"Copies of these documents have a set destruction time, so when that time is reached, we need to destroy them," Schafer says. "Ensuring that level of compli-

> You have to be willing to go all in.
>
> BOB FALK

ance was awfully cumbersome because 10 individuals were gathering paper over a series of months and years."

In addition, a portal provides the ability to protect the confidentiality of certain information by controlling who sees it.

›**Upgraded information-sharing.** Not only is it easier to provide board members with meeting information, it's easier for third parties to share information with the board without having to assemble and ship paper packets.

"The board and the credit union need to set the example that there's nothing to be gained by printing out board packets anymore," Mogensen says.

Beyond the boardroom

With directors scattered across the globe, Alliant uses a voice conferencing system to allow board members to attend meetings remotely.

While remote attendance isn't always quite as effective and the meeting dynamic changes somewhat, the option to attend meetings remotely works best for the credit union's board, says Dave Mooney, Alliant's president/CEO and board treasurer.

"Given the nature of our board and their schedules, that trade-off is worthwhile," Mooney says. "We encourage our board members to attend in person when possible, particularly our twice-a-year, full-day planning meetings."

While Purdue Federal's boardroom offers video conferencing, most board members live in the area and attend meetings in person, Falk says.

Having board members in the same room provides the opportunity to see whether a board member understands a concept or someone's stance on an issue—which is harder to determine for board members attending meetings remotely.

"If you don't have a chance to read people's facial expressions, you miss a lot," Falk says. "You can tell pretty quickly if someone's struggling with a concept or struggling with a response to a question. If they're in the room you can feel it, you can see it in their face, and you can follow up."

Attending meetings in person also allows board members and the management team to interact and establish camaraderie, Mogensen says.

"It allows you to have conversations and build relationships," he says. "You don't have that when you join the meetings via video conferencing."

Tech advice

Credit unions looking to shift their boards to a more technological environment should consider the following advice:

›**Start slow.** At Alliant, the rollout of an electronic board packet was a two-year process. "A more incremental approach will pay dividends so long as there's an expectation that the end game is to be in a totally online or virtual environment," Schafer says.

Transitioning from a paper board packet to an electronic portal, he says, may mean changing board members' lifelong habits.

›**Identify a point person.** Select an employee at the credit union who's comfortable with technology to assemble the packets for the portal, set up the hardware needed for remote meetings, and troubleshoot problems.

"If you don't have somebody who is willing and able to step into that role, you're going to end up with a lot of board members and senior leadership sitting around a table in a board meeting not knowing what to do when something goes wrong," Schafer says.

›**Go all in.** Making the transition to a paperless or remote board requires the board and senior leadership to be on the same page in terms of strategy.

"You have to be willing to go all in and say we're not going to print the packet for half of you and have half of you use technology," Falk says. "That's a baby step, but it's the kind of thing you do without having to invest in a huge system."

Resources

›CUNA:
1. Board and committee resources: *cuna.org/board*
2. Credit Union Directors Newsletter: *cuna.org/directors*

›Passageways: *passageways.com*

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- Sara Portis, Manager
Outbound Call Team,
Coastal Credit Union

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Compliance Collection

JACKIE EKDAHL

CUNA's Compliance Community and CompBlog provide valuable updates on today's pressing issues.

Nearly four years into its launch, with nearly 6,000 members representing more than 2,000 individual credit unions, the CUNA Compliance Community has much to offer compliance professionals. One of the community's most popular features: the discussion threads that take place every day.

With more than 82% of Compliance Community members receiving daily emails summarizing the previous day's discussions, the discussion threads are a great way to present tough questions to thousands of compliance-minded professionals at once.

However, the discussion threads aren't the only resource our members use. CUNA's compliance staff are always up to date on the latest finalized rules and amendments so they can make sure our members stay informed with blog posts, tools, charts, and checklists posted on the community.

As we swiftly move through 2019, it's a good time to see what the hottest discussion topics, downloaded files, and blogs have been through the first quarter.

Top discussion posts

Participants' discussion threads have quickly become one of the most valued member benefits offered through the community. With so many connected

> **Focus**
>
> - **CUNA's compliance staff** is up to date on the latest finalized rules and amendments.
> - **Top discussion threads in 2019** examine Bank Secrecy Act issues, deposit accounts, and operations.
> - **Board focus:** Check the discussion threads for sample policies or procedures.

compliance professionals and their invaluable experience, odds are someone else has had the same question or problem and can share a best practice or solution they've implemented.

Looking for a sample policy or procedure? Our discussion threads are a great place to ask for and find sample policies and procedures you can use as a starting point.

Participants have discussed many topics over the years, from the impact of the Military Lending Act to handling a deceased member's loans and other accounts.

The following threads garnered the most interest and conversation among our members:

Bank Secrecy Act

Top Bank Secrecy Act issues include:

›**High-risk monitoring.** Does your credit union rate members by risk level? What are the best practices regarding how you handle that information and how you juggle those compliance duties?

Community members weighed in that many have members fill out a questionnaire they can use to calculate the risk weight with additional information.

›**Nonmember Office of Foreign Asset Control (OFAC) procedures.** Another member asked what procedures other credit unions implemented regarding OFAC reports and transactions for nonmembers.

Most Compliance Community members run an OFAC report every time they perform transactions for nonmembers, and some added their credit unions' processes on documenting those OFAC results for nonmember transactions.

Deposit accounts

The question about industry practices regarding how and when credit unions charge off negative share balances led to a lengthy discussion. The consensus was between 45 and 60 days per NCUA guidance.

Other discussions revolved around enforcing Regulation D transaction limits and educating members about these limits. Some community members look at how they classify qualifying transactions that fall under Reg D, and others explained how their data systems track and recognize qualifying transactions.

Many threads looked at endorsement requirements on remote deposit capture (RDC). Conversations covered whether credit unions monitor every received transaction for the correct endorsement, as well as what they deem as a correct endorsement.

Some best practices from community members:

›**We require** the member to write "For remote/mobile deposit only at [our] credit union."

›**We require** "for mobile deposit only," the name of the credit union, and the corresponding check number to be written on the back of the check.

Operations

How does your credit union signal "all clear" at your branches? Community members shared a number of useful suggestions, such as flipping blinds, turning the drive-thru lights to "closed," and using an app called "GroupMe," which allows one person to send an "all clear" alert to employees prior to their arrival for the day.

CUNA's compliance department also compiles analyses of new regulations. They break down the details of newly finalized rules, including a brief overview, coverage of the rule, a section-by-section analysis, the expected effective date, as well as contacts at CUNA. This is part of a year-end review as well.

For the first time, we also created a checklist based on our "year in review" that runs through a series of yes or no questions regarding policies, procedures, operational guidelines, and other items of note to consider re-examining within your credit union. Our 2018 year in review and the year in review checklist were two of our most downloaded files.

Every day, our compliance staff monitors agency websites and other sources for potential finalized rules and amendments that can affect credit union operations. CUNA staff also watches for recurring issues or questions that may apply to a larger audience, such as preparing for direct deposit refunds during tax season.

Top CompBlog posts

The most direct place to find these updates is on CompBlog, posted on the Compliance Community. These blog posts were the most read during this time period.

CFPB and HMDA data

"CFPB publishes reportable HMDA data: A regulatory and reporting overview reference chart for data collected in 2019" (Jan. 31): The Consumer Financial Protection Bureau (CFPB) published the "Reportable HMDA Data: A Regulatory and Reporting Overview Reference Chart for Data Collected in 2019."

The chart is intended as a reference tool for data points required to be collected, recorded, and reported under Regulation C as amended by the Home Mortgage Disclosure Act (HMDA) rules issued on Oct. 15, 2015, and on Aug. 24, 2017, and Section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155) as implemented and clarified by the interpretive and procedural rule issued on Aug. 31, 2018 (2018 HMDA Rule).

The chart also incorporates information found in Section 4.2.2 of the 2019 Filing Instructions Guide (FIG) and provides when to report "not applicable" or "exempt," including the codes used for reporting "not applicable" or "exempt" from section 4.

The chart isn't a substitute for the 2019 FIG, which should be consulted. Also, the chart doesn't provide data fields or enumerations used in preparing the HMDA loan/application register, nor does

Sharing expertise

26,221 posts
914 files uploaded
174,692 file downloads

Source: CUNA Compliance Community

it contain information about the submission process or procedures.

Sweetheart scams

"Army Criminal Investigation Division warns military sweetheart scams are on the rise" (Feb. 11).

Sweetheart scammers are con artists who prey on lonely people by pretending to fall in love with them to win their trust and steal their money. Fraudulent acts may involve access to the victim's money, credit union accounts, credit cards, passports, email accounts, or Social Security number, or by getting the victims to commit fraud on their behalf.

While sweetheart scams can happen face-to-face, many take place on online dating sites. Scammers frequently create fake identities on dating websites and social media, claiming to be U.S. soldiers.

The FBI and Federal Trade Commission logged 15,000 romance scam complaints in one year. The agencies estimate only 15% of fraud victims report the crimes, so its extent is likely much higher. The average financial loss is more than $10,000 per person.

Once the victim becomes attached, the scammer looks for ways to dupe the person into sending money by:

1. Indirectly asking for money. For instance, some romance scammers express concern about their financial situation: They can't afford an airline ticket to visit the victim, or they need money for tuition so they can graduate and come to the U.S.

Their plan is for the victim to offer to send the funds.

2. Directly asking for money, claiming a family member has become ill, they were robbed, or they're having difficulty obtaining travel documents after spending their money on a plane ticket to visit the victim.

Direct deposit tax refunds

"Tax season opens today: Prepare for direct deposit refunds" (Jan. 28). The IRS expects more than four out of five tax returns will be prepared electronically. The agency shared these reminders to taxpayers regarding direct deposited tax refunds:

- **Refunds** can be split into as many as three separate accounts (i.e., checking, savings, and retirement).
- **Refunds** should only be directly deposited into accounts that are in the taxpayer's own name, their spouse's name, or both if it's a joint account.
- **Refunds** should not be direct deposited into an account in a return preparer's name.

Elder financial exploitation

"New findings for elder financial abuse and the CFPB's recommendations for credit unions" (March 4). The CFPB released a report on elder financial exploitation (EFE) based on data obtained from suspicious activity reports (SARs) filed between 2013 to 2017.

Some top findings:

- **EFE SARs** increased by more than four times during this period, with more than 63,500 SARs filed in 2017.
- **Financial institutions** reported $6 billion in actual and attempted losses.
- **Monetary** losses were more common, and the amount lost greater, when the older adult knew the suspect, particularly when the suspect was a fiduciary.
- **Nearly one-third** (27%) of EFE incidents depository institutions reported were due to scams. In two-thirds of these cases, the victim knew the perpetrator.
- **In 52%** of EFE SARs analyzed for this report, the targeted person used a money transfer, 44% used a checking or savings account, and 9% used a credit card.

The CFPB advises financial institutions to improve fraud detection technology to reflect transactional patterns common when older account holders become victims. Machine learning can obtain specific and timely information indicating fraudulent activity.

The agency also suggests reporting suspected EFE to relevant law enforcement agencies, and working collaboratively with law enforcement agencies and regulators.

CUNA members can sign up to receive the CompBlog via email by logging onto "My Account" on *cuna.org*, selecting "Communication Preferences," and then "Compliance Resources."

Visit *cuna.org/compliance* for information or send questions to *cucomply@cuna.coop.*

JACKIE EKDAHL *is a compliance project specialist for CUNA. Contact her at 202-508-6735 or at* jekdahl@cuna.coop. *Information provided in this article, including all materials referenced, should not be construed as legal services, legal advice, or in any way the establishment of an attorney-client relationship. Contact your legal counsel for advice. This information is intended to only be a summary and is not all-inclusive.*

Resources

- CUNA's compliance resources: *cuna.org/compliance*

"This school is worth attending and getting certified. Not only do the speakers present their topics well but the attendees are worth getting to know and can be very helpful references in the future!"

- Emily Borowski, Compliance Manager, SF Fire CU

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- Judy McFadden,
branch sales manager,
California Bear CU

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cuna.org/cecl19

SUBPRIME MORTGAGES & THE FINANCIAL CRISIS

JORDAN VAN RIJN

As not-for-profit, member-owned entities, credit unions have significantly fewer incentives to seek short-term profits.

CUNA economists often report on the wide-ranging financial and social benefits of credit unions' not-for-profit, cooperative structure for both members and nonmembers, including financial education and better interest rates.

However, there's another important benefit of the unique credit union structure: economic and financial stability.

During the 2007-2009 financial crisis, credit unions significantly outperformed banks by almost every possible measure. In fact, evidence suggests that if credit unions ruled the market, it's quite likely we never would have had a financial crisis.

What's the evidence to support such a claim?

First, numerous complex and interrelated factors caused the financial crisis, and blame has been assigned to various actors, including regulators, credit agencies, government housing policies, consumers, and financial institutions.

But almost everyone agrees the main proximate causes of the crisis were the rise in subprime mortgage lending and the increase in housing speculation, which led to a housing bubble that eventually burst. As home values plummeted and the stock market crashed, the U.S. entered a deep recession, with nearly nine million jobs lost during 2008 and 2009.

Who engaged in this subprime lending that fueled the crisis?

While "subprime" isn't easily defined, it's generally understood as characterizing particularly risky loans with interest rates that are well above market rates. These might include loans to borrowers who have a previous record of delinquency, low credit scores, and/or a particularly high debt-to-income ratio.

To be clear: Not all subprime lending is bad. Many credit unions take pride in offering subprime loans to disadvantaged communities.

However, the particularly large rise in subprime lending that led to the financial crisis was certainly not this type of mission-driven subprime lending.

Run-up to the crisis

Using Home Mortgage Disclosure Act (HMDA) data to identify subprime mortgages—those with interest rates more than three percentage points above the Treasury yield for a comparable maturity at the time of origination—we find that in 2006, immediately before the financial crisis:

›**Nearly 30%** of all originated mortgages were "subprime," up from just 15.1% in 2004.

›**At nondepository financial institutions,** such as mortgage origination companies, an incredible 41.5% of all originated mortgages were subprime, up from 26.5% in 2004.

›**At banks,** 23.6% of originated mortgages were subprime in 2006, up from just 9.7% in 2004.

›**At credit unions,** only 3.6% of originated mortgages could be classified as subprime in 2006—the same figure as in 2004.

This is an incredible statistic because it indicates that while banks and mortgage companies significantly increased their sub-prime lending in the run-up to the financial crisis—likely in search of short-term profits and bonuses—credit unions didn't increase their subprime lending at all.

BANKS AND MORTGAGE COMPANIES SIGNIFICANTLY INCREASED THEIR SUBPRIME LENDING IN THE RUN-UP TO THE FINANCIAL CRISIS.

What were some of the consequences of these disparate actions?

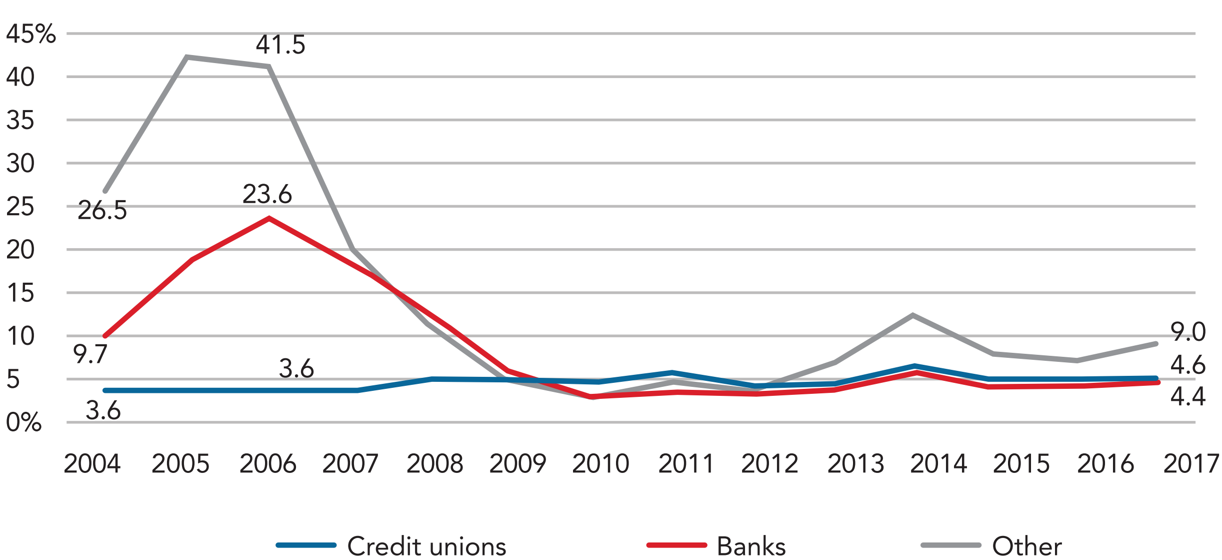
Because many of these mortgages were sold to the secondary market, it's difficult to know the exact performance of these mortgages originated at banks and mortgage companies versus credit unions.

But if we look at the performance of depository institutions during the peak of the financial crisis, we see that delinquency and charge-off ratios spiked at banks to 5.6% and 2.6%, respectively, in 2009 versus only 1.82% and 1.21% at credit unions.

The difference in mortgage performance is even more stark. Among mortgages that remained on the books, 7.25% of mortgages originated at banks

Subprime mortgage originations

(as a percent of total mortgage originations)



Source: HMDA

were delinquent in 2009 (versus only 1.97% at credit unions), and 3.95% of all bank mortgages were charged off (versus only 0.55% of credit union mortgages).

That's despite the fact that in 2007, 58.4% of bank mortgages were sold to the secondary market versus only 20.6% of credit union mortgages.

Bank failures

Risky lending at commercial banks helped precipitate the failure of 331 banks between 2009 and 2011, while only 64 credit unions failed during that same period despite there being roughly the same number of banks and credit unions in 2008.

In fact, the Federal Deposit Insurance Corp.'s (FDIC) Bank Insurance Fund became insolvent in both 2009 and 2010, while the National Credit Union Share Insurance Fund (NCUSIF) was remarkably stable during that time, declining only 6% between 2006 and 2009.

NCUSIF retained a strong balance of $1.23 per $100 in insured deposits versus a negative $0.39 per $100 in insured deposits at the FDIC. Thus, via the Troubled Asset Relief Program (TARP), the government provided emergency loans totaling $236 billion to 710 banks—or 1.93% of all bank assets.

On the other hand, only 48 credit unions received TARP funding for a total of $70 million, or just 0.008% of credit union assets.

While there are many reasons credit unions didn't engage in the same kind of subprime lending as mortgage companies and banks, credit unions' unique structure is the main reason.

As not-for-profit, member-owned entities, credit unions have significantly fewer incentives to seek short-term profits and bonuses that clearly aren't in their members' best interests.

This creates greater financial stability—benefiting both members and the overall economy.

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608-231-4286

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All aboard!

Successful companies adapt technology to fix consumer pain points.

As on most mornings, I was listening to the radio during my drive to work recently (Yes, the radio. A stagecoach disaster in Fargo delayed the paper copy of the newspaper).

The hosts of a business show were engaging in a feisty exchange about how companies such as Uber, Amazon, and Netflix had disrupted entire industries through new technology.

A new voice chimed in. “None of these companies invent technology,” he said, rather self-righteously. “They just use technology better than everyone else.”

It’s true. Taxis are quite adequate to get from point A to point B, sometimes by means of the sidewalk. Hailing a taxi on a busy street is not for everyone. Uber fixed that.

Similarly, ever since Sears released a catalog the size of a small dog you could shop and have something delivered to you. But Amazon expanded the catalog, made the shipping fast, and transformed the industry.

Finally, Netflix eliminated the task of going to Blockbuster only to find the new release you promised the kids was already rented, sentencing you to another viewing of “Thomas the Tank Engine Gets a Real Job.”

The common themes were not technology innovations but rather instances of companies adapting existing technologies to fix a pain spot in the consumer experience.

Fintechs in particular see pain spots in the financial services world. But nothing has come along that dramatically changes our environment—yet. This isn’t for a lack of trying, like when:

›**Debit cards** were going to die, taken over by mobile payment platforms. Apple Pay, Android Pay, and flip-phone pay would make it easier and faster. But transaction growth is as slow as an elephant on Darvon and, in the end, nobody thought using a debit card was a hassle.

›**Checks** were on their way out, too. Not only were they cumbersome, ripe for fraud, and the bane of every “express checkout” line you ever got into, we all knew 90% of the young people today had no clue how to use cursive to sign their name. Yet we still sit here today adding features to let people scan checks from their phones.

›**Consultants** told us to close our brick-and-mortar branches and get ready for the 100% digital world. But nobody told the public, which wasn’t comfortable having a financial institution they couldn’t reach out to and occasionally strangle.

Yes, going to the credit union is an “errand,” but it’s one many need for peace of mind.

In each case, technology was supposed to transform the experience. But it either wasn’t better enough to warrant change or the new way eliminated benefits.

That said, many pain points exist for members that technology might not only fix but may change the entire relationship.

The top three issues members face that technology can fix are:

1. Getting turned down for a loan. Loan underwriting is on par with such mysteries as why people eat kale. With today’s technology, we should have enough information to know what loans members qualify for in real time. Eliminate “apply” and endorse “select.”

2. Surprise fees. Financial institutions spent gazillions of dollars building interconnected networks but can’t tell members they’re about to overdraft to the tune of $25 for a $3 coffee? If you want to see a what a hypnotized deer looks like, try explaining the concept of a “signature authorization hold” and “available versus actual” balance to a member. It’s epic.

3. Siloed legacy products. It’s like going to a make-your-own pizza restaurant where you’re asked, “cheese or pepperoni, no substitutions.” We can certainly adapt and modify products on the fly—ask any chief financial officer on the ALCO committee.

Far too many credit unions view technology as an unstoppable force coming at them like a freight train. Let’s change that paradigm and, like Uber, Amazon, and Netflix, get on board.

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CUNA Schools & Conferences

BOARD & COMMITTEE

CUNA Strategic Planning Roundtable
August 17-18, 2019 // Boston, MA

CUNA Roundtable for Board Leadership
October 18-20, 2019 // Phoenix, AZ

CUNA Credit Union Finance for Boards & Committees Workshop
October 21-22, 2019 // Phoenix, AZ

CUNA Supervisory Committee & Internal Audit Conference
December 8-11, 2019 // Las Vegas, NV

CUNA Credit Union Board of Directors Conference
January 19-22, 2020 // Punta Cana, Dominican Republic

CUNA Credit Union Board Certification School
2020 dates & location to be announced

COMPLIANCE

CUNA Regulatory Compliance Certification Schools*
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

CUNA & ACUIA Internal Audit Certification School
March 9-12, 2020 // Tempe, AZ

FINANCE & ECONOMICS

CUNA Investment Certification Schools*
August 12-16, 2019 // Chicago, IL

CUNA Current Expected Credit Loss School
September 9-12, 2019 // Tempe, AZ

CUNA Financial Management School*
September 5-6, 2019 // Tempe, AZ

CUNA Governance, Risk Management & Compliance Leadership Conference
September 23-25, 2019 // Nashville, TN

CUNA Enterprise Risk Management Certification School
December 9-11, 2019 // Las Vegas, NV

CUNA Finance Council Conference
2020 dates & location to be announced

HR & TRAINING

CUNA HR Compliance Certification School
July 28-31, 2019 // Minneapolis, MN

CUNA Experience Learning Live!
October 20-23, 2019 // Las Vegas, NV

CUNA HR & Organizational Development Council Conference
2020 dates & location to be announced

LENDING & COLLECTIONS

CUNA Business Lending Certification School
July 22-25, 2019 // Madison, WI

LENDING & COLLECTIONS (Continued)

CUNA Fair Lending Workshop
August 13-14, 2019 // Nashville, TN

CUNA Collections & Bankruptcy School
September 16-19, 2019 // St. Louis, MO

CUNA Lending Council Conference
November 3-6, 2019 // New Orleans, LA

CUNA Business Lending Roundtable
January 28-29, 2020 // Tampa, FL

CUNA Consumer & Residential Mortgage Lending School
April 6-9, 2020 // Miami, FL

MANAGEMENT & LEADERSHIP

CUNA National Young Professionals Conference
June 13-14, 2019 // Madison, WI

CUNA Management School
July 14-24, 2019 // Madison, WI

CUNA Small Credit Union Conference
August 4-6, 2019 // Madison, WI

CUNA Coaching Leadership School
August 5-7, 2019 // Chicago, IL

CUNA Emerging Leader Institute
December 2-4, 2019 // San Diego, CA

CUNA Governmental Affairs Conference
February 23-27, 2020 // Washington, D.C.

America's Credit Union Conference/ World Credit Union Conference
July 19-22, 2020 // Los Angeles, CA

MARKETING & BUSINESS DEVELOPMENT

CUNA Marketing & Business Development Certification Schools
October 7-10, 2019 // Louisville, KY

CUNA Marketing & Business Development Council Conference
March 15-18, 2020 // Orlando, FL

CUNA Digital Marketing School
2020 dates & location to be announced

OPERATIONS & MEMBER EXPERIENCE

CUNA Member Experience, Sales & Service School
August 19-21, 2019 // Boston, MA

CUNA Operations & Member Experience Council Conference
September 11-14, 2019 // Chicago, IL

CUNA World-Class Service Leadership School
May 18-20, 2020 // *Location to be announced*

SECURITY & TECHNOLOGY

CUNA Technology Council Security Summit
September 10-11, 2019 // Chicago, IL

CUNA Technology Council Conference
September 11-14, 2019 // Chicago, IL

CUNA Cybersecurity Conference with NASCUS*
2020 dates & location to be announced

**eSchool is available.* Please note: All dates and locations are subject to change.

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cuna.org/schools

Q&A with Becky Curry

ORNL Federal Credit Union, Oak Ridge, Tenn.

Should data analytics belong in the information technology (IT) or finance area? Neither, says Becky Curry, who took on the new role of senior vice president, data intelligence, at $2.2 billion asset ORNL Federal Credit Union in Oak Ridge, Tenn. That's because the position will require collaboration throughout the credit union, says Curry, ORNL Federal's former senior vice president of finance.

Credit Union Magazine: What's behind the creation of this new role?

Curry: We want to use the information at our fingertips to make informed decisions as data analytics is no longer a part-time task. We need dedicated resources to find the stories behind our data to ensure we offer products and services that benefit our members. The more we know about how our members interact with the credit union and about their needs, the better we can serve them.

Q: What will you be doing?

A: We're in the midst of a digital transformation and we understand the importance of proper data governance. We need to ensure a sustainable process as we continue to maintain multiple sources of data and data sets. These new roles and functions require dedicated attention at a senior level to ensure we achieve our organizational and departmental goals. We've devoted months to researching platforms and tools to ensure we're making decisions that mitigate the many pitfalls surrounding data analytics post-implementation.

I've always had an interest in how we use information to make strategic decisions. We've used data analytics to assess organizational and product profitability. When going through this process we identified the need for ongoing data support and governance, understanding we can do so much more with our data.

Q: What do you hope to achieve?

A: We've used data analytics for delivery channel analysis and it has paved the way for us to continue to invest in our digital platform. Having the ability to merge internal and external data from many sources to supplement existing reports is extremely valuable when making strategic decisions. We also want to use data analytics to improve cash management processes throughout the branch network.

Ensuring leadership has access to meaningful data they can use to make decisions quickly has been a challenge in the past. Through the use of analytical tools and structured governance, we can ensure leaders are confident in the information they receive. This will give us the ability to set meaningful strategic goals for employees that benefit the membership.

Q: What advice would you offer other credit unions about getting the most from their data?

A: Get your data ready. The saying, "garbage in, garbage out" definitely applies to analytics. As we're still in the early stages, we're investing time and resources to ensuring data accuracy.

If you don't have the internal talent needed to complete a data cleanse, vendors can assist with this process. Even if you don't have plans to implement data analytics in your organization, a data cleanse can identify input errors and process inefficiencies.

Q: Anything else you'd like to add?

A: Most chief financial officers can understand the anxiety of being handed a report and asked to make decisions without knowing the source of the information. This can cause delayed or inaccurate decisions. Having a dedicated department and proper data governance will help relieve this anxiety for executives as they make decisions about the credit union's direction.

The number of face-to-face interactions is declining as more members complete transactions online. Without personal interactions with members, we need to find ways to ensure we offer products and services members need regardless of how they conduct their business.