

Credit Union

MAGAZINE

WINTER 2019



**LIFE-CHANGING
LENDING**

**ECONOMIC
FORECAST**

**Board
governance**

Geoff Bullock
Firefly Credit Union

 **Credit Union
National
Association**

State-of-the-Art Technology. State-of-the-Heart Service.



Your Possibilities Delivered.™

Financial institutions are getting larger. Companies are merging. Technology continues to rapidly evolve. But you shouldn't have to choose between technology and service. PSCU delivers the best of both. Our new wave of digital solutions makes it easy for members to personalize their experience, while our long-standing commitment to putting people first makes it easy to personalize yours. What's the state of your credit union's solutions and support? Join PSCU today.

Payments ▪ Risk Management ▪ Digital Banking ▪ Analytics ▪ Loyalty
Mobile ▪ 24/7/365 Contact Center ▪ Strategic Consulting



pscuc.com
844.367.7728

An aerial view of a parking lot with several cars parked in rows. The image is overlaid with a network of glowing blue lines and dots, suggesting connectivity and technology. The overall color scheme is dark blue and purple.

CUDL-CONNECTED CREDIT UNIONS

TAKE CONTROL

The CUDL network allows credit unions to tap into the power of indirect lending. CUDL-connected credit unions have total control of their underwriting, as well as local dealer selection. The result is high-performance indirect lending on your terms, letting you focus on delivering outstanding member service while funding quality loans.

GET CONNECTED
CUDIRECT.COM/CUDLCONNECTED

Contents

Winter 2019

Volume 85 > Number 4

FEATURES

22 Life-changing lending
Credit union lenders find new, innovative ways to reach out to current and prospective members who have crucial needs.

28 Board insights
A panel of directors reflects on board best practices and the need for diversity in the board room.

34 Compliance meets technology
Keeping up with compliance challenges now requires an assist from technology—particularly compliance management systems.

40 The party's over
Be ready for a general slowdown in loan demand as economic conditions deteriorate and consumer confidence falls.

46 Full coverage
Insurance services can both provide a safety net for members and boost financials with noninterest income.

52 7 tools to boost your card portfolio
Credit cards offer more options than ever to engage members.



'We look at **diversity** in backgrounds, knowledge, education, and experience.'

DOUG OLSON




Breaking down barriers to financial security for all

Together we'll help more members achieve financial security

Is your wealth management program a core part of your business today?

There's tremendous growth opportunity for credit unions within their investment services programs. While fifty-two percent of members prefer accessing financial services at a credit union, member penetration is only three percent.¹ By partnering with CUNA Brokerage Services Inc. (CBSI) to grow your program, you get a company with an unparalleled knowledge of credit unions and their members, plus game-changing innovation.

Read "5 Reasons Why Your Wealth Management Services Aren't Measuring Up" at cunamutual.com/makeWMcore

 **CUNA Brokerage Services, Inc.**

¹Making Wealth Management Core in Credit Unions, Kehrler Bielan, December 2018.

Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution. CBSI is a registered broker/dealer in all fifty states of the United States of America. The representative may also be a financial institution employee that accepts deposits on behalf of the financial institution.

CBSI-2657542.2-0719-0821 © CUNA Mutual Group, 2019 All Rights Reserved.

MUST READS

- 8 Digital Features**
Check out the top stories you read and podcasts you listened to in 2019.
- 10 Editor's Note**
Alternative loan programs showcase the credit union difference.
- 12 Ideas & Inspiration**
BECU study reveals disconnect between parents and kids about the "money talk," and solar loans provide an eco-friendly product line.
- 18 President's Perspective**
This year, we created enormous momentum across the board.
- 20 Chairman's Corner**
Show the communities you serve that you care, and you'll be amazed at the impact you have.
- 56 Throwback**
Twenty years ago, credit unions struggled to prepare for the biggest nonevent in modern times: Y2K.
- 58 Advertiser Index**
- 62 Q&A**
Marc Schaefer spent his 25-year career at Truiliant Federal Credit Union developing a culture that puts members first.



12 Ideas & Inspiration

It takes drive to get started serving the Hispanic market, says Victor Miguel Corro, CEO of Coopera.

“
The slowdown in auto lending has been particularly dramatic.
”

40 Economics

Certain signs indicate economic conditions are weakening and credit union loan growth is slowing.



60 Branching Out

Humor columnist James Collins submits his predictions for lending in 2020.

POSTAL INFORMATION

Credit Union Magazine (ISSN 0011-1066) is published quarterly for \$80 per year by Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705. (Multiple-copy and multiyear discounts available.) Periodical postage paid at Madison, Wis., and additional mailing office. Copyright 2019 by Credit Union National Association. Photocopying is illegal and unethical. POSTMASTER: Send address changes to Credit Union Magazine subscription department, P.O. Box 461, Annapolis Junction, MD 20701-0461. Single issues are available; call 800-348-3646.

Introducing The Kasasa Loan™

Give borrowers the power to
pay ahead...and take it back.



In market research, 9 out of 10 consumers preferred the Kasasa Loan over conventional loans.* Why? Because it gives them the ability to pay ahead to reduce debt, and take that extra back if they need it. **We call that a take-back™.** Plus, the mobile-friendly dashboard puts that power in the palm of their hands.

When borrowers succeed, so do you.
The Kasasa Loan makes it possible.

[Kasasa.com/Loans/CUNA](https://kasasa.com/Loans/CUNA)

Digital Features

▶▶▶ VISIT CUNA.ORG/NEWS FOR THESE ONLINE EXCLUSIVES

Top stories you read this year



Johnson named 2019 Credit Union Hero of the Year. Harlene Johnson, president of Light Commerce Credit Union, demonstrates “selfless commitment to helping people in her community.”

Stepping up for members during government shutdown. Low-rate loans, financial counseling, and more ease financial burden for members affected by the continuing federal government shutdown.

Highlights from the 2019 CUNA Governmental Affairs Conference.

4 steps to becoming a better manager. Being a great manager—the kind who creates a high-performing company—is exceptionally difficult, says David Deacon, author of “The Self-Determined Manager: A Manifesto for Exceptional People Managers.”



Create a culture that rocks. Business culture catalyst Jim Knight says “3C” team members—employees who are competent, have strong character, and are a culture fit—will amp up your corporate culture.

Top podcasts you listened to this year



Kristen Tatlock: Credit unions will face advertising compliance challenges with the quick pace of social media platform development and adoption of those platforms.



James Collins: When O Bee Credit Union decided to serve marijuana-related businesses, it stood behind the idea of serving the member—not the business.



Brandi Stankovic: Strong leaders recognize the impact emotional intelligence has on their own communication and social capacity.



From compliance and advocacy to Credit Union Rock Stars and industry leaders, listen to the CUNA News Podcast on Google Play, iTunes, Spotify, Stitcher, and at news.cuna.org/podcasts.

Where we'll be in 2020



CUNA Governmental Affairs Conference
Feb. 23-27, Washington, D.C.

Visit us in the Exhibit Hall and get your picture on the cover of *Credit Union Magazine*.



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



World Moving: A Joint Credit Union Conference
July 19-22, Los Angeles



Transform your member services with a cash management partner you can trust.

Loomis is proud to offer financial institutions a full range of configurable solutions that help increase operational efficiency and presence without having to grow the physical footprint. These services, backed by the industry's largest cash distribution network, advanced technology, and unmatched support and service, are designed to cut costs, reduce risk, diversify client offerings, and boost profitability.

Accuracy, dependability, and superior performance for your financial institution



loomis.us/managedservices



Comprehensive cash management

Full processing and vaulting services, with complete visibility and robust reporting



Leading cash-in-transit services

The most secure armored transport, with a state-of-the-art fleet and the best-trained staff



The nation's leading ATM service provider

End-to-end ATM solutions, scalable cash forecasting, and outstanding maintenance and security



A partner in Treasury Management

A relationship that can help diversify offerings, scale clients' businesses, and reduce risk



The Loomis advantage

Service, support, transparency, and a commitment to excellence from the industry leader

Giving members 'a place to live, a child to love'

Alternative loan programs can be answers to members' prayers.

Our lead story, "Life-changing lending" (p. 22), takes you behind the scenes of new loan programs that provide members funds in times of critical needs, such as:

➤ **Expanding their families.** Firefly Credit Union, Burnsville, Minn., created a line of credit allowing families to finance adoptions—often costing as much as \$40,000 or more.

While Firefly can't remove all the barriers to adoption, it makes sure financing isn't an issue for approved borrowers. Geoff Bullock, Firefly's engagement officer, played an important role creating this product after experiencing financial struggles adopting his daughters.

➤ **Surviving natural disasters.** In the aftermath of back-to-back earthquakes, Desert Valleys Federal Credit Union, Ridgecrest, Calif., developed an Earthquake Loan

Program so members could secure a deposit on an apartment or a hotel room, replace prescriptions they lost, or buy baby formula.

The Desert Valleys Employees Foundation also made grants of \$500 to \$1,500 to assist members with home repairs.

➤ **Becoming U.S. citizens.** Infinity Federal Credit Union, Westbrook, Maine, designed a "Bridge to Citizenship" loan to cover the cost of becoming a citizen, including the application fee, biometric screening, legal fees and travel expenses.

The credit union also offers a small, no-interest loan to cover rental security deposits so asylum seekers can get their first U.S. apartment and build credit history.

Innovations like these could bolster your loan portfolios as the industry is facing a slowdown. Nearly 50% of economists in a *Wall*

Street Journal survey now predict a recession by year-end 2020.

CUNA economists recently revised their lending forecasts for 2019 and 2020, to 6.5% and 5.5%, respectively.

Jordan van Rijn, CUNA's senior economist, lays out the factors behind the slowdown and where you might expect growth, in "The party's over" (p. 40).

And finally, for the 13th year, we're honoring your Credit Union Heroes. Submit nominations at news.cuna.org/nominatehero.



Ann Hayes Peterson

Editor-in-chief
Credit Union National Association
apeterson@cuna.coop
608-231-4211

MANAGEMENT

ANN HAYES PETERSON // vice president/editor-in-chief
apeterson@cuna.coop • 608-231-4211

EDITORIAL STAFF

BILL MERRICK // deputy editor • bmerrick@cuna.coop
608-231-4076

MICHELLE WILLITS // deputy editor • mwillits@cuna.coop
608-231-4067

RON JOOSS // senior editor • rjooss@cuna.coop
608-231-4321

JENNIFER PLAGER // senior editor • jplager@cuna.coop
608-231-4290

DESIGN & PRODUCTION

BEN TENORIO // digital media design specialist

CARRIE DOYLE // graphic designer

SUBSCRIPTION SERVICE

SUBSCRIPTION DEPARTMENT

P.O. Box 461
Annapolis Junction, MD
20701-0461
800-356-9655

ADVERTISING

KARIN SAND // vice president • ksand@cuna.coop
920-460-7430

MICHELLE DOSHER // mdosher@cuna.coop • 608-231-4006

LISA DUSHACK // ldushack@cuna.coop • 608-231-4220

EDITORIAL ADVISORY BOARD

BRAD BARNES // Air Academy Federal Credit Union, Colorado Springs, Colo.

SANDI CARANGI // Mercer County Community Federal Credit Union, Hermitage, Pa.

MICHELLE HUNTER // CU of Southern California, Anaheim

KEVIN KESECKER // SECU, Linthicum, Md.

STEVEN LANGLEY // Schools Financial Credit Union, Sacramento, Calif.

RICHARD S. MILLER // FeatherStone Planning and Consulting

JEAN PETERSON // Aberdeen (S.D.) Federal Credit Union

IDREES RAFIQ // Credit Union Resources, Texas

MAILING ADDRESS

CREDIT UNION MAGAZINE
P.O. Box 431
Madison, WI 53701-0431

EXECUTIVE COMMITTEE

BRETT MARTINEZ // chairman, Santa Rosa, Calif.

TROY STANG // vice chairman, Seatac, Wash.

BRAD GREEN // secretary, Sheffield, Ala.

TONY BUDET // treasurer, Austin, Texas

LISA GINTER // member-at-large, Lenexa, Kan.

JIM NUSSLE // president/CEO, Washington D.C./Madison, Wis.

MAURICE SMITH // director and immediate past chairman, Raleigh, N.C.

SCOTT SIMPSON // AACUL chairman, ex officio, Salt Lake City, Utah

DIRECTORS

DALLAS BERGL // Indiana

PAT DRENNEN // Iowa

SCOTT EARL // Colorado

CHARLES ELLIOTT // Mississippi

TERESA FREEBORN // California

GARY FURTADO // Rhode Island

TOM KANE // Illinois

DEBIE KEESER // Washington

MARIA LAVELLE // Pennsylvania

MARIA MARTINEZ // Texas

PATRICK PIERCE // Minnesota

FRED ROBINSON // Tennessee

JOHN SACKETT // Wisconsin

RON SMITH // Tennessee

STEPHANIE TEUBNER // Wyoming

JOE THOMAS // Virginia

CAROLINE WILLARD // Texas

SCOTT WOODS // South Carolina

LEADERSHIP

JIM NUSSLE // president/CEO

JILL TOMALIN // chief operating officer

RYAN DONOVAN // chief advocacy officer

GREG MICHIG // chief engagement officer

TODD SPICZENSKI // chief products & services officer

SUBSCRIBE TODAY!

// Call 800-348-3646 // Visit news.cuna.org/subscribe

FROM CHECK SCANNERS TO DOCUMENT SCANNERS **EVERYTHING YOU NEED TO *STREAMLINE PROCESSES***

Meeting financial industry standards, our Canon imageFORMULA check scanners and thermal receipt printer can assist credit unions in all areas of check capture, including back counter, teller, remittance/lockbox and commercial remote deposit capture. And our imageFORMULA document scanners include mobile, desktop, and higher-volume models, to quickly and easily convert paper documents into digital workflows!

FEATURES

- High image quality
- Fast speeds
- Flexible and reliable feeding
- Easy to install and use



For more information,
contact Bob Ladich,
bladich@cusa.canon.com
or visit us online.

usa.canon.com/scanners

Ideas & Inspiration



'IN ORDER TO BE INCLUSIVE, IN ORDER TO BE DIVERSE, YOU HAVE TO TAKE DELIBERATE ACTION.'

Victor Miguel Corro, CEO of Coopera, at the CUNA Roundtable for Board Leadership

'Look for the mess'

Cindy Olson, chief human capital transformation strategist and co-founder of Choice Strategic Alliance, says those who are looking to make a mark on their organization and advance in their careers merely need to “look for the mess.”

“I loved to find an area that was not great and be able to go into it and show improvement,” says Olson, who was the chief human resources officer at Enron from 1999 to 2002.

Taking the initiative to tackle a project that needs attention—and approaching it in a way that hasn’t been considered before—will result in people noticing your drive and the impact your efforts make.

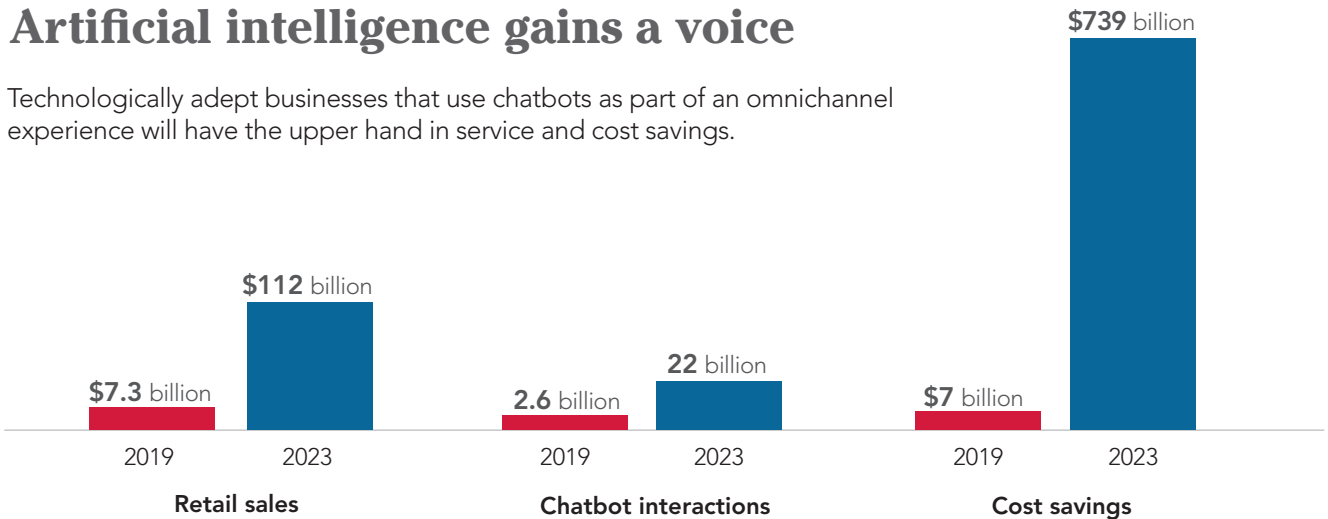
“Go find something to fix,” she says. “Do the thing that somebody else is not willing to do. And then change it and make it better.”



Olson offers more on transformation at news.cuna.org/podcasts

Artificial intelligence gains a voice

Technologically adept businesses that use chatbots as part of an omnichannel experience will have the upper hand in service and cost savings.



Source: Jupiter

5 steps to a first-rate culture

The right culture creates engaged employees, says Michelle Grabicki, senior vice president of corporate culture at \$2.4 billion asset Numerica Credit Union in Spokane Valley, Wash.

“Engagement comes when employees have an emotional commitment and connection to the organization,” says Grabicki, who is second vice chair of the CUNA HR & Organizational Development Council Executive Committee. “Engaged employees are excited and want to do more.”

Grabicki offers five steps to create a great culture:

1 Know who you are. Develop a “core purpose statement” to serve as your focus that will never change.

2 Be who you are. Demonstrate your authenticity and bring your own core purpose to life. Celebrate what makes your credit union stand out.

“Looking for staff is about more than who can do the job,” says Grabicki. “It’s about hiring people who authentically embody your culture, creating a community of employees who share your purpose and vision.”

3 Cultivate innovation and empowerment. Create forums that allow for employee innovation and be transparent with your goals and objectives.

For instance, every Numerica employee has access to the strategic plan as well as metrics that gauge per-

formance—including a monthly scorecard on credit union performance.

Employees also meet monthly with their leader and are empowered to set the agenda and drive the conversation.

4 Communication and transparency. Provide avenues for staff communication.

Numerica holds daily five-minute “huddles” to discuss what’s happening and determine how staff may support each other. It tries to distribute content through engaging media, including a “Good Morning, Numerica” video that shares updates.

The credit union also provides a channel where employees can send questions anonymously to the CEO, who partners with the pertinent subject matter expert.

5 Have fun. Genuinely have fun together as a company.

From employee appreciation events—including carpool karaoke with senior leadership and employee performances—to impromptu dinosaurs roaming the halls, these happenings keep the atmosphere fun and engaging.

“Culture is a strategic advantage,” Grabicki explains. “When you take care of your employees, they take care of members, which strengthens the community.”

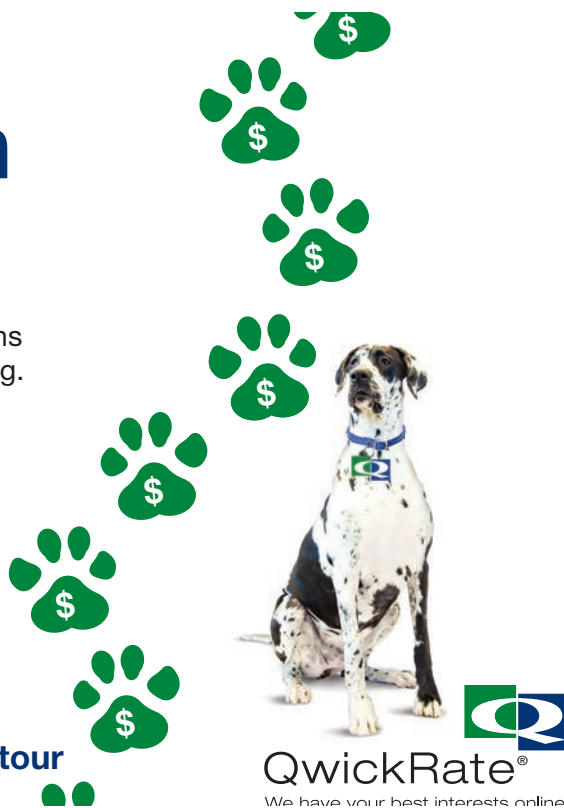
Follow the path to higher yield.

Connect directly with more than 3,000 institutions in the largest online Marketplace for CD investing. Gain more yield on your CDs and enjoy:

- QwickTools™ for a fast, easy process
- Automated accruals and month-end reporting
- No third-party or broker fees
- Exceptional service by chat, phone or email

Schedule a Tour.

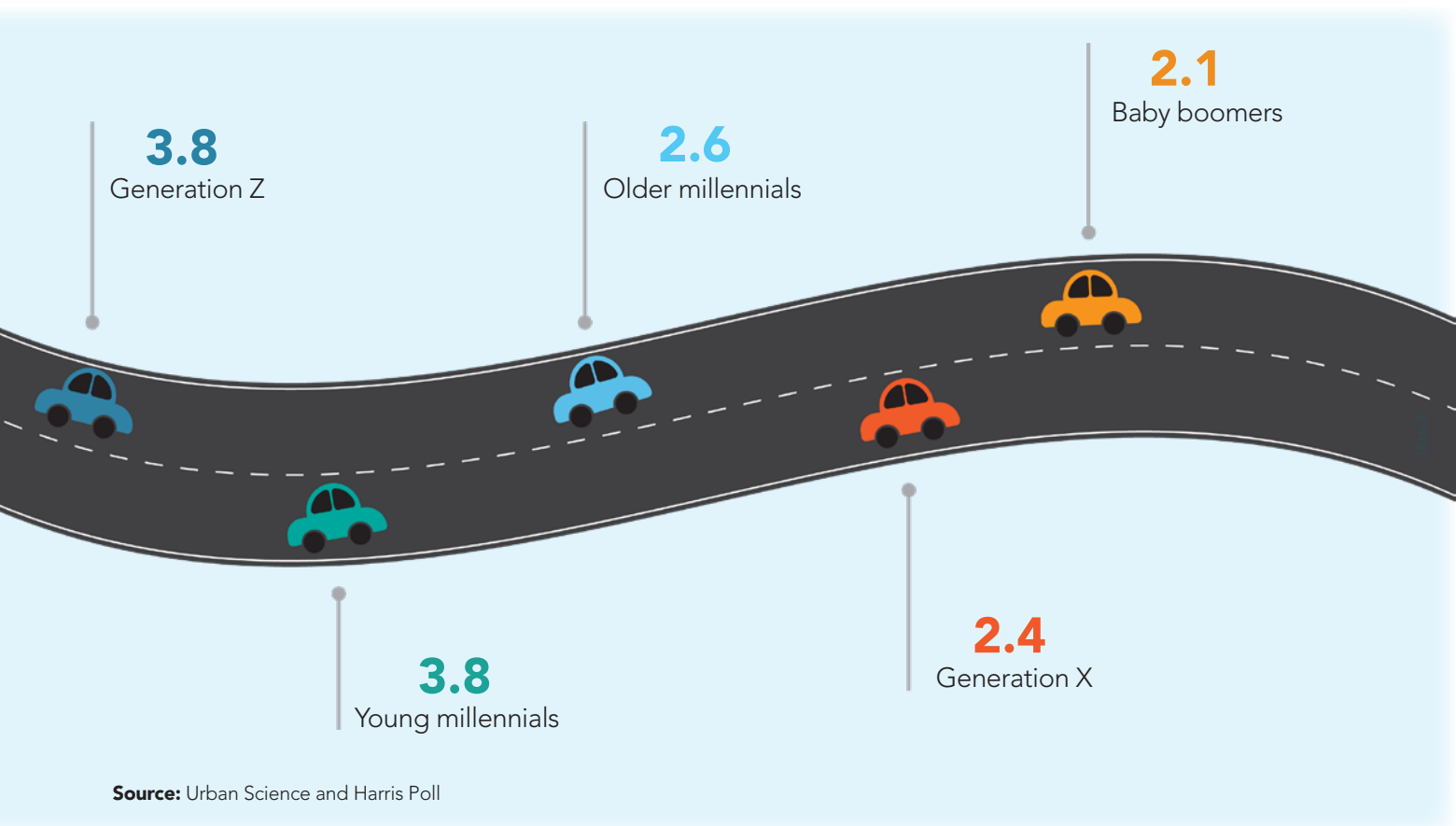
Go to www.qwickrate.com/credituniontour or call 800.285.8626.



Ideas & Inspiration

The test drive

Brick-and-mortar dealerships are still an important part of the car-buying experience. Prepurchase research may happen online, but the feel of the wheel is still important. For example, members of Generation Z visit, on average, nearly four dealerships before making a vehicle purchase, while baby boomers visit just over two.



'THE CEO AND I ARE THE CONNECTORS OF THE ORGANIZATION. HE RUNS THE OPERATIONAL ASPECT OF IT, BUT I WANT TO MAKE SURE THE CEO IS ALWAYS IN THE LOOP.'

Frank Chinn, board chair,
Unitus Community Credit Union,
at the CUNA Roundtable for Board Leadership

BECU survey: Parents aren't talking to kids about money

Research shows that teaching financial education at an early age helps people develop stronger money management habits as adults. However, when it comes to talking with their children about money, BECU's Finance and Parents Survey found that parents simply aren't having those conversations.

BECU in Tukwila, Wash., commissioned a survey of 1,000 U.S. adults to uncover the relationship among parents, children, and finances. It found that:

› **While parents** say they would rather talk about finances than sex with their kids, only 28% are doing so.

› **82% of parents** cite fear as a barrier to talking about finances with kids, but only 42% of parents admit they, themselves, are afraid of having the conversation.

› **Even though respondents** agreed that parents should lead the "money talk" with teens, nearly three in four parents believe that a financial professional is the best resource for teaching their kids.

Despite parents avoiding the conversation, the next generation understands the importance of financial health, the survey found. Forty-four percent of Generation Z respondents (those born between 1995 and 2010) noted "good spending habits" as the most important money lesson, followed by "how to create a budget" and "saving for emergencies."

"Parents often talk with their children about many of life's challenges. Yet, our survey shows they seem to

be neglecting one very important topic: money," says Stacey Black, financial educator at the \$21 billion asset credit union.

"Whether parents are feeling afraid or unprepared, our goal is to help build their confidence with the right resources and advice to start the conversation and help prepare their kids for the financial realities of becoming an adult."



Is Your Asset/Liability Model Leaving You Open To Risk?

Your asset/liability model is crucial to the success of your financial institution and its ability to help customers. Let us conduct a review of your model to evaluate its interest rate risk and assess its accuracy to ensure that it's a reliable resource.

866.440.6515

www.bokfinancial.com/assetliability

 **BOK FINANCIAL**
INSTITUTIONAL ADVISORS

Securities, insurance and advisory services offered by BOK Financial Securities, Inc., member FINRA/SIPC and a subsidiary of BOK Financial Corporation. Some services offered through our affiliate, Institutional Investments, Bank of Oklahoma which operates as a separately identifiable trading department of BOKF, NA. **NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE**

Ideas & Inspiration

Ideas & Inspiration

Be a peacock, not a parrot

Sometimes it's easier to visualize success within a discipline by understanding what not to do, rather than trying to consider all the tasks you're supposed to master.

With that in mind, Frank Kerner, marketing supervisor with \$367 million asset Pelican State Credit Union, offered advice on what to avoid when developing content marketing during "Next Level Commitment Through Content Marketing," a CUNA Councils virtual roundtable.

› **Don't post content for the sake of posting.** When you post content out of obligation, often it will lack passion. Kerner says content should be 10 times better than what consumers can find on Google. When posting, marketers should think of two questions: Can I get this from anywhere? If I didn't post this, would it be missed?

"Post because you have something to say, not because you have to say something," he says.

› **Don't copy others' content.** "Other credit unions, other blogs, and other banks have a different story to tell than yours," Kerner says. "All of your stories are different."

His advice: Don't be a parrot; be a peacock. Parrots talk, but they can only copy what others say. Peacocks show their colors and have unique color combinations.

"Great content isn't found within quotation marks," Kerner says.

› **Don't write what you think others want.**

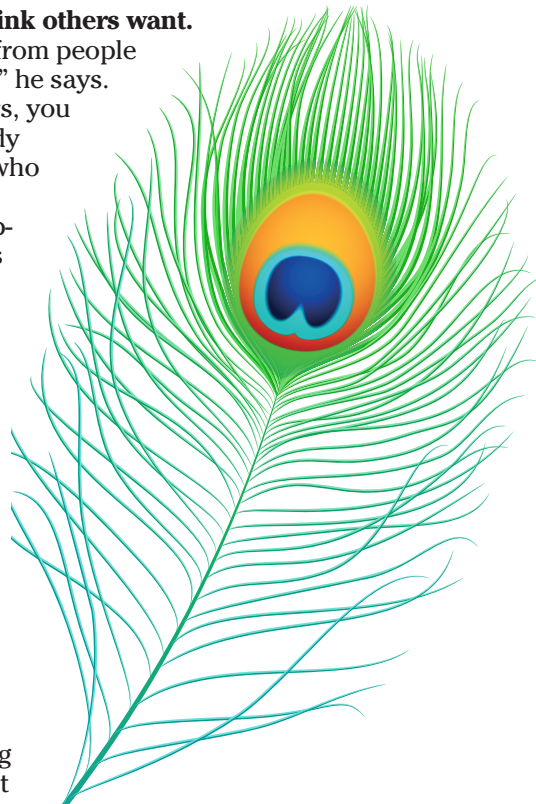
"The best content comes from people who write for themselves," he says.

"When you write for others, you make assumptions. Nobody wants anyone to assume who they are."

He says content developers should ask themselves if they would want to read their own work.

› **Don't sell every chance you get.** Content creators should take time to build trust with their audience. "It took us three years at Pelican before we put ads in our blog posts," Kerner says of the Baton Rouge, La., credit union.

He says the audience must first understand the provider's mission and goals before it will be open to a sales pitch. "Would you buy something from a company you don't trust first?" he says.



Handshakes equal cohesion

Greetings, laughter, and handshakes can tell you a lot about your credit union's culture.

"You want to look for how other people are acknowledging other people in the organization," says Dr. Troy Hall, chief strategy officer for \$1.8 billion asset South Carolina Federal Credit Union in North Charleston. "That's when you know you have a very strong cohesion culture."

A cohesion culture is one where individuals feel like they belong and are valued because they have purpose. It's also an environment where the organization remains committed to employees.

"The framework around the cohesion culture is what's important," says Hall, author of the book "Cohesion Culture: Proven Principles to Retain Your Top Talent."

"Create a sense of belonging, create value, and create commitment where you are first focused on the individual and then on the organization," he says.

A cohesion culture exists when there are meaningful greetings—not just "how are you?"—moments of laughter, handshakes, or high fives between individuals.

"It's that point of acknowledgment," Hall says. "This means individuals are not clinging to their own ideas, but they are actually contributing to the success of others, feeding others' values systems."



Dr. Hall expands on work culture at news.cuna.org/podcasts



Solar loans add shine as new product line

Solar-power loans offer credit unions an eco-friendly product line that fits the economic and lifestyle preferences of a growing segment of the consumer population, according to representatives from two credit unions that offer such products.

“We were looking for a new asset class, a new way to generate business,” says Rich Kump, president/CEO of \$500 million asset UMassFive Federal Credit Union in Hadley, Mass. “There’s not a lot of new products out there on the consumer lending side, so this was a great fit for us.”

Many credit unions make solar loans as a type of home equity product. Consumers can benefit from unique solar program incentives such as rebates and tax credits.

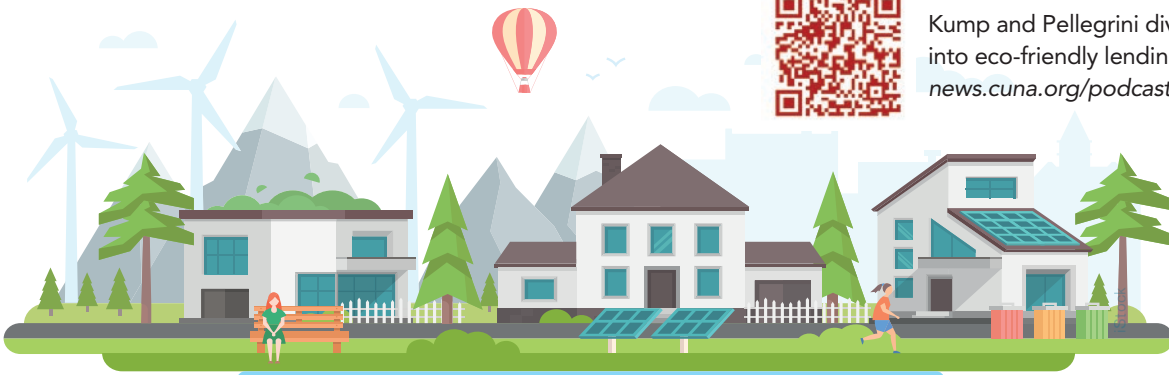
Provident Credit Union, with \$2.6 billion in assets, in Redwood City, Calif., touts its Solar Advantage Loan as a “win-win scenario” for members because it’s the equivalent of prepaying for decades of power. Members can borrow up to \$35,000 and receive a tax credit for their solar system purchase.

Expect a learning curve, advises Kump: “We do a lot of work with installers,” he says. “Understand the dynamics of how solar works, what the regulations are, and how the incentives are applied.”

Adds Scott Pellegrini, associate vice president of consumer lending at Provident Credit Union: “Local installers have called us and asked to be a part of this, and they’ve referred new members to us.”



Kump and Pellegrini dive deeper into eco-friendly lending at news.cuna.org/podcasts



Your Member Satisfaction Is Our Priority

Offering superior vehicle protection across the nation since 1974. We value service excellence, trustworthiness, and quality products.



www.mercuryinsurance.com/mbp

(800) 654-8455

Together, we created enormous momentum in 2019

From shutdown assistance to embracing DEI, credit unions showcased our difference.

At CUNA, our job is to take the credit movement forward. Consequently, we're always thinking about how to take on tomorrow's challenges and opportunities.

But it's also important to reflect on the amazing year we just had.

It really is a fond farewell to 2019. From the beginning of the year, credit unions stepped into the spotlight and showcased our difference.

The federal government shutdown sent hundreds of thousands of workers home with no pay and no end in sight. For weeks, credit unions stood by affected members, extending payment periods, providing 0% loans, and offering financial support with empathy.

While actual shutdown support was likely far greater, a CUNA survey of more than 500 credit unions revealed the known scope of aid we provided:

➤ **More than 79,000 Americans** turned to their credit union for support.

➤ **America's credit unions** provided nearly \$100 million in low- or no-interest loans.

➤ **More than 26,000 members** received loan extensions and other modifications, often with associated fees waived.

From our survey respondents alone, more than 3,000 people joined credit unions for assistance during the shutdown. If we face another shutdown, credit unions will be ready to help.

On the heels of the shutdown,

CUNA translated the buzz surrounding our industry into a strategic messaging campaign aimed at educating and informing every member of Congress about the credit union difference. A part of our CUNA/league 360-degree advocacy approach, the messages focused on our credit union mission and structure, and legislative priorities.

We introduced how credit unions stand apart from all other providers, called for a nationwide data security and privacy standard, promoted nuanced auto-dialer legislation, pushed for a

cannabis banking bill, and explained how credit unions are taxed differently by design.

Our efforts gained important results. We helped usher the first cannabis banking bill through the House with huge bipartisan support. And our fight on field

of membership gained a big win in the arbitration courts.

Our 360-degree advocacy was on full display during the 2019 CUNA Governmental Affairs Conference (GAC), where more than 5,200 credit union people gathered in Washington to hike Capitol Hill, hear from inspiring keynote speakers, and network.

The success from GAC flowed right into the America's Credit Union Conference, where we explored new ways to innovate, inspire, empower, and lead our movement.

This year also saw some momentous firsts. We launched the much-anticipated Open Your Eyes to a Credit Union® cam-

paign in Minnesota in January, and we launched in 13 more states throughout the year. Our fundraising exceeded \$45 million, and new contributors come on board every week.

Plus, the CUNA Board of Directors pushed us to do more in a critical area: diversity, equity, and inclusion (DEI). The board passed a resolution to clearly and prominently establish DEI as a shared credit union cooperative principle ("Making an impact in our communities," p. 20).

But it's about more than just resolutions. This is a big step in our DEI journey, and CUNA will focus on tangible progress in 2020 and beyond.

None of these efforts would be possible without our cooperative superpowers. Coming together, as only credit unions can, we achieve more in a year than most anyone.

While we wave a fond farewell to 2019, we'll take a lot of it with us into 2020. Our advocacy focus will continue to be the credit union difference, and we're planning a fantastic 2020 CUNA GAC in February and World Moving in July, a CUNA/World Council joint conference. Our Awareness Initiative will grow, and DEI will be at the heart of our movement along with our other shared credit union cooperative principles.


I can't wait to see what 2020 has in store.

“
THIS YEAR
SAW SOME
MOMENTOUS
FIRSTS.
”



JIM NUSSLE

President/CEO
Credit Union National Association
jnussle@cuna.coop
202-508-6745

The background of the entire page is a blue-toned illustration of an eagle with its wings spread, perched on a branch. The eagle is rendered in a detailed, woodcut style. In the lower right portion of the eagle's body, there is a circular seal with intricate designs and the text "SAURAMERISE" visible. The background also features a pattern of small white stars on a blue field, particularly in the top left and bottom left corners.

CUNA GAC 2020

FEBRUARY 23-27

CUNA
Governmental
Affairs
Conference

Register at cuna.org/gac



Making an impact in our communities

‘Show your communities you care and you’ll be amazed at the impact you can have.’

We talk about “the credit union difference” all the time. But we know it’s challenging for people in our communities to understand what differentiates us from other institutions.

Fortunately, our shared credit union cooperative principles allow us to serve our communities in unique ways, giving us the opportunity to show people how credit unions are truly different.

The shared credit union cooperative principles are guidelines by which credit unions put our values into practice.

They are:

- › **Diversity**, equity, and inclusion (DEI).
- › **Voluntary** and open membership.
- › **Democratic** member control.
- › **Member** economic participation.
- › **Autonomy** and independence.
- › **Education**, training, and information.

› **Cooperation** among cooperatives.

› **Concern** for community.

These principles help us demonstrate the credit union difference in our communities every day.

As of September, credit unions—through the actions of the CUNA Board of Directors—recognize DEI as a shared credit union cooperative principle.

We made this decision after years of thoughtful discussion about how our movement can better embrace DEI.

We know this is just the beginning, and we are working to encourage actions that will advance our movement.

For example, the CUNA Board approved a recruitment committee to encourage credit union leaders who meet all of our qualifications—including embodying DEI—to run for board seats where

there is no incumbent.

Of course, in the spirit of democratic control, we will continue to support self-nominated candidates as well. This is one action the board is taking to ensure our movement furthers our DEI journey.

Embracing DEI is a key differentiator for credit unions.

Concern for community

Another primary example of how we differ from other financial institutions is through concern for community.

Credit unions support local events and nonprofits as a regular part of our business—not because it’s required but because it’s the right thing to do.

And when disaster strikes, as it has with unfortunate frequency in recent years, credit unions step up by providing disaster loans,



Brett Martinez, far right, talks to the press about how Redwood Credit Union provided relief for people affected by the North Bay fires.

payment deferrals, and other financial assistance to affected members.

We also volunteer in our communities and provide support to local nonprofits.

In addition, credit unions look after each other in times of disaster. CUAid, the National Credit Union Foundation's disaster relief fund, for example, is dedicated specifically to helping credit union people recover from disasters.

During the government shutdown, many credit unions provided direct deposit coverage, advancing funds to government workers to help them get by until their paychecks finally came through.

And during the Great Recession, credit unions worked with members to find creative solutions to their financial challenges, allowing them to keep their cars and homes so they could regain or maintain their financial well-being.

Cooperatives are voluntary organizations, open to all people able to use our services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination. As such, credit unions are willing and able to serve the underserved.

Our focus on people instead of profit means we're uniquely positioned to serve people of modest means who may traditionally be unbanked or underbanked. Credit unions willingly work with mem-

bers to improve their credit, avoid predatory lending practices, and better their financial situation.

Many credit unions offer outreach programs to educate people in underserved neighborhoods, senior centers, youth groups, and nonprofits about financial issues.

Providing our communities with free financial education also aligns with our principles and creates positive money habits which can dramatically change people's lives. Many credit unions host seminars in their branches or

post educational content on their websites or social media channels on important topics such as how credit works, preventing fraud and scams, and preparing for retirement.

'Bite of Reality'

Credit unions have access to many financial education resources. One is the Bite of Reality program, developed by the Richard J. Myles Foundation and funded by the National Credit Union Foundation. It teaches teens how to deal with real-world financial challenges.

Redwood Credit Union, where I'm president/CEO, has offered Bite of Reality events at local schools and youth groups for the past six years. But this year we did something a little different with it.

On Oct. 14—when many financial institutions were closed for the federal holiday—Redwood's entire workforce of 700 employees deployed to nearly 15 high

schools across three counties to help students learn essential money skills through Bite of Reality.

Not only did this day of impact bring vital financial education to 3,000 students as they prepare for adulthood, it also provided a positive and empowering team-building opportunity to energize our staff about making a difference.

Cooperation among cooperatives also makes credit unions unique. By sharing knowledge and best practices with leaders and employees at other credit unions, we strengthen our industry and improve our services.

Few industries embrace the concept of cooperation to the degree credit unions do, and while it might not be readily apparent to our members, it absolutely benefits them. Regardless of your credit union's size, we can all learn from each other.

Credit unions honestly care about the people in our communities, and we want to help. People don't expect that from financial institutions, so they often find it hard to believe.

But that's what makes us unique. Our "people helping people" philosophy is powerful, and we live it every day. Show your communities you care and you'll be amazed at the impact you can have.

Thank you for all you do for your members, your communities, and the credit union movement.

“
**EMBRACING
DEI IS A KEY
DIFFERENTIATOR
FOR CREDIT
UNIONS.**
”



BRETT MARTINEZ
CUNA Board Chair
President/CEO
Redwood Credit Union
bmartinez@redwoodcu.org
707-576-5101



Financing for New Families

After adopting two daughters and realizing how much adoption can cost, Geoff Bullock, the engagement officer for \$1.4 billion asset Firefly Credit Union, played an instrumental role in the creation of an adoption loan.

Life - changing lending

DARLA DERNOVSEK

Alternative lending programs serve members' unmet needs.

A place to live. A child to love. A health need met. A problem solved.

Credit union lenders are finding new ways to reach out to current and prospective members who have crucial needs at a challenging moment. Whether people are coping with an earthquake, adopting a child, or fixing a failing foundation on their home, these loans provide a timely link to the funds they need.

For credit unions and their members alike, these alternative loans offer opportunities to demonstrate the credit union difference.

Finding a place in America

People who come to the U.S. for asylum often leave behind successful careers that would have made them attractive borrowers. Yet, they often lack both the resources to get their first apartment and the credit history required for a loan.

Infinity Federal Credit Union in Westbrook, Maine, offers a no-interest loan for up to \$1,500 to cover rental security deposits so asylum seekers can get their first U.S. apartment. Borrowers have up to 10 months to begin repaying the loans, which have a 12-month repayment period, says Kandy Moreau, chief lending officer at the \$340 million asset credit union.

Infinity FCU made 21 loans in the program's first 15 months.

Its pledge to provide \$100,000 for loan administration is guaranteed by a fund from ProsperityME, a nonprofit organization that asked the credit union to develop the program. ProsperityME provides financial education, which includes conducting the loan eligibility interview and coaching immigrants on how to be good tenants.

Infinity FCU also offers a "Bridge to Citizenship" loan to cover the cost of becoming a citizen, including the \$725 fee that covers the application, biometric screening, legal fees, travel, and other expenses.

The loans help Infinity FCU fulfill its goal of putting its community and its members "in a better place," Moreau says.

"There's no better feeling in the world than going home from your job every day knowing you have

Focus

- **Identify** the financial needs your members have that aren't being met.
- **Look** at available programs to see what existing models you can adapt to meet those needs.
- **Board focus:** Alternative ways to provide loans to meet members' financial needs are opportunities to demonstrate the credit union difference.



Derrick and Amy Andrist used an adoption loan from Firefly Credit Union to adopt their two sons, Edison and Emmett.

helped someone realize their dreams,” she says.

Growing adoptive families

When Geoff Bullock adopted two daughters, now ages 6 and 9, he was surprised to learn the cost of adopting a baby can top \$40,000. He and his wife had to sell their home to pay for the mounting costs.

Bullock, engagement officer for \$1.4 billion asset Firefly Credit Union in Burnsville, Minn., was instrumental in the creation of an adoption loan to bridge the gap between families’ desire to adopt and their ability to pay for it.

While partnering with two adoption agencies, Firefly learned that only one in five families interested in adoption can afford to pursue it.

In response, the credit union created a line of credit that allows families to access funds as they go through the adoption process. The loan has a 6.49% interest rate and no collateral requirements, and requires borrowers to repay 1.5% of their balance each month.

Adoptive families work with Mandi Kohl, the member relationship officer who remains available on holidays and weekends. While Firefly can’t remove all the barriers to adoption, it makes sure financing is not an issue for approved borrowers.

“Sometimes they call and need \$20,000 more because they are picking up the baby in two hours,” Kohl says. “We stop everything else so it happens.”

Seventeen families have used the loan to adopt children.

EXPANDING A FAMILY

Derrick and Amy Andrist were hoping, planning, and waiting to adopt a child. Unique circumstances suddenly made it possible to adopt two sons, born 16 days apart in two separate adoptions—with a total cost of more than \$100,000.

“Firefly Credit Union’s adoption loan made it possible for us to go through the process twice and be the parents of two children,” Amy says. “Having our family means the world to us and we wouldn’t have had it any other way.”

The Andrist family learned about Firefly’s program from another credit union. They quickly applied and received approval.

Mandi Kohl, member relationship officer at the \$1.4 billion asset credit union in Burnsville, Minn., stayed in contact to help them draw funds from the loan as they traveled out of state over a holiday to meet their sons.

The Andrist family views using a Firefly loan to adopt Edison and Emmett as “the best avenue for so many people to grow their families,” Amy says.

“It’s worth all the happiness and struggles.”

“It’s remarkable to think we can help members grow their families because we helped them get a loan,” Bullock says.

Understanding the aftershocks

Back-to-back earthquakes on July 4-5, 2019, damaged homes and businesses in the eastern Mojave Desert in California. Leaders at Desert Valleys Federal Credit Union in Ridgecrest, Calif., knew its 4,400 members needed help sooner than outside agencies could respond.

Many members live in mobile or manufactured homes, which were more likely to be severely damaged. China Lake Naval Air Weapons Station was closed due to \$5 billion in damage, cutting into the community’s income.

“The first problem after an emergency like this is, you have \$2.22 in your checking account, you’re waiting for your next payday, and you’re asking yourself, ‘What do I do?’” says Eric Bruen, president/CEO at the \$41 million asset credit union.

On July 6, Bruen and Desert Valleys Federal’s board created the Earthquake Loan Program to offer a \$1,000 loan with a 5% interest rate and a 90-day term.

“The idea was to get money into residents’ hands so they could put a deposit on an apartment, get a hotel room, replace the prescriptions they lost, or buy baby formula,” Bruen says. “We used basic scoring criteria and liberal debt-ratio criteria, and focused on getting loans out.”

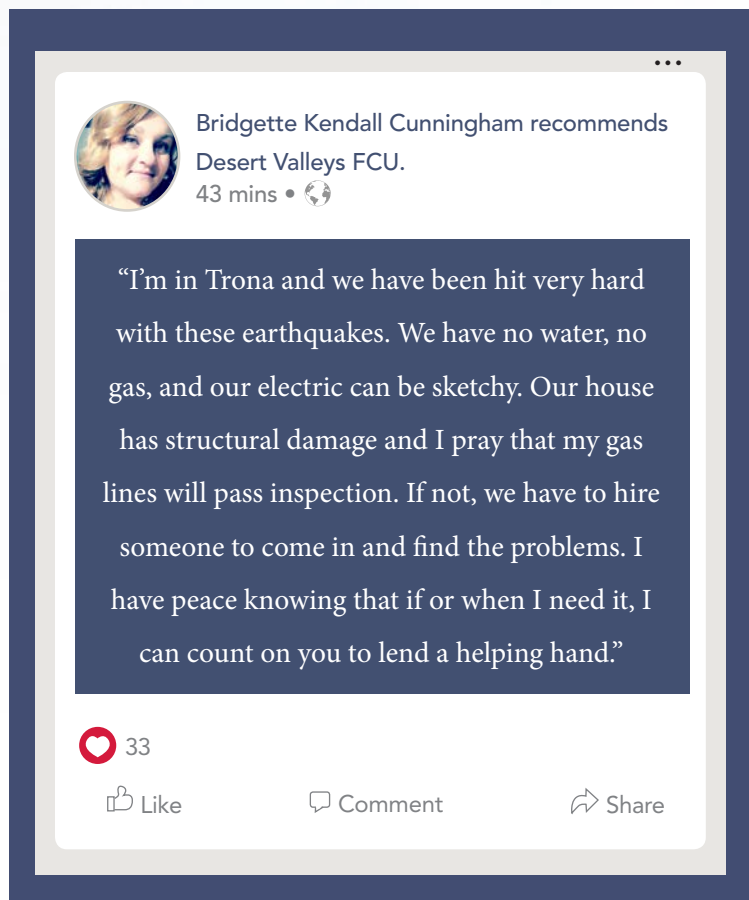
The credit union issued 81 loans for \$81,000 in five days. Desert Valleys Federal’s mobile disaster branch also delivered water, food, and toiletries to the community of Trona, which was hit hard by the earthquakes. The Desert Valleys Employees Foundation made grants of \$500 to \$1,500—funded by \$75,000 in credit union donations—to assist members with repairs.

Bruen believes the credit union’s quick response calmed the community, which experienced more than 80,000 aftershocks in 30 days. More than 40 people



“It gives members and prospects a way to handle expected and unexpected expenses.”

STEPHEN BASCOURT



used social media to offer praise and say “thanks.”

“These types of loans, these specific moments, make the credit union difference stand out,” Bruen says.

Point-of-sale lending

Credit unions are moving lending to the point of sale for dental care, vehicle repair, home renovations, and other needs.

Mountain America Credit Union in Sandy, Utah, has offered “lifestyle lending” since 2004 to help members meet unexpected costs and make lifestyle purchases. It has used OnSpot Financing from CU Direct since 2013.

“It gives members and prospects a way to handle expected and unexpected expenses and to get instant and competitive loans from a local institution they can trust,” says Stephen Bascourt, lifestyle lending manager at the \$9 billion asset credit union.

Lifestyle lending accounts for about 10% of the credit union’s loan portfolio, with 75% of loans going to new members.

OnSpot Financing benefits both the businesses that offer the point-of-sale loan and the borrowers. Mountain America offers 0% interest rates for some small loans and competitive rates on other lifestyle loans.

Businesses pay a set fee for each loan and receive funds in one to two days so they can quickly begin

Alternative lending



“We want to be part of the change all around us.”

TRACY R. LARSON

providing services.

“It is shocking to hear how much money we save the businesses just by financing through us rather than a

larger, conventional alternative,” Bascourt says.

Changing with members

Indirect lending at merchant locations through OnSpot Financing allows Centris Federal Credit Union in Omaha, Neb., to stay relevant to current and prospective members, says Tracy R. Larson, vice president of merchant lending.

“We’re always looking for ways to understand or identify what our community needs,” Larson says. “We want to be part of the change all around us.”

The \$774 million asset credit union began offering OnSpot Financing in 2015 because it’s a convenient, competitive, and digital way to serve untapped markets.

Most business partners offer home repair or renovation services, with its largest partner providing foundation and concrete repair. Centris Federal offers

RESTRUCTURING MORE THAN \$150,000 IN DEBT

When an applicant fails to qualify for OnSpot Financing from Centris Federal Credit Union in Omaha, Neb., Tracy R. Larson, vice president of merchant lending at the \$774 million asset credit union, reaches out to learn why.

One applicant, for example, asked for a \$10,000 loan for home repairs but failed to qualify. After Larson called to learn more, Centris Federal restructured more than \$150,000 in debt for the member, saving him \$500 a month in payments and thousands in interest. The new loan also covered the home repairs.

“This is a win for everybody,” Larson explains. “The member understands his credit better and is saving money. The credit union has more than \$150,000 in loans. And we still took care of the merchant.”



a term loan product for up to 72 months.

Because the credit union processes loan applications around the clock, businesses can operate without being limited by Centris Federal's business hours.

"This program is great for home repair contractors because the decisioning is so quick," Larson says. "It's easy for them to explain to their customers. Their customers know our name and there's a comfort level that comes with that."

Centris Federal is acutely aware that business partners represent the credit union, so it finds partners that combine a positive reputation with ethical business practices. Larson says it's exciting to watch small-business members use the program to grow.

"This technology gives us the ability to evolve with what we see our competitors doing," Larson says.

Serving doctors, dentists, and fellows

Offering loans that resonate with health care audiences, including doctors, dentists, technicians, and research trainees, allows NIH Federal Credit Union in Washington, D.C., to serve members in a highly contested marketplace. The \$660 million asset credit union serves employees of the National Institutes of Health (NIH) and the health care community in the nation's capital and the mid-Atlantic region.

Miglena G. Doncheva, vice president of lending, says the student loan refinancing program allows doctors and dentists to refinance student loans up to \$250,000 with terms up to 15 years with no prepayment penalty. Nurses and other health professionals can refinance up to \$125,000.

"When we see a need, we see an opportunity to help."

MIGLENA DONCHEVA

NIH Federal currently has student loan balances of \$6.7 million.

It also offers the Fellows Advantage Program for international trainees, known as "fellows." These professionals are scientists, researchers, or highly skilled workers conducting health-related research at NIH facilities. Fellows have time-limited, renewable appointments.

"Many, if not most, of these trainees come to the U.S. without a credit history, making it challenging to support their financial needs while here," Doncheva says.

The Fellows Advantage Program offers unique terms for mortgages, personal loans, credit cards, and auto loans. NIH Federal has granted more than \$9 million in mortgages to fellows so far.

Members guide the product development, Doncheva

ANSWERED PRAYERS

Despite a successful career in her native Rwanda, Claudine Mukarurangwa struggled to find funding for a security deposit so she could get her first apartment in Maine.

"I was a businesswoman for 15 years before I came to the U.S.," she says. "As a Christian, I prayed for God to put me in touch with people who would guide me."

Mukarurangwa used \$340 million asset Infinity Federal Credit Union's no-interest loan to pay her security deposit for an apartment. Today, she makes it her mission to tell other asylum seekers about the credit union in Westbrook, Maine.



says. The credit union collects information through surveys and feedback from employees and staff.

Consistent two-way communication with designated leaders at NIH helped the credit union develop the Fellows Advantage Program, which continues to grow through member referrals.

"When we see a need, we see an opportunity to help," Doncheva says. "We think how we can best address the need at the lowest possible cost for the member. The alternative products result from the specific needs of our members."

Resources

- › CUNA: cuna.org/lending
- › CUNA Lending Council: cunacouncils.org
- › CU Direct: cudirect.com



Doug Olson: We've become a lot more sophisticated and our operations are a lot more complex. From a governance standpoint, a lot of it is education. The CEO and I sit down a couple of times a year and set a schedule for topics we want the board educated on at meetings, and then we bring in speakers. It allows the board to be knowledgeable as they're overseeing the operation of the credit union.

We operate at 20,000 to 40,000 feet. None of the board members are counting [teller] drawers like they did 50 years ago. It's about policy governance and ensuring the management team is operating within those policies.

All our board members sit in on exam exit inter-

views and rotate through the audit committee. They're not hands-on, but they're knowledgeable in a lot of areas.

continued >

Focus

- > **Boards** are placing an emphasis on diversity.
- > **Financial health and growth** are among the top challenges boards face.
- > **Board focus:** Continue to learn and ask questions in the boardroom.

Kim Phelps: You must have an educated board. We meet, at minimum, once a month, and we usually have a half-day strategy session in the fall. That's when we get an update about items of a regulatory nature that are being discussed—even though they may not have been enacted yet.

A lot of it has to do with education and being alert. If information comes from someone on staff, such as a compliance person, we certainly pay attention. Members are counting on us to stay informed and stay ahead of the curve.

Q: What big issues are you paying attention to?

Annie Miller: The financial health of the credit union is No. 1, but we also have a lot of fun in terms of being innovative. We don't jump on the latest fad, but we offer products, services, and technologies I don't think many smaller credit unions offer.

For example, we just went through a branch refresh and it reminds me of walking into an Apple Store. We got rid of the giant teller wall, and we have pods. It's fun being part of an innovative, for-

5 TRENDS TO WATCH

Jeff Rendel, president of Rising Above Enterprises, says credit union boards should pay attention to these trends:

- 1 | Opportunities exist**
There are plenty of chances for credit unions to grow. Today, relationships with members typically start with a loan. Get them into a loan and then other products and services. "It's a big market and the needle moves slow, so chip away at it," Rendel says. "Remember, it's one member at a time; one relationship at a time."
- 2 | Disrupters**
New entrants to the financial services market have a new business model, one that reflects consumers' changing expectations. For example, while it used to be common for financial institutions to offer dozens of products, many now offer 10 to 20. Plus, the percentage of transactions taking place in a branch has declined and consumers are expecting more personalized marketing efforts, Rendel says.
- 3 | The digital credit union**
In the past, the hub of the credit union was the branch. But that's no longer the case. "The hub is now the digital device," Rendel says. "The branch isn't going away, but it looks much different. Members still expect some kind of physical presence."
- 4 | Small businesses**
The U.S. has 28 million small businesses, the vast majority of which don't require multimillion-dollar lines of credit and could benefit from the financial services credit unions provide. Small businesses look for several factors in a financial institution, such as a solutions mindset, face-to-face service, flexibility, long-term relationships focused on growth, and rates and service—all of which are credit union traits, Rendel says.
- 5 | Board focus**
The board is shifting its focus to strategy and succession. Develop a succession plan, not only to replace the current CEO but to develop potential leaders. Invest time on strategy and ensuring you have the correct strategic plan in place for your credit union and its goals.

ward-thinking little credit union.

Doug Olson: What keeps me awake at night are things like security breaches. Everybody worries about those and you do everything you can to prevent them, but you still can get attacked.

On the state level, the biggest topic that keeps us up at night is the number of states—and Iowa came very close—trying to tax credit unions. If that happens in one state, it'll be a house of cards and that won't be good for the industry.

On the positive side, issues for us include what banking will look like in five or 10 years, and where we should put our resources. What will the business look like, how do we stay relevant, and what needs do younger people have and how will they view banking?

Kim Phelps: When you have a confined field of membership as we do, it's hard to continue on an upward growth path. We serve a university campus in Kearney, a smaller town about 120 miles west. We just opened a branch there with the idea that we're going to be able to grow within our field-of-membership constraints. That's always No. 1 in our minds: How do we continue to serve the existing members and at the same time think about what other fields we should try to harvest.

How do you serve the membership? A lot of it is determined by demographics. Who is in your membership and what appeals to them? We try to find that sweet spot where the membership will be best served.

Everyone is worried about cybersecurity, but we also discuss physical security because of the nature of society today. The mobile platform doesn't seem to slow down, and neither does the amount of change and technology that's available. How will we serve members who are accustomed to doing practically everything online? That's the next step, and it's a question mark as to whether you need as much of a physical presence, brick and mortar, when the competition is mobile.

Q: How does your board address diversity?

Annie Miller: We are probably one of the most diverse boards I've seen in terms of age and ethnicity, and we're working toward diversity in career and background.

For the past couple of years we've had a junior, nonvoting board member who's typically a high school student who comes to meetings, participates, and gives us feedback.



It's fun being part of an innovative, forward-thinking little credit union.

ANNIE MILLER

We're very intentional. Our CEO, Linda White, acts with surgical precision in terms of finding board members with different backgrounds and different experiences to give us a more complete view of our membership.

Doug Olson: Diversity means a lot of things: getting young people, men, women, and people of color on the board.

We're working on diversifying age and gender on the board. Our nominating committee doesn't necessarily go out looking for people to challenge the current board members. We generally always have contested elections, which is a little unusual for credit unions.

We look at diversity in backgrounds, knowledge, education, and experience.

Kim Phelps: We do our best to diversify through our nomination committee. It's made up of people in senior management roles who have relationships with some ethnic groups that many people don't have.

We also have term limits. A board member can serve three, two-year terms and then they must leave the board. We have tackled diversity with mandatory turnover of board members and the nominating committee with its broader periscope when it comes to the availability of diverse board candidates. And we work extra hard to make sure we're balanced gender-wise.

Q: What challenges is your board facing?

Annie Miller: We have a problem that might be a



We look at diversity in backgrounds, knowledge, education, and experience.

DOUG OLSON

little different than in other parts of the country. It's very difficult for anyone—myself included—to be a first-time homeowner in the Bay Area. So we don't do a ton of first mortgages. As a result, we're always watching our loan portfolio. That's our biggest challenge.

Regulation is another challenge. Philosophically, I believe in the massive banks being regulated, but in the day-to-day operations of a small institution, the regulatory burden is tough. That's a reality for any credit union, especially one of our size.

Doug Olson: A large part of our strategic planning is scenario planning. We use a quadrant matrix of low-risk, low-benefit, high-risk, and high-benefit scenarios. We'll run a scenario to find out what it will look like, the impacts on the credit union, and how we would handle it. This process helps us prepare for certain scenarios instead of saying, "oh shoot, now what do we do?"

Kim Phelps: Our membership is graying. That means their needs for services are much more tuned into the deposit and investment side and not as much on the loan side.

Our loan-to-share ratio is around 52% right now. That's the problem when you're trying to appeal to a membership that is less dependent on borrowing money. There's no easy way out of that.

We're trying to grow the loan-to-share ratio in a responsible way that won't endanger the existing members and not be excessively risky.

We also struggle a little with our net-worth ratio. It has done very well since the financial crisis subsided, but then there's the problem of how much capital

should we have.

Those items are somewhat related. The board needs to make the call and be good representatives of the membership. You have to look at what's in members' long-term interests and make certain we serve them in the way they've been accustomed.

Q: What advice would you offer new board members?

Annie Miller: To be a good board member, you must be committed. You have to show up. You have to ask questions. You have to find something in the governance of the credit union that you're interested in. You don't have to be everything to everyone. You just need to have the basic understanding of [financials] and what to look out for when they're turning in another direction.

Doug Olson: If they think they're coming to one board meeting a month for an hour-and-a-half and they're going to read the board packet when they get there, they're sadly mistaken. It's a ton of time for a volunteer to commit, and that's the hardest part, especially with attracting young people. We don't try to scare them off, but we try to make them aware of what's involved.

Kim Phelps: Don't be shy, ask questions, and make certain the answers you're getting are consistent based on your practices.

Being a board member, conceptually, is not much different than managing a four- or five-member household. You have to balance the books. You can't write checks for which there aren't any funds. How do you translate the experience you already have and put it into an organization that's there for the benefit of all members?

That's why I tell people when they start: "Don't be bashful." Find out why we do things the way we do. You've got to ask questions because you're probably not the only one on the board who would be very interested in knowing what the answers are. You're the mouthpiece for a lot of other people.

Resources

- CUNA board and committee resources: cuna.org/board
- CUNA Credit Union Board of Directors Conference, Jan. 19-22, 2020, San Jose del Cabo, Mexico: cuna.org/cvc
- CUNA Environmental Scan: cuna.org/escan
- Credit Union Directors Newsletter: cuna.org/directors

Credit Union MAGAZINE

Nominate your **CREDIT UNION HERO**

Help us honor leaders in the credit union community

Each year, *Credit Union Magazine* honors unsung professionals who devote their talent to shaping a brighter future for members and their community. Nominate your Credit Union Hero to give them the recognition they deserve.

What makes a Credit Union Hero? Qualified individuals:

- // Are credit union system employees or volunteers
- // Are working or retired
- // Go above and beyond to promote credit union philosophy
- // Take a stand or demonstrate a strong belief in credit union philosophy
- // Show dedication to credit union principles
- // Make a difference in their community

Share how your Credit Union Hero has made a difference. Submit your nominations at news.cuna.org/nominatehero

Compliance meets technology

LUCY HARR

Union in Santa Ana, Calif. As member-owned, not-for-profit financial cooperatives, credit unions pride themselves on doing what's right for members, he adds.

"My credit union takes this mantra seriously," Diaz says. "It's embedded in our DNA, and it's truly our brand differentiator. However, as a result of that member-centric philosophy, credit unions can easily forget that we are, in most instances, held to the same regulatory and legal standards as banks and other financial institutions."

"Compliance can be burdensome, but it's all in how you manage it," adds Lisa Williamson, risk mitigation manager and compliance officer at \$513 million asset Bayer Heritage Federal Credit Union in Proctor, W.Va. "Tools are available to assist you."

Meeting the challenge

Williamson says her biggest compliance challenge is managing all of its different facets.

"You not only need to ensure your policies comply with regulations, but that you also tie procedures back to your policies and complete risk assessments," she says. "You need risk assessments for everything."

Diaz says the uncertainty of the regulatory landscape proves challenging. SchoolsFirst Federal, for example, is subject to the California Consumer Privacy Act, which has stringent data privacy rules.

"Although the law is slated to go into effect on Jan. 1, 2020, as of fourth quarter 2019 we still do not have implementing regulations from the attorney

general," he says. "This is a compliance officer's worst nightmare."

The same holds true for the Unfair, Deceptive, or Abusive Acts or Practices standard required by the Dodd-Frank Act, Diaz adds. "Other than through enforcement, the CFPB has never truly defined its rule."

Ihrig suggests creating a culture of compliance from which you build your compliance program "because more compliance requirements are likely coming."

Doing so involves conducting a compliance risk assessment that examines:

- › **Compliance** and ethical procedures and standards.
- › **Board** and senior management program oversight and governance.
- › **Communication** and training.
- › **Monitoring** and testing procedures, including mis-

Focus

- › **Regulatory burden** has made compliance an increasingly difficult and time-consuming responsibility.
- › **Compliance management systems** greatly enhance credit unions' ability to meet compliance requirements.
- › **Board focus:** Reconcile the board's and management's risk appetites to achieve focus.

conduct reporting processes.

› **Compliance incentives**, enforcement, and disciplinary processes.

› **Responsiveness** to misconduct.

Diaz warns against complacency. Just because your credit union is small or has never incurred regulatory penalties doesn't mean that it can't happen.

"Many, if not most, consumer protection regulations have a 'private cause of action' as a remedy," he says. "This means you could be sued for a violation, either by an individual plaintiff or as a class action."

"Check your management and professional liability insurance policy," Diaz continues. "You may be surprised to learn some policies exclude coverage for certain 'high-dollar' items such as collections practices under the Fair Debt Collection Practices Act. It only takes one member to initiate a significant financial and reputational liability."

He cites the cases of some credit unions receiving fines from the U.S. Department of Justice for repossessing vehicles without properly following the procedures of the Servicemembers Civil Relief Act.

WHAT'S A COMPLIANCE MANAGEMENT SYSTEM?

A content management system, according to CUNA Chief Compliance Officer Jared Ihrig, is how an entity:

› **Establishes** its compliance responsibilities by determining the regulatory requirements applicable to its business operations.

› **Communicates** those responsibilities to employees.

› **Ensures** the organization incorporates responsibilities for meeting legal requirements and internal policies into business processes.

› **Reviews** operations to ensure credit unions carry out their responsibilities and meet their legal requirements.

› **Takes** corrective action.

› **Updates** tools, systems, training, and materials as necessary.

“
You need
risk assess-
ments for
everything.”

LISA WILLIAMSON



"In one instance, it started with a single phone call to a hotline from the spouse of an actively deployed servicemember whose car had been repossessed," Diaz says. "Bottom line: Don't get lulled into a false sense of security."

Ihrig says there's a common misconception the Military Lending Act applies only to credit unions with a significant number of active-duty servicemembers in their field of membership. "If your credit union extends consumer credit to a covered borrower for a covered loan, you have to comply with the act's provisions," he says.

Fortunately, technology is available to offer a helping hand with these issues.

Beyond the spreadsheet

Keeping up with compliance challenges now requires an assist from technology.

"It amazes me how much dependence credit unions have placed on spreadsheets and manual processes," Diaz says. "This was the norm until just a few years ago. Many effective risk management software platforms are on the market that can be scaled up or down depending on the complexity of a credit union's operations and risk tolerance."

SchoolsFirst Federal employs several platforms to manage risk—from compliance to operations to member complaints. "It's difficult to pass muster with your regulator without having a robust, software-based compliance management system," Diaz says. "Examiners frown on manual processes and single points of failure."

Ihrig notes there's been a shift in the supervision process. "It's become more principle-based and less prescriptive," he says. "But with this enhanced flexibility comes more attention to how your credit union is mitigating risk."

SchoolsFirst Federal addresses compliance issues with a robust compliance management system (CMS) that takes a 360-degree approach to managing all areas of risk, Diaz says. "We have compliance involvement

at all levels through both board and management risk committees. That approach has proven to be successful for us.”

Plus, addressing compliance during the idea phase of products and services prevents surprises and extra work on the back-end, he adds.

Bayer Heritage Federal uses a CMS to stay current with compliance changes and track audit and exam issues, Williamson says.

“I get email alerts when changes are on the horizon, and the CMS allows me to plan for change through a workflow process,” she says. “I can assign tasks to others, organize the change process, create training, and perform risk assessments (“What’s a compliance management system?” p. 36).

“This allows me to see where we are in the process and what we still need to complete,” Williamson continues. “I can set up a timeline and get email reminders when items are coming due. The biggest benefit to me is peace of mind. I can see where I am and that I am making progress.

“It’s easy to get overwhelmed with compliance. It’s easy to get burned out. You need to know the little pieces are adding up to big results.”

Diaz recommends investing sufficient time in setting up the CMS to maximize its capacity and benefits right out of the gate. “Not doing so is tantamount to not reading the owner’s manual on your new car with its state-of-the-art technology—you’re not maximizing the value of what you are paying for.”

Once you understand the capabilities, use the system daily and work out of it, Williamson adds. “Utilization will bring a comfort level that you are on top of issues and are moving in the right direction.”

A good CMS automatically tracks regulatory implementations and the status of new rules and regulations, Diaz says. “Ideally, it’s set up to send automated milestone emails to relevant stakeholders at appropriate intervals.”

This is something credit unions can do internally, but using a third-party platform does have its advan-

“

The **CEO**
must be fully
engaged.”

JARED IHRIG



5 COMPLIANCE TRUTHS

CUNA Chief Compliance Officer Jared Ihrig offers five compliance truths:

- 1. The CEO** can’t sit on the sidelines—full engagement is required.
- 2. While people** don’t like to talk about risks or compliance, the more you do so the better prepared you are.
- 3. The board and management** may have differing risk appetites. Reconcile them to achieve focus.
- 4. Documentation** is critical, but so is execution.
- 5. Implemented correctly**, a good compliance framework can result in faster and better decisions.

tages, he adds. “You can greatly increase efficiencies in your compliance area by incorporating vendor-provided executive summaries for regulatory changes, eliminating the need to spend time creating them in-house.”

Mind the gap

Whether combined into one platform or a separate system, you also need to track, manage, and address member complaints, Diaz advises.

“The CMS is an excellent channel for identifying regulatory gaps that may not have been found for months, if not years, using a standard regulatory review process,” he says. “For this reason, examiners are focusing on the member complaint piece and drilling into how this is managed in the credit union.

“The most important part of a successful compliance program is to obtain buy-in at all levels of the organization,” Diaz continues. “It’s easy to say ‘yes, of course we believe in being compliant.’ But the challenges arise where the rubber meets the road. When you have a disagreement with a business area as to whether a practice is permissible, is there an escalation process to determine risk acceptance? Are you empowered to take the matter to your risk or compliance committee for discussion? Is there a formal process for all of this to happen?”

If the answers to those questions are “no,” your

credit union is exposing itself to risk that may not be commensurate with the board's risk tolerance, Diaz says. "Compliance officers need to walk a fine line between member service and risk mitigation, but it's achievable with proper buy-in at the top."

Ihrig concurs. "The CEO must be fully engaged," he says. "There's no sitting on the sidelines."

Need help?

Williamson turns to CUNA's resources to stay at the top of her compliance game. "CUNA is a great supporter of compliance professionals through its community, blogs, trainings, schools, conferences, and other tools," she says. "CUNA's knowledgeable professionals are able to assist when needed."

Williamson recommends reaching out for assistance and signing up for CUNA's Compliance Community, noting "if you are new to compliance, CUNA offers a mentoring program."

In the coming months, CUNA will bring a compre-

hensive compliance solution to market to help credit unions manage regulatory change. This solution will be built on technology by Quantivate, a best-in-class provider of governance, risk, and compliance software.

Ten credit unions completed beta testing for the solution this fall, including SchoolsFirst Federal and Bayer Heritage.

"I'm impressed with the solution," Diaz says. "I've had good experiences with the content and the intuitive nature of the software."

Resources

- › CUNA compliance resources: cuna.org/compliance
- › CUNA Governance, Risk Management & Compliance Leadership Conference: cuna.org/grc

There's support. And then there's Midwest support.

Mortgage loan servicing is vital to your member satisfaction – and brand. That's why credit unions and CUSOs turn to us for private label subservicing. As lending partners, we work with you as one, providing industry-leading technology, seamless compliance, highly competitive pricing and friendly, responsive service. Together, we create Members for Life®.

Call 800.229.5417, and let's get started.



midwestloanservices.com

NMLS #715685



CUNA NEWS

The credit union industry is always on the move. We're here to tell your stories.

Make CUNA News your go-to resource for credit union news and information.

Get updates on:

- Credit union advocacy
- Strategies for growth
- Onsite coverage from industry events
- And so much more

Connect with us:



Opt-in to CUNA News: The Daily and Web Exclusives



Visit cuna.org/news



Follow @CUNA_News & @cumagazine



Subscribe to the CUNA News Podcast



Be ready for a general slowdown in loan demand as economic conditions deteriorate and consumer confidence falls.

From 2014 to 2018, credit unions experienced average annual loan growth of 10.1%—the fastest five-year period since the mid-1990s and well above the long-run average of 7.5%.

Yet, this rapid expansion was atypical and due to several transitory factors, including extremely low interest rates, fast job growth, and a swell of pent-up demand left over from the Great Recession.

Now, certain signs indicate economic conditions are weakening and credit union loan growth is slowing. As of June 2019, credit union loan balances grew

just 6.6% year over year—well below last year’s annual rate of 8.9% and the slowest midyear figure since 2013.

Driving this downward trend: A steep decline in auto loans and first mortgages. Nonetheless, lower interest rates and confident consumers have helped boost unsecured loans and second mortgages.

Nearly 50% of economists expect a recession by the end of 2020, according to a survey by *The Wall Street Journal*, and more than 80% expect a recession by the end of 2021. Whether a textbook recession, in fact, occurs, credit unions should be ready for a general

slowdown in loan demand, as economic conditions deteriorate and consumer confidence falls.

Housing market

Roughly half of credit union loan portfolios consist of mortgages, including 40% from first mortgages. So what occurs in the housing market significantly affects credit unions.

Many in the credit union movement recall the challenges of the Great Recession, when in 2010—shortly after the housing bubble burst—second mortgages outstanding fell 12.4% and first mortgages grew just 2.7%. This led to overall credit union loan growth of just 0.6% for the year.

Today, the housing market has largely recovered. But housing prices are rising much faster than inflation, making the average home unaffordable for many segments of the population.

According to the National Association of Realtors, the median price of an existing single-family home increased from \$235,500 in 2016 to \$279,600 as of June 2019, and many millennials saddled with record student loan debt are forced to delay purchasing their first home.

Coupled with uncertainty regarding economic conditions and lower consumer confidence, credit union first mortgages grew just 2.6% during the first six months of 2019, the slowest midyear pace since 2011.

Still, the average 30-year fixed mortgage rate has fallen from a recent high of 4.9% in November 2018 to just 3.6% as of September 2019 which, combined with higher home values, has given second mortgages a boost.

Credit union home equity lines of credit and second mortgages have grown 7.7% over the past year as of June 2019, the fastest pace since 2007.

Auto loans

While auto loans make up a considerably smaller proportion of credit union loan portfolios (about one-third of existing loan balances), roughly 40% of the growth in credit union loan portfolios over the past five years has been due to auto lending.

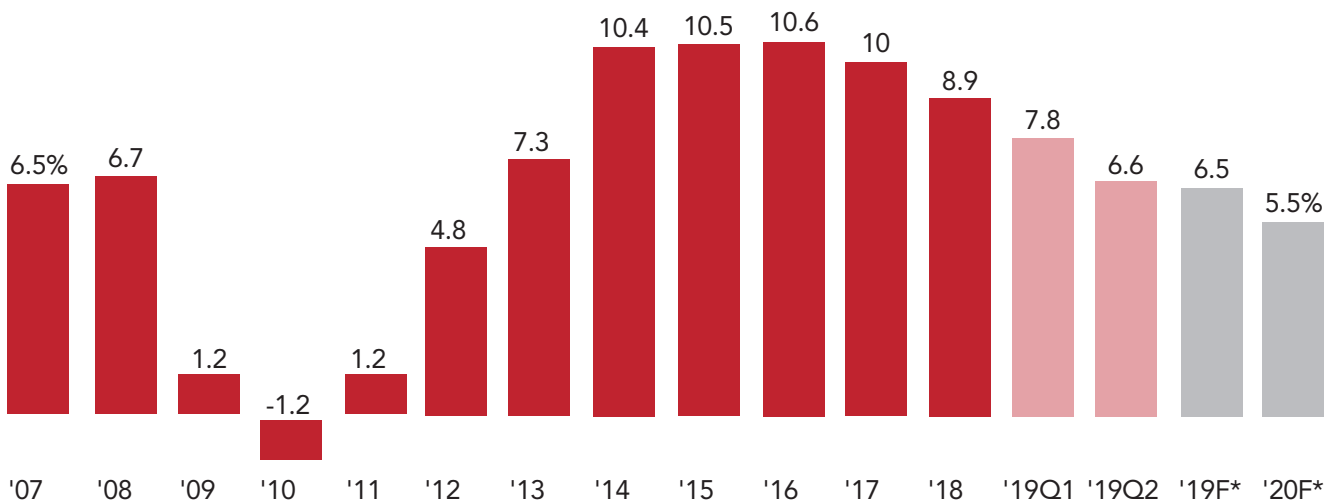
In fact, since 2012, credit unions have experienced six straight years of double-digit auto loan growth.

But the slowdown in auto lending has been partic-

“
THE SLOWDOWN IN AUTO LENDING HAS BEEN PARTICULARLY DRAMATIC.
”

Annual loan growth and forecast

12-month credit union loan growth



*Forecast

Sources: CUNA and NCUA

ularly dramatic: As of June 2019, auto loans had risen just 1.1% for the year, well below the 5.8% figure at this point last year. Used-auto loans rose 2.7%, but new-auto loans declined 1.3%.

Year-over-year, auto loans are up just 5.3% and are on pace for the slowest year of growth since 2011. This trend reflects a general slowdown in auto sales, which have been flat since early 2016—growing just 0.45% in 2018.

Because consumers finance most new-vehicle purchases, auto sales are a good indicator of whether they're confident enough to take out a five-, six- or seven-year loan.

According to this data, consumer confidence may be waning.

Unsecured loans

Besides mortgages and auto loans—which together make up about 85% of credit union loan portfolios—another 10% or so consists of credit card debt and other unsecured loans.

At the 2019 midyear mark, these loan categories had grown slightly faster than last year. Credit cards grew 7.7% over the past 12 months versus 7.5% in 2018, and other unsecured debt rose 8.3% versus 6.9% last year.

On one hand, this indicates consumers remain confident and continue to spend. But it also could signal that borrowers face liquidity challenges and are spending beyond their means.

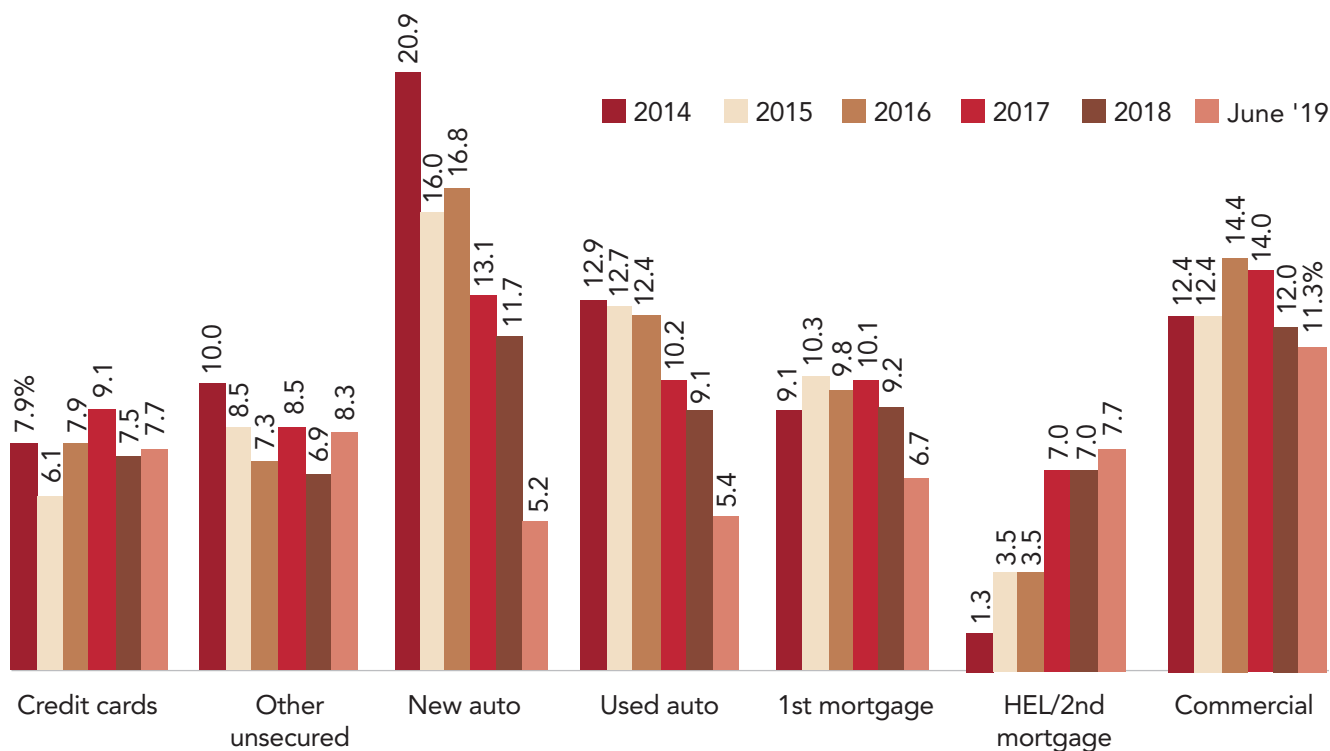
Typically during economic downturns, consumers increase savings and decrease spending, lowering unsecured debt. Therefore, we expect that as economic conditions deteriorate, growth in unsecured debt will likely slow as well.

A positive note

One positive aspect of a slowing economy is that credit union savings growth tends to pick up. That has been the case this year: During the first six months of 2019, credit union savings balances grew 4.68%, significantly faster than loan balances (2.76%).

Loan growth by product

12-month credit union loan growth



Sources: CUNA and NCUA

4 REASONS THE NEXT RECESSION WON'T BE AS SEVERE

While opinions differ over when the next recession will occur, the next downturn will be shorter and less severe than the previous one, according to the research firm Raddon.

Here are four reasons why, per Raddon:

1. Home sales volume. The volume of home sales in 2019 is 30% lower than at its peak in 2005. Although home sales have increased since the lowest recent level (2008), homebuying behavior has not come close to matching that in the previous recession.

The previous recession was a result, in large part, of excessive activity in home sales, fueled partly by exotic mortgages and lending behavior. Today's marketplace is very different.

2. Debt service ratio. The debt service ratio (the ratio of minimum loan payments to disposable income) is at its lowest level in four decades and is significantly lower than it was at its peak during the previous recession. That's due to historically low interest rates, which result in lower loan payments.

As a result, consumers aren't burdened by the same level of debt as they were during the last recession. When a recession does come, fewer consumers will struggle with debt payments, and fewer will be pushed into default.

3. Consumer debt levels which, other than student loan debt, are much lower than those during the last recession. Most consumers aren't overburdened by debt.

Millennials, however, carry the majority of student loan debt, and when a recession does occur they may feel the brunt of its impact.

4. Savings rate. The average consumer is saving a much higher percentage of income today than before the previous recession (8.2% today versus 3.2% in 2005).

This is the first time savings growth has outpaced loan growth during the first half of the calendar year since 2013.

Faster savings growth alleviates liquidity constraints, which have grown rapidly in recent years. In 2018, credit unions' overall loan-to-share ratio reached 85.8%, the highest level since 1979.

But it's important to note this mostly reflects conditions at the largest credit unions. Credit unions with more than \$1 billion in assets had a combined loan-to-share ratio of 89.6%, whereas credit unions with less than \$100 million in assets had a loan-to-share ratio of just 65.2%.

Thus, the declining loan growth frees up liquidity for larger credit unions but may harm smaller credit unions that have plenty of liquidity but struggle to lend out those deposits.

2020 outlook

CUNA economists recently updated our 2019 and 2020 credit union savings growth forecasts to 7.0% and 8.0%, respectively, and our loan growth forecasts to 6.5% and 5.5%.

In particular, we expect a continued downward trend in auto loan and first mortgage growth.

However, the Federal Reserve has demonstrated it is willing to reduce interest rates to continue to sup-

port economic expansion, having just lowered rates for the third time in the past year as of October 2019.

To the extent the Fed continues these accommodative policies, it may alleviate some of the worsening conditions and help counteract the declining trend in credit union loan growth.

Still, much of what's affecting the U.S. economy is outside the Fed's purview, including uncertainty surrounding the trade war with China, slower European growth, the potential ramifications of Brexit, and long-term declining trends in productivity and population growth.

Thus, while we should celebrate the past five years of rapid loan growth, it was certainly not the norm. Credit unions should prepare for significantly slower loan growth going forward.



JORDAN VAN RIJN

Senior Economist
Credit Union National Association
jvanrijn@cuna.coop
608-231-4286

Credit unions
collectively
provided

\$12
BILLION

in member
financial benefits
in 2018

Find out how
much your credit
union saves your
members with the
CUNA Benefits of
Membership Report.

Resources to help your credit union stay relevant with a changing economy

The operating environment can turn on a dime, and we want credit unions to remain nimble and relevant. With your CUNA membership, you receive complimentary forecasts, analysis, research and reports on the economic issues affecting credit unions' performance.

AS A MEMBER OF CUNA YOU HAVE ACCESS TO:

- // Fully Customized Complimentary Peer Profile Report
- // Monthly Economic Update Video
- // Monthly Credit Union Estimates Report
- // Economic & Credit Union Forecast
- // Whitepapers & Presentations

EXCLUSIVE SAVINGS FOR CUNA MEMBERS:

- // Benefits of Membership Report
- // Operating Ratios & Spreads Report
- // Prompt Corrective Action Checkup

cuna.org/economics

CUNA PROFESSIONAL DEVELOPMENT ONLINE

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

- // Increases training efficiency – minimize travel costs and time with online access
- // Allows for learning flexibility – everyone can learn on their own schedule and at their own pace
- // Offers a consistent format – training is standardized from one branch to another
- // Eases administration – managers and HR can easily track and monitor training progress

“The breadth and depth of the courses are unrivaled. CUNA is light years ahead of everyone when it comes to training.”

- A credit union that has been training with CPD Online for 9+ years.

Full coverage

RON JOOSS



iStock

Insurance services benefit members and the bottom line.

Offering insurance is a natural extension of nearly every credit union's delivery strategy.

"Our core purpose is to improve the daily lives of our members," says Robert Lockett, chief strategy officer and senior vice president of diversified services at \$1.8 billion asset Workers Credit Union in Fitchburg, Mass. "One way we do that is to focus on financial health. A key aspect of financial health is helping members protect their blindside by ensuring significant assets are appropriately secured."

Insurance offers protection to consumers and is considered to be the next step—along with brokerage products—in completing members' financial services portfolios.

"When the pioneers founded credit unions, they said the debt should die with the debtor," says Brian Werger, director of CUNA Mutual Group's TruStage Insurance Program. "Fundamental for us is protecting members and their families. Virtually all credit unions have some type of mission statement about creating financial security. Insurance is fundamental to that."

While insurance fits from a product and member service perspective, it also can offer a great financial benefit: noninterest income. Most of that income is realized as recurring revenue.

"With property and casualty insurance you make a renewal commission every year, so long as the policy stays on the book," says Nick Bloxham, vice president of the SELCO Group Inc., a credit union service organization (CUSO) owned by \$1.6 billion asset SELCO

Community Credit Union in Eugene, Ore. "This allows you to build recurring revenue over time. Even if sales drop, revenue stays fairly consistent.

"It also makes budgeting and growing your business at a sustained pace predictable," he continues. "You just need to do a good job of retaining the business."

Bonnie Ciuffo, president of South Carolina Financial Solutions LLC, adds: "People need to have insurance, especially if they finance a car or a home. Noninterest income is important to South Carolina Federal Credit Union, so we decided to get into the insurance business because it complemented our financial business."

With \$1.8 billion in assets, South Carolina Federal in North Charleston, S.C., offers insurance through its CUSO, South Carolina Financial Solutions LLC.

Insurance services are more complex than many other products. Credit unions are in effect entering a new line of business when offering insurance services.

"It's not something you do without understanding how you're going to do it, why you're getting into it, what the initial investment is going to be, and your expectation of return on investment," says Bloxham.

3 choices

Credit unions looking to get into the insurance business have three basic choices: build from the ground up, purchase an insurance agency, or partner with an insurance provider. Each has its own benefits and predicaments.

SELCO Community developed its insurance program from the ground up, starting in the late 1980s.

continued >



Focus

- > **Consider insurance** to be an extension of the financial services you offer.
- > **Several options exist** for credit unions to get into the insurance business.
- > **Board focus:** Insurance services boost the bottom line.

“The upside to owning your own insurance agency is that you’re not sharing revenues and you’re not trying to create a partnered relationship that is sometimes difficult to adapt to the credit union environment,” Bloxham says.

He says starting from scratch requires bringing in staff who understand the insurance process. That process includes licensing, compliance, accounting, compensation, marketing, and sales.

Among the first tasks is setting up carrier appointments. This is an authorization from an insurance company giving an agency the authority to act on its behalf as an agent. Agents must be appointed by at least one insurance company, in addition to being licensed by their state.

As with financial services, one the biggest challenges with insurance is managing technology.

“When you sell a policy to a member, the information is downloaded into an agency management system, which also is where you put your customer notes and activities,” Bloxham says. “Anytime you make a change on that policy, everything goes in the system, which is essentially a database. Commissions also are downloaded into it, so there’s an accounting function to it as well.”

Another challenge is integrating various platforms so they pass data and work together seamlessly, Bloxham says. This also includes integrating with the credit union’s core system.

Along the way, SELCO also has purchased four insurance agencies to build on its existing business. Bloxham says it’s important that when a credit union gets into the insurance business—whether it purchases an agency or starts one of its own—it can meet member demand.

“

It takes time and patience,
and you need to have the
right people.

NICK BLOXHAM

”

“Some credit unions that get into this this space are too big for the agency they build or purchase,” Bloxham says. “What ends up happening is they’ll either partner with someone who’s already got the scale or they rethink their investment strategy. They end up investing more money than they initially thought.”

Meeting expectations

Bloxham says it can take years to turn a profit, and credit unions should develop financial forecasts on their expectations for their first five to seven years.

“You really start making money when you earn recurring revenue on renewals, but that takes time,” Bloxham says. “You have to set your expectations ahead of time, so there aren’t any surprises.

“For us it’s been worth it,” he explains. “We’ve built a good book of business and established a market for ourselves. But it takes time and patience, and you need to have the right people.”

South Carolina Financial Solutions acquired two insurance agencies in 2015 and 2016, and offers personal, life, property, and commercial lines of insurance. The CUSO purchased the agencies to gain access to insurance carriers, according to Ciuffo.

“By buying two independent agencies, we instantly had access to a wide variety of carriers,” she says. “With the credit union as our parent company, we were able to commit to significantly more premium volume, which opened the door for us to work with more carriers.”

She says integrating an agency into a CUSO and a credit union requires a transition plan, both operationally and culturally. “Every independent agency is a little different,” Ciuffo explains. “Customers tend to be loyal to an agent or the staff of the agency. Make sure you have some continuity in the agency you are purchasing, at least for a transition period, so the agency’s customers feel comfortable working with your credit union.”

Credit union employees also have to understand the institution is adding a new line of business through a CUSO. “South Carolina Federal has had a needs-based sales culture for a long time, so that wasn’t an issue for us,” Ciuffo says. “To help employees understand the new offering, we encouraged them to bring their own insurance to us, let us review it, and see if we could offer better policies for their needs. In some cases, we saved our employees \$2,000 a year between home and auto insurance. They became our biggest advocates.”

South Carolina Federal integrates a full array of services into its culture through an initiative called “Doing More Together.”

“It speaks to all the solutions we offer,” Ciuffo says. “Employees aren’t just talking about a loan, they are discussing all the ways the credit union can meet members’ needs.”

She cites the teamwork between the insurance team and mortgage department as a success story. The insurance team can assist the loan processor by quickly providing rate quotes, allowing the mortgage team to process loans more efficiently.

As a result, Ciuffo says her team has a 67% close rate on homeowners insurance offered during the first-mortgage closing process. “It is a win-win for everyone involved.”

The ‘jumpstart’ approach

Workers Credit Union began offering insurance to its members through the acquisition of Braley Wellington Insurance Group in 2017. Representing more than 30 carriers, the agency provides a full range of commer-

cial and personal insurance products.

Among the acquisition criteria for the credit union was the strong desire to acquire a platform agency, one that had the infrastructure, management, and systems to sustain itself without additional input from the credit union, says Lockett.

This allowed the credit union to “jumpstart” its insurance services with a full suite of services, he says. “As an independent agency, Workers Insurance Agency can find the best value based on the individual member’s unique situation. Sometimes we can save members a little money, other times we can save several hundred dollars. But we always find a policy that’s the right fit for our members’ insurance needs.”

Financial considerations also played a role in the acquisition, Lockett says. “You have Wall Street players making these acquisitions at unreasonable multiples of cash flow,” he says. “As a credit union, we need to be fiscally prudent with members’ money. To

compete in the acquisition arena, credit unions need to offer potential sellers something beyond dollars. In our case there was good cultural fit, logistical support, and strong growth potential.”

The credit union’s next hurdle was addressing regulatory issues related to insurance sales. “In Massachu-

“

Fundamental for us is protecting members and their families.

BRIAN WERGER

”

NONINTEREST INCOME AT ‘RELATIVELY COMFORTABLE’ LEVELS

On a historical basis, credit unions are realizing a “relatively comfortable” level of noninterest income, CUNA economists say. Fee income has steadily declined since the start of the Great Recession, from 0.86% of average assets at year-end 2008 to an annualized 0.56% of average assets in the first quarter of 2019.

“The trend in lower levels of fee income is a reflection of economic and labor market improvement” says Mike Schenk, CUNA’s deputy chief advocacy officer and chief economist. “The economy gained momentum over most of the past decade. When the economy is strong, employment and income gains are obvious so people are less likely to overdraft their checking accounts or miss loan payments, and therefore are less likely to incur charges for doing so.”

However, the drop in fee income has been almost completely offset by increases in other sources of noninterest income, which rose primarily as a result of sales of fixed-rate mortgages to the secondary market, Schenk says.

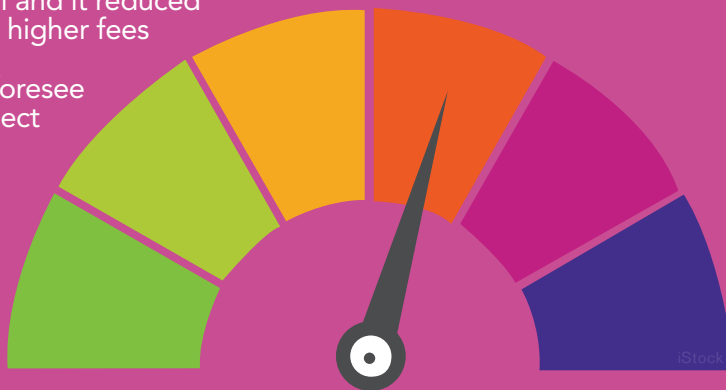
These sources of noninterest income have increased from 0.50% in 2008 to an annualized rate of 0.82% in the first quarter of 2019.

“Most credit unions are careful about adding long-term, fixed-rate mortgages on their books, so they sell them into the secondary market, Schenk says. “Of course, many that do so maintain relationships with their members on the servicing side but they realize a gain on those sales.”

The general rise in other (non-fee) income produced two results, Schenk says: It helped credit unions maintain healthy earnings overall and it reduced the need to charge new fees or impose higher fees to build capital.

Looking forward, CUNA economists foresee fewer gains on mortgage sales and expect a slowing economy to put downward pressure on interchange income.

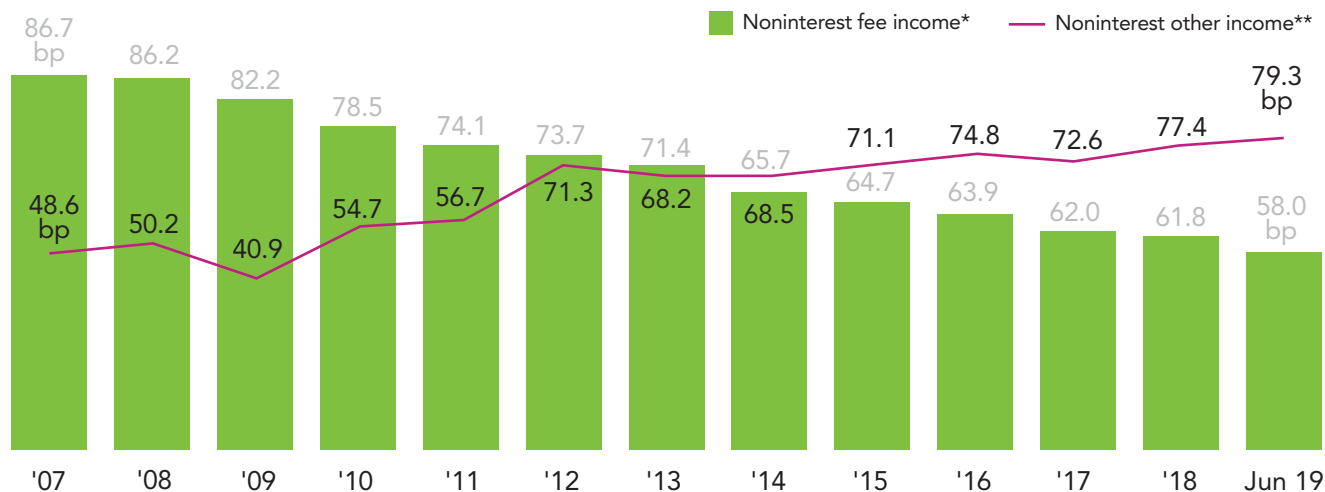
At the same time, fee income is unlikely to increase significantly, Schenk says. “So this, combined with interest margin pressure, is apt to squeeze bottom-line results a bit.”



Noninterest income

Trends in noninterest income

(basis points of average assets)



Sources: CUNA and NCUA

*Noninterest fee income includes fees on loans and deposit accounts, such as loan origination fees, late payment fees, NSF/ODP fees, and early withdrawal fees

**Noninterest other income includes all other fee income, such as gains on sales of mortgages into the secondary market and interchange income

sets, there had not been an acquisition made under the framework of an asset acquisition,” Lockett says. “Most of them are done on a stock acquisition. So in a lot of ways, we were working in uncharted territory. It was important to do it right, but it did take a lot more time than we anticipated.”

Offering insurance is an evolution of Workers’ overall delivery strategy, he adds. “We are member-centric, not transaction oriented. We work with our members as their needs change over time. Insurance is an essential guard against setbacks and an important element of financial wellness.”

The importance of marketing

CUNA Mutual Group provides a seamless option for offering insurance through its TruStage Insurance Program.

TruStage is CUNA Mutual Group’s consumer brand through which it offers accidental death and dismemberment; auto; home; health; and life insurance through more than 3,600 credit unions. Trustage’s Werger says its “simple easy and affordable products are designed for middle-income America.”

When a credit union wants to offer insurance services, a TruStage representative schedules a meeting to determine the credit union’s objectives and goals for the program, and also gain a better understanding of the credit union’s business model.

Implementing the program takes 60 to 120 days, Werger says. “Once we contract with a credit union, they send us their membership file allowing us to market to their members.”

The credit union earns income on each sale.

Although Werger doesn’t consider the program a

“heavy lift,” he says “an insurance program isn’t one where you just build it and they come.”

That’s why marketing is so vital. “What makes a program successful today is marketing the program through multiple channels, creating a member experience that is simple, and making sure you’re in the digital and social media space,” Werger says.

The TruStage program is designed around multimedia. “Direct mail is alive and well,” he says, “but I think of my daughter sitting on the couch at night using her device. That’s how people connect with the world today. Our program is designed around that experience.”

Insurance is also highly regulated, which makes cross-selling from the teller line or loan office tricky territory.

“We typically try to protect credit unions, and don’t ask them to sell the program because we’re going to do that on their behalf,” Werger says. “They don’t have to be up to speed on all the regulations and what they can and can’t do. We ask the credit union if they have a member who may need a financial protection product to can refer them to us and we’ll work with that member.”

Resources

- › CUNA Environmental Scan: cuna.org/escan
- › CUNA Operations & Member Experience Council: cunacouncils.org
- › CUNA Mutual Group: cunamutual.com

CUNA FINANCIAL COUNSELING CERTIFICATION PROGRAM

“By establishing and deepening relationships with our members, we will help them along and give them confidence in not just their current financial situation, but their knowledge and their ability to set up more financially responsible services in the future.”

- Lloyd Cockerham,
President & CEO,
Ascension CU

Invest in next-level financial counseling

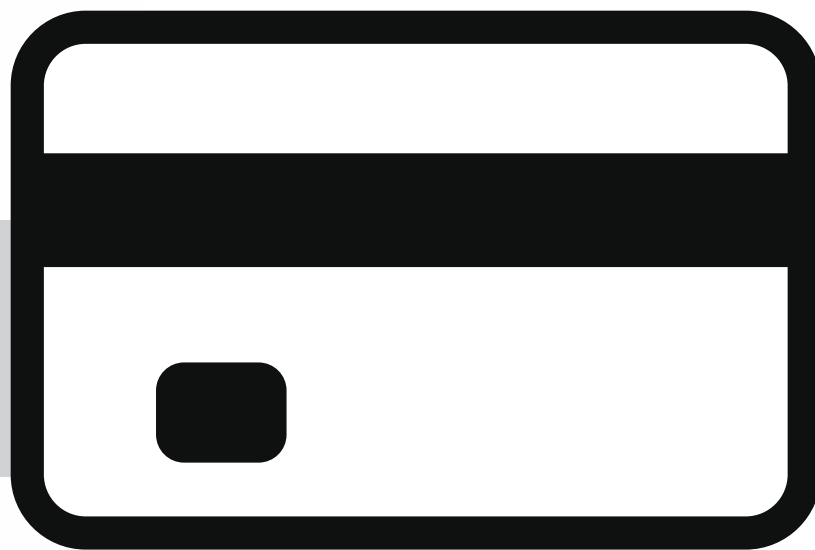
Help members get the answers to their financial questions, navigate debt and plan for more promising financial futures. Grow your credit union with the knowledge and skills obtained through CUNA Financial Counseling Certification Program (FiCEP).

You'll learn how to:

- // Help members manage their finances
- // Build deeper relationships with members
- // Attract new members
- // Increase product and service revenue
- // Reduce bad debt

cuna.org/ficepconnect

7 tools to boost your card portfolio



MARK CRAWFORD

Credit cards offer more options than ever to engage members.

The best way to grow your credit card business and improve the member experience is to offer creative, innovative, and practical card services members want—especially millennials and other younger demographics.

Here are seven tools credit unions can use to bolster their credit card portfolios.

1. Contactless/dual-interface cards
These cards enable tap-and-go transactions. Making a purchase with a contactless card is much faster than with a chip card, which takes several seconds or more.

A tap-and-go transaction takes only a second, which improves the point-of-sale experience for consumers.

“Once consumers realize their purchasing experiences can be enhanced and quickened through contactless cards, they will naturally start to opt for these cards at all locations that accept them,” says Jeremiah Lotz, managing vice president of digital experience and payment products for PSCU, a CUNA associate business member at the premier level. “Contactless cards also will drive mobile adoption as more consumers experience the ease and speed of tap-and-go payment methods for themselves.”

Before credit unions can move to contactless cards, their processors must certify new card profiles and work with manufacturers to produce cards with embedded near-field communication/contactless chips. After successful testing, credit unions can then issue contactless cards to their members.

Contactless and dual-interface cards are well established in European countries but are still quite new in

“

The play here is faster fulfillment times.

DAVID BRYDUN

”

the U.S. According to CreditCards.com, less than 1% of point-of-sale transactions in the U.S. are contactless. But this is starting to change.

“American Express and Capital One were among the early leaders in sending contactless cards to their customers, typically for new cardholders after existing cards expire,” the website states. “Wells Fargo joined the bandwagon earlier this year, and Bank of America recently initiated a pilot program in New York, San

Focus

› **Technology** and member preferences drive successful credit card programs.

› **Data analytics** and artificial intelligence are poised to drive future growth.

› **Board focus:** Credit cards are a key element of every loan portfolio.

Common card rewards



42%

Cash back



17%

Low interest rate



9%

Annual fee waiver



7%

Points for travel rewards

Source: PSCU

Francisco, and Boston.”

2. Digital issuance

Credit unions are eager to create end-to-end credit card fulfillment experiences for their members.

Ideally, an applicant applies for a credit card through a digital channel. The request is automatically decided using prebuilt rules and, if approved, the card is quickly delivered.

“The play here is faster fulfillment times, moving from seven to 10 days to three to five days for card delivery,” says David Brydun, vice president of lending for \$3.6 billion asset BCU in Vernon Hills, Ill.

An even faster approach is “instant digital provisioning,” also known as virtual card issuance. Upon approval, applicants are granted immediate access to the digital form-factor of their card.

“This allows them to start using their cards seconds after approval instead of waiting five to 10 days for their plastic cards to be processed and delivered,” says Brydun.

Allowing for mobile and card-not-present transactions through digital issuance also makes it less likely that consumers will switch to a different card if their cards are lost or stolen.

This way, they can “continue to make purchases and transactions as per usual, while awaiting the physical card replacement,” says Lotz. “Several big banks and other issuers have just announced this functionality. PSCU is launching this service later this year via an API [application programming interface] in the cardholder card management app that is used by our credit union members.”

Another useful application is digital prequalification for a credit card. Members provide some basic information about themselves (less than for other credit applications) and, via a soft pull of their credit history, learn two things, Brydun says.

“First, they will learn whether they will be approved if they formally apply for the product,” he says. “Second, this service will recommend the most suitable card for their needs.”

3. Enhanced authentication

Although many effective authentication methods are available to credit unions, improved authentication technologies will continue to advance in the coming years. Credit unions are starting to explore how to pass biometric authentication across channels to improve the member experience.

Currently, biometric authentication is especially useful for accessing mobile apps and is considered secure, using the member’s fingerprint or facial recognition for access. Questions remain about how to translate this type of security to a call center or other channels. PSCU, for example, is exploring ways to strengthen authentication. This includes expanding biometrics, and experimenting with blockchain technologies.

“Not only do enhanced authentication techniques improve the member experience and deliver added security, they also provide more data for analysis, which helps credit union management make better-informed decisions regarding what authentication practices are best-suited for particular members and channels,” says Lotz.

4. Metal contactless cards

Credit unions are beginning to offer cards made of materials that are associated with different loyalty or rewards programs.

Consumers view metal cards in particular as high-end cards that reflect a member's success and affluence—and differentiate an issuer's brand. Such cards are made from actual metal, or with a tungsten insert with plastic as the outer layers.

"The benefit is that they feel heavy and, with attractive designs printed on their surfaces, present a look of prestige," says Lotz. "All such cards are manufactured under standard ISO guidelines and work properly as contactless, contact EMV, or mag swipe cards."

5. Installment payments

Credit unions are exploring the ability to offer consumers a chance to turn a high-dollar-amount transaction on their credit card into a lower rate or fixed-installment plan "loan" versus the traditional revolving balance option.

"The unbundling of larger credit card purchases allows the member to convert the purchase into a closed-end installment loan at a different interest rate," Brydun explains.

“

Enhanced authentication improves the member experience and delivers added security.

JEREMIAH LOTZ

”

This service deepens member loyalty by offering members the ability to pay off an expensive purchase over a certain amount of time for a small fee versus paying a high interest rate for revolving the balance. Some larger issuers—such as American Express and Chase—offer similar programs. These programs give consumers more control over their finances and allow them to choose how and when they pay for their items.

Offering installment payments is another way card issuers create value so cardholders use the card more often for purchases and transactions, according to Brydun. This generates more revenue for the credit card provider.

6. Card reward and loyalty programs

A shift is under way across the industry as it relates to reward and loyalty program offerings and perks members want from their credit unions. Overall, members want choice in how they use their rewards, according to Lotz.

A trend allows consumers to redeem points for a purchase they've already made—essentially eliminating the transaction from their balance, or at least reducing the overall cost of the purchase in exchange for loyalty points.

Say, for example, a member purchases a \$1,000 television. The member accesses the credit card app, which says, "Would you like to use your points to pay for that TV?" The member taps "yes," and the app deducts 100,000 points from the member's balance and credits back \$1,000.

7. Advanced technology

Data and analytics will be the key to the future growth of credit card services. As the industry continues to deepen its expertise with collecting and analyzing "big data," credit unions use these insights to personalize and improve the cardholder's experience.

"We're now using the data we've been collecting and analyzing to create experiences based on what we know, leading up to certain events or specific times," says Lotz. "For example, if a member purchases a flight and rents a car, the credit union can reach out to the cardholder and suggest turning on the card controls through their mobile app so transactions aren't denied while traveling."

Artificial intelligence (AI) and robotic process automation (RPA) will continue to improve the member experience. Data and technology offered through AI and RPA will ensure members receive offers for the card programs and other financial services that are most relevant to their needs.

"Although these technologies will not change how the payments themselves are made, they will give credit unions, issuers, and other financial institutions a way to improve the customer experience," says Lotz. "Whether it is the dispute of a fraudulent transaction or expertly serving members when they call in to the contact center, AI, RPA, and other technologies will provide the predictive analytics credit unions need to enhance credit card services for their members."

Resources

- › CUNA Lending Council: cunacouncils.org
- › PSCU: pscuc.com

Y2K watching

Rarely have so many worried so much about so little.

Twenty years ago, *Credit Union Magazine's* cover story addressed one of the biggest nonevents in modern times: The Y2K scare transpired when computer users and programmers feared computers would stop working due to the use of two-digit codes to represent the year.

One credit union called the changeover to a four-digit code “the biggest project we’ll ever have to tackle.”

Ultimately, little happened when the calendar turned to Jan. 1, 2000—other than the expense of conquering the “Millennium Bug.”





Bring one of the most popular gifts for any occasion to your members with CUMONEY® Visa® Gift Cards from LSC®.

Why LSC?



Five-star customer service for you and your members



Promote your brand with our card branding option



Easy-to-access, complimentary marketing materials

Are you ready to explore our gift card program?
Visit www.lsc.net/prepaid/gift or call 800.942.7124 today to learn more!



AD INDEX

Bok Financial // 15

Canon // 11

Coinstar // 64

CU Direct // 3

CUNA resources // cuna.org

Councils 61

Credit Union Hero 33

CUNA News 39

Economics 44

Governmental Affairs Conference 19

Financial Counseling Certification Program 51

Schools & Conferences 59

Training Portfolio 45

World Moving 63

CUNA Mutual Group // 5

CUNA Strategic Services providers // cunastrategicservices.com

Kasasa 7

LSC 57

Loomis // 9

Mercury Mechanical Protection // 17

Midwest Loans // 38

PSCU // 2

QwickRate // 13

QRL // Cover tip

Statement of Ownership, Management, and Circulation

TITLE OF PUBLICATION: Credit Union Magazine

FREQUENCY OF ISSUE: Quarterly

LOCATION OF OFFICE OF PUBLICATION: 5710 Mineral Point Road, Madison, WI 53705-4454

LOCATION OF THE HEADQUARTERS OR GENERAL BUSINESS OFFICE OF THE PUBLISHER: 5710 Mineral Point Road, Madison, WI 53705-4454

PUBLISHER: Ann Hayes Peterson, Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454

EDITOR-IN-CHIEF: Ann Hayes Peterson, 5710 Mineral Point Road, Madison, WI 53705-4454

OWNER: Credit Union National Association Inc., 5710 Mineral Point Road, Madison, WI 53705-4454

KNOWN BONDHOLDERS, MORTGAGEES, AND OTHER SECURITY HOLDERS OWNING OR HOLDING 1% OR MORE OF TOTAL AMOUNT OF BONDS, MORTGAGES, OR OTHER SECURITIES: None

I certify the above statements are true and complete—
Ann Hayes Peterson, Editor-in-chief, 10/1/19

	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
15A. Total printed (Net press run)	12,272	11,350
B1. Paid: outside-county	10,261	9,791
B2. Paid: in-county	0	0
B3. Sales through dealers, vendors and counter sales	0	0
B4. Other classes mailed	356	337
C. Total paid distribution	10,617	10,128
D1. Free: outside-county	0	0
D2. Free: in-county	0	0
D3. Other classes mailed	0	0
D4. Free: outside the mail	1,227	705
E. Total free distribution	1,227	705
F. Total distribution	11,843	10,833
G. Copies not distributed	429	517
H. TOTAL	12,272	11,350
I. Percent paid	89.64%	93.49%
16A. Paid Electronic	200	207
B. Total paid print copies + paid electronic copies	10,817	10,335
C. Total print distribution + paid electronic copies	12,043	11,040
D. Percent paid	89.8%	93.6%

CUNA Schools & Conferences

BOARD & COMMITTEE

CUNA Credit Union Board of Directors Conference

January 19-22, 2020 // San Jose del Cabo, Mexico

CUNA Credit Union Board Certification School

May 4-8, 2020 // New Orleans, LA

CUNA Strategic Planning Roundtable

August 17-18, 2020 // Nashville, TN

CUNA Roundtable for Board Leadership

September 25-26, 2020 // Toronto, Canada

CUNA Supervisory Committee & Internal Audit Conference

2020 dates & location to be announced

COMPLIANCE

CUNA & ACUIA Internal Audit Certification School

March 9-12, 2020 // Tempe, AZ

Fall 2020 dates & location to be announced

CUNA Regulatory Compliance Certification School*

April 20-24, 2020 // Clearwater Beach, FL

September 13-18, 2020 // Phoenix, AZ

CUNA Attorney's Conference

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

CUNA BSA/AML Certification Conference with NASCUS*

November 9-12, 2020 // Fort Lauderdale, FL

FINANCE & ECONOMICS

CUNA Financial Management School*

April 20-23, 2020 // Dallas, TX

CUNA Finance Council Conference

May 17-20, 2020 // Anaheim, CA

CUNA Investment Certification Schools*

August 10-14, 2020 // Chicago, IL

CUNA Governance, Risk Management & Compliance

Leadership Conference

2020 dates & location to be announced

CUNA Enterprise Risk Management Certification School

2020 dates & location to be announced

HR & TRAINING

CUNA HR & Organizational Development

Council Conference

April 19-22, 2020 // Orlando, FL

CUNA HR Compliance Certification School

July 26-29, 2020 // San Antonio, TX

CUNA Experience Learning Live!

October 18-21, 2020 // Denver, CO

LENDING & COLLECTIONS

CUNA Business Lending Roundtable

January 28-29, 2020 // Tampa, FL

CUNA Consumer & Residential Mortgage Lending School

April 6-9, 2020 // Miami, FL

CUNA Business Lending Certification School

July 20-23, 2020 // Madison, WI

CUNA Collections & Bankruptcy School

September 21-24, 2020 // San Antonio, TX

LENDING & COLLECTIONS (Continued)

CUNA Fair Lending Workshop

November 4-5, 2020 // San Diego, CA

CUNA Lending Council Conference

2020 dates & location to be announced

MANAGEMENT & LEADERSHIP

CUNA Governmental Affairs Conference

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

CUNA National Young Professionals Conference

June 11-12, 2020 // Madison, WI

CUNA Management School

July 12-22, 2020 // Madison, WI

World Moving: A Joint Credit Union Conference

July 19-22, 2020 // Los Angeles, CA

CUNA CEO Council Conference

2020 dates & location to be announced

CUNA Coaching Leadership School

2020 dates & location to be announced

CUNA Small Credit Union Conference

2020 dates & location to be announced

CUNA Young Professionals Advocacy Workshop

2020 dates & location to be announced

CUNA Emerging Leader Institute

2020 dates & location to be announced

MARKETING & BUSINESS DEVELOPMENT

CUNA Marketing & Business Development

Council Conference

March 15-18, 2020 // Orlando, FL

CUNA Digital Marketing School

June 1-4, 2020 // Seattle, WA

CUNA Marketing & Business

Development Certification Schools

October 5 - 8, 2020 // Las Vegas, NV

OPERATIONS & MEMBER EXPERIENCE

CUNA World-Class Service Leadership School

June 10-12, 2020 // Seattle, WA

CUNA Member Experience, Sales & Service School

August 17-19, 2020 // Las Vegas, NV

CUNA Operations & Member Experience

Council Conference

September 30-October 3, 2020 // Las Vegas, NV

SECURITY & TECHNOLOGY

CUNA Cybersecurity Conference with NASCUS*

June 1-3, 2020 // San Diego, CA

CUNA Technology Council Security Summit

September 29-30, 2020 // Las Vegas, NV

CUNA Technology Council Conference

September 30-October 3, 2020 // Las Vegas, NV

*eSchool is available.

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

Lending horoscope

What's in store for 2020?

An economist, says author Laurence J. Peter, is an expert who will know tomorrow why what he predicted yesterday didn't happen today.

Today's headlines about lending show a similar pattern:

► **Mortgage lending** will either soar with low rates and improving supply—or die faster than a poinsettia after Christmas as long-term rates rise, reducing affordability.

► **Auto lending** will accelerate as peoples' clunkers die off—or the sales slowdown will continue as consumers move toward ride share and other alternatives.

► **Credit cards** and other consumer loans will continue to increase due to low unemployment and strong demand—or drop off dramatically as the much-anticipated recession nears.

While it's daunting to make predictions, especially about the future, I have correctly predicted 20 of the last two recessions.

So here we go.

New mortgages

The big question here isn't if there will be opportunities in the market, but rather where they will be. Rates will probably stay low, and supply should improve as more builders take the plunge and try to cash in on the boom.

The biggest issue—and the one that may change the market the most—is Government Sponsored Enterprise (GSE) reform. This may change some regulatory issues, capital requirements for GSEs, and pricing. This should lower the cost of mortgages in general. **Growth rating: B**

Refinanced mortgages

Is there anyone left with a rate over 5% and good credit? That's the question of the day. The grand



boom of the past few years is probably out of the question, but opportunities will pop up. **Growth rating: C+**

HELOCs

Unless home prices fall, demand for home equity lines of credit should be strong as rates remain low and equity rises naturally. That said, enough people remember the bludgeoning of the last real estate bubble that we probably won't see the 125% loan-to-value instruments of yesteryear. **Growth rating: B+**

Credit cards

While the big banks have seen strong growth in credit cards in 2019, the question is twofold: Will this continue in 2020, and how much of a bump will credit unions see?

Lending in this area has slowed, and that should continue. To add to this picture, much of the growth has been with rewards-branded cards, which come with significant costs. **Growth rating: C**

Auto loans

Auto loan growth has been dropping in 2019. That will probably continue as new-car prices are quite high, and many people in urban settings view a car as an expensive lawn ornament. Dealership consolidation is inevitable, and increased competition for business will drive cost for credit unions

even higher. **Growth rating: D**

Member business lending

The alarm bells are going off about a downward economic cycle in 2020. In fact, CUNA cut its forecast for GDP growth from 1.8% to 1.5%. The commercial market is more sensitive to economic fluctuations. That said, growth should still be positive, but the emphasis will be on more strategic loans rather than those driven by business growth.

Growth rating: C

Personal loans

Personal (aka "other") loans are a credit union specialty. This is where the banks fail and smaller, nimble credit unions prosper. With loan purposes as varied as a new motor for an old farm truck to paying off bills, knowing your member gives the edge to credit unions.

Growth rating: B+

In sum, lending in 2020 will be much like going to your local diner: lots of specials, some things you don't want to touch, and the kitchen closes in 30 minutes. Good luck.



JAMES COLLINS

President/CEO
O Bee Credit Union
jcollins@obee.com
360-943-0740

Insightful resources.

Valuable connections.

Be part of a credit union-specific, member-run professional network of more than 7,300 credit union leaders. CUNA Councils connects passionate people, great ideas, original content and relevant resources.

Why join CUNA Councils?

- Connect with peers who share your concerns and interests
- Stay current with trends and topics impacting your credit union and your work
- Unlock fast and easy access to trustworthy information, advice and solutions
- Proactively expand your network of credit union professionals and grow in your career
- Find new energy and enthusiasm for your role

CEO
Council

Finance
Council

**HR & Organizational
Development** Council

Lending
Council

**Marketing & Business
Development** Council

**Operations & Member
Experience** Council

Technology
Council



with Marc Schaefer

Truliant Federal Credit Union, Winston-Salem, N.C.

Marc Schaefer spent his career at \$2.6 billion asset Truliant Federal Credit Union developing a culture that placed members first. After 25 years, Schaefer will retire as CEO of the Winston-Salem, N.C., credit union at year's end.

Credit Union Magazine: How do you feel about retiring?

Schaefer: My goal was to build something that was meaningful. When I look back at what we've built and our culture, it is meaningful. You couldn't walk away feeling much better than I do about Truliant. Of course, it's bittersweet. I'm going to miss the people. You couldn't draw out a career and its conclusion better than I have. I feel good about it.

Q: What has driven Truliant Federal's growth from \$400 million in assets to \$2.6 billion in assets?

A: We were prepared. We laid the groundwork though a culture of genuine acknowledgement that the member is at the center of all we do. We hired people who wanted to work in that environment. We have a basic understanding of who we are, who we're not, and what we're there to do. We stick to that, get employees to buy into that. It resonates with members.

Q: You have an obelisk at your headquarters that visualizes member satisfaction. What's the story behind that?

A: It's a reminder that we're ac-

countable to our members and that they are why we're here. They're the mission.

But it's also useful to tell people when they come on board that this is one of the ways we hold ourselves accountable for keeping the focus on the member, understanding who the member is, and recognizing they're the ones who control what we do.

Q: How has the credit union movement changed during your career?

A: More people know what a credit union is. Consumers are more open to alternatives like credit unions as long as we can provide what they want.

Now we have the CUNA Awareness Initiative. We have to make consumers, particularly younger consumers, aware of what a credit union is, why it's different, and why they should give us a chance. People have to be aware we're a viable option for them.

Q: What advice do you have for future leaders?

A: Continue to recognize who we are and who we're not, what we're here to do, and how we can do that better. Our mission is to improve consumers' lives while running safe and sound financial institutions. We have to differentiate ourselves from other institutions.



Q: Looking back on your career, how would you like to be remembered?

A: It's not about us. It's about the member. Nobody does this alone. You do it as a team.

We improved a ton of peoples' lives over the 25 years I was CEO. Just think of all of the car loans that got people to work and the home loans that helped people build wealth and have a place to live. Everything we've done to improve peoples' lives we've done at lower rates and lower fees and with better guidance and better outcomes.

Then there are all the people who have worked for Truliant who experienced the culture and might have taken it elsewhere. That's fulfilling. It's what it's all about: Did we make somebody's life better?



Schaefer discusses Truliant's member-first focus at news.cuna.org/podcasts



Credit Union
National
Association



World Council

JULY 19-22 / 2020

LOS ANGELES • USA

WORLD MOVING

A JOINT CREDIT UNION CONFERENCE

Join Credit Union National Association
and World Council of Credit Unions
for the global credit union event of
the year!

WORLDMOVING.ORG

Enhance your branch experience with Coinstar®

Members have many great options for their loose coins:



Cash voucher



NO FEE eGift Cards



Charity donations



Direct Deposit*

Staff can focus on members because Coinstar provides a full-service solution:

- No coin handling
- Exceptional uptime and accuracy
- Free technical support



Direct deposit
now available

To learn more, go to
Coinstar.com/financial_institutions

