Credit Union MAGAZINE

SUMMER 2021

BOARD MENTORSHIPS

YOUNG LEADERS SERVE WITH HEART

Future of branches

Tim Dunham
Credit Union of America

CUNA Credit Union National Association

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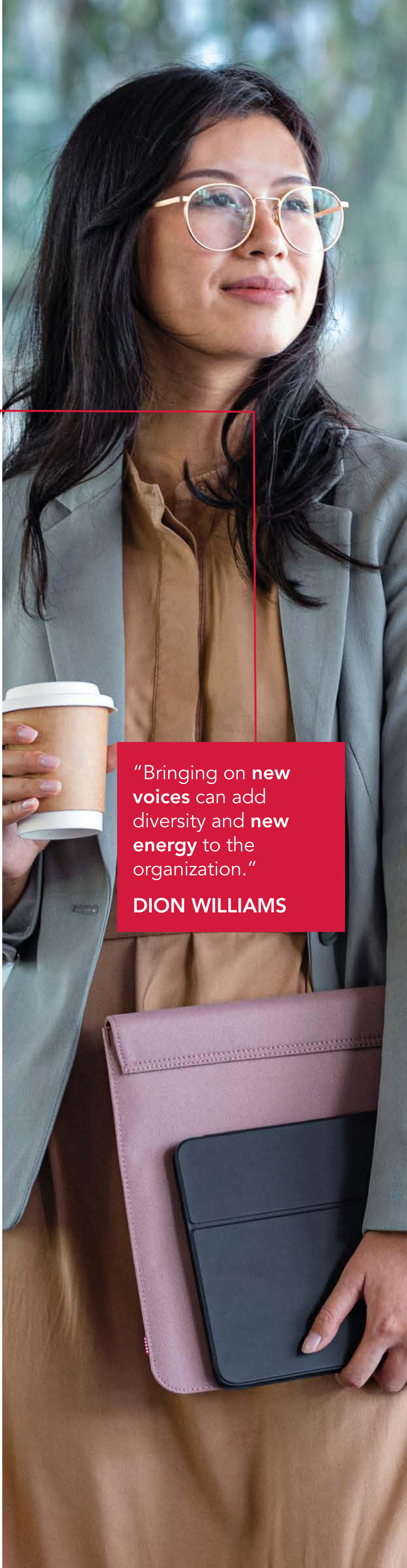

"Bringing on **new voices** can add diversity and **new energy** to the organization."

DION WILLIAMS

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CUNA MUTUAL GROUP

[1]TruStage internal data, December 2020, [2]TruStage internal data, December 2019

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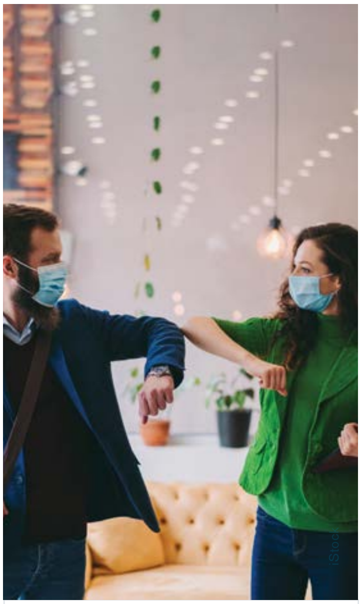

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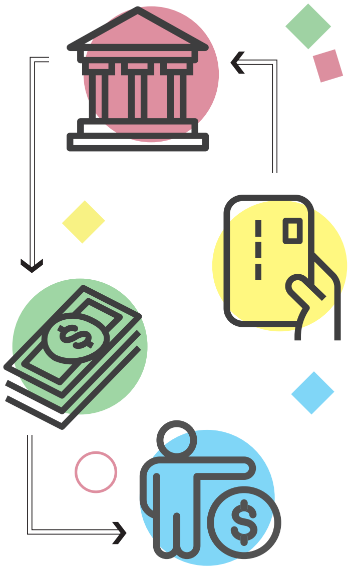
Empathy, emotional intelligence, and adaptive communication are imperatives for leaders.



44 **6 ACH rule changes**

Nacha has clarified existing automated clearinghouse rules.

POSTAL INFORMATION
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Digital Features

VISIT CUNA.ORG/NEWS FOR THESE ONLINE EXCLUSIVES

Don't miss: Women's History Month profiles

Women's History Month celebrates women's contributions and achievements in all walks of life. Earlier this year, we recognized some of the credit union movement's talented female leaders. Learn how math underpins one chief financial officer's management philosophy, see what it's like to be a CEO of a credit union with more than $1 billion in assets, and follow another CEO's journey to lead her credit union out of an economic crisis.

Visit *news.cuna.org* and enter "Women's History Month" in the search box.

'Mind and heart work'

Without the proper mindset and people skills, the best-intentioned plans risk long-term failure. Consultant Beth Wilkins provided attendees of the 2021 CUNA HR & Organizational Development Council Virtual Conference with insights for becoming change agents within their organizations.

Change agents must practice "mind and heart work," Wilkins says. She uses the analogy of dance to show that leading change requires personal power. "Have the courage to dance a little differently."

Wilkins says change agents are humble, live their values, and show concern for others.

Conversations about workplace culture

Recent guests on the CUNA News Podcast examine workplace culture through the lenses of diversity, equity, and inclusion (DEI) and the coronavirus (COVID-19) pandemic. Episodes feature:

›Inclusive leadership. Global workforce expert Dr. Shirley Davis explores how leaders can foster inclusive work environments and create productive team dynamics that reward top performers.

Today's workplace calls for leaders to be not only culturally intelligent but culturally humble, says Davis. This requires an ability to listen and to begin to understand other perspectives.

With that understanding, employees will engage more deeply and are more likely to align their values to the organization's meaning and purpose.

›Culture during COVID-19. Chester Elton (left) and Adrian Gostick, co-founders of The Culture Works and co-authors of more than a dozen books on leadership, explain why communication must increase exponentially during a crisis. If communication is lacking, they say, employees fill the void with rumor, innuendo, and fear.

Elton and Gostick also share research findings about workplace culture and engagement, address challenges for financial institutions, highlight signs that an organization's corporate culture is lacking, and more.

Listen and subscribe at *news.cuna.org/podcasts*

Vaccinations and remote work

We recently asked you how vaccination efforts have affected your remote work policy.

Most employees are working from home **24%**

Most employees are back in the office **23%**

Employees are phased or rotated into the office **13%**

No change from before **40%**

Vote in our current poll and view results from past polls at *news.cuna.org/polls.*

Millennial myth-busters

Young professionals cite service to others as their prime motivator.

Many myths endure about millennials—and most aren't flattering.

Millennials often are painted with broad brushstrokes: They lack a strong work ethic, feel entitled, and demand frequent praise. They're disloyal job-hoppers, so "they" say, ever seeking greener pastures elsewhere.

That hasn't been our experience.

The young professionals we talked to for this issue cite service to others as their primary motivator.

Christian Hartley, for instance, saw no difference between credit unions and banks when she signed on with Keesler Federal Credit Union in Biloxi, Miss. But their dissimilarities soon became clear, and she "fell in love" with credit unions' people-helping-people approach.

She believes those considering a credit union career should have a "heart for service."

That means "service to your members, service to your team, and service to your credit union," says Hartley, a branch manager for the $3.7 billion asset credit union ("A heart for service," p. 20).

She sums up her philosophy perfectly: "Success is on the other side of service."

Tim Dunham traded lesson plans for lending plans. The former social studies teacher happened by a credit union booth at a career fair and now is vice president of consumer lending at $1.2 billion asset Credit Union of America in Wichita, Kan.

Dunham, who appears on our cover, embraces the credit union's mantra: "We come to work every day inspired to make a difference in our members' lives."

He's a team player who believes in adopting a collegial, positive attitude and a friendly disposition, as well as an open mind and a willingness to learn.

Dunham's advice to his peers: "Find a mentor and be a continuous learner. Be willing to dive in on special project teams."

There's nothing mercenary or entitled about that approach. Time for some new myths.

Hear more from Tim Dunham at *news.cuna.org/podcasts*

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CUNA

2021-2022 CUNA Environmental Scan is available in these formats:

Report PDF: comprehensive report; combines industry insights with expert analysis

PowerPoint: complements the full PDF report; provides clear representation of data and takeaways to help you speak to the content for meetings and planning sessions

Streaming Video: complements the full report and adds analysis, insights, context and background from chapter authors

Invaluable insights on trends that affect credit unions

CUNA

Environmental Scan

Get the insights you need to make informed strategic decisions with 2021-2022 CUNA Environmental Scan (E-Scan).

CUNA E-Scan combines trends across industries, expert analysis and forecasting data to provide strategic planning guidance for credit unions. Insights are organized into 10 trend-based chapters and provide actionable takeaways from industry experts and practitioners. Gain the knowledge you need to make timely, future-focused decisions that keep your credit union agile and ready to meet member needs.

Ideas & Inspiration

A center of credit unions

Credit Union of Southern California (CU SoCal) recently opened a new branch.

But it's not a traditional facility because two other credit unions also share the space.

The Credit Union Center in Fontana, Calif., serves members of $2 billion asset Anaheim, Calif.-based CU SoCal, $72 million asset Pacific Transportation Federal Credit Union in Gardena, Calif., and $29 million asset Printing Industries Credit Union in Riverside, Calif.

It's an effort that stresses collaboration and cooperation among credit unions.

"Credit unions are financial cooperatives, and as such we follow a unique set of principles," says Dave Gunderson, president/CEO of CU SoCal. "One of those principles is cooperation among cooperatives. We do this by working together as credit unions for the financial well-being of our members and the community."

Three credit unions share the Credit Union Center in Fontana, Calif., which sports a Route 66 theme.

The Credit Union Center has signage to indicate which credit union staffs particular teller windows or meeting stations, but members can use any service station because each organization participates in shared branching. The three credit unions also work together on joint marketing and promotional efforts.

"The members of these three credit unions, as well as members of any credit union in the area, now have another access point to shared branching," says Susan Conjurski, president/CEO of Pacific Transportation Federal and Printing Industries. "That's a huge benefit to the credit union movement and the Fontana community."

Instead of decorating the inside of the Credit Union Center to reflect an individual credit union's brand, the décor is inspired by the iconic Route 66, along which the center is located.

The facility is located on-site at RB Auto, a used car dealership in Fontana, Conjurski says. It provides another way to connect with current and potential members, and provides additional visibility for the credit unions.

"I DON'T WANT ANYONE TO NOT BE **SUCCESSFUL.** WE ARE ALL LINKED **TOGETHER.**"

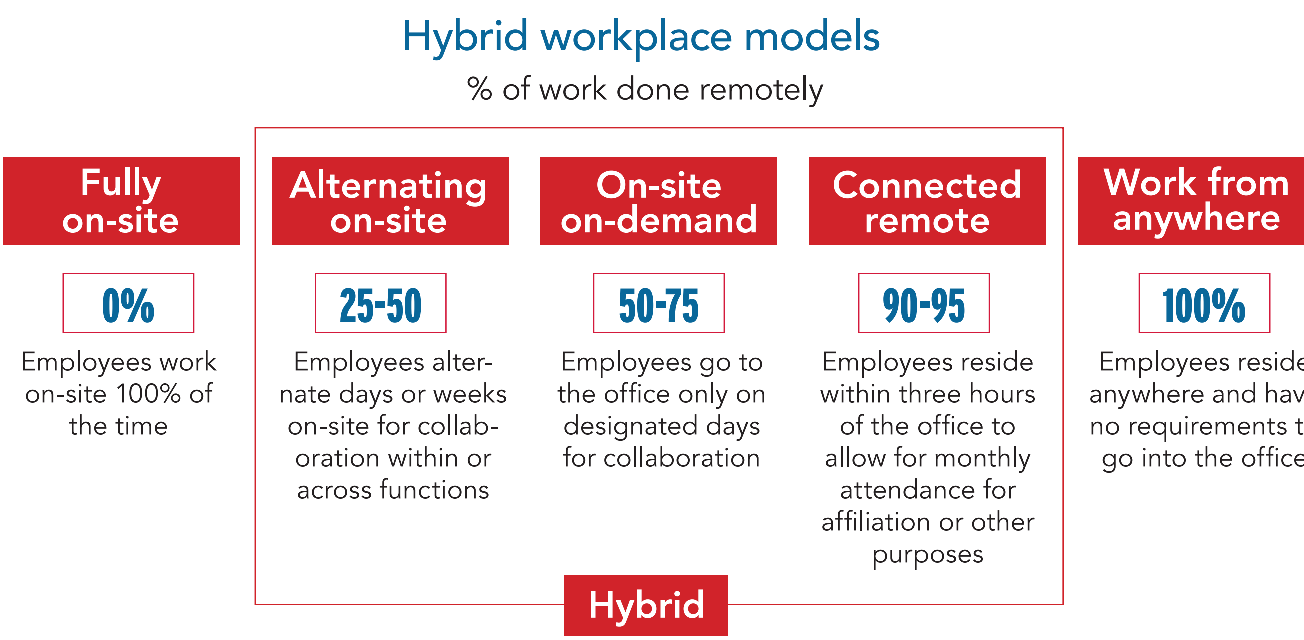
Tracey Jackson, chief financial officer at Resource One Credit Union in Dallas, on the importance of building up others.

Imagining the workplace of the future

As more people get vaccinated, workplaces are deciding how and when to bring employees back to the office.

Many leaders believe the future workforce will include more remote workers than before the coronavirus (COVID-19) pandemic, according to the "Workplace of the Future" survey from the Boston Consulting Group (BCG).

Thirty-seven percent of companies expect more than 25% of employees will work in a hybrid model that combines remote and on-site work, the survey found.



Source: BCG "Workplace of the Future" survey

Measure member effort to gauge service quality

Many credit unions rely on Net Promoter and other customer satisfaction scores to assess member service, says Paul Robert, CEO of FI Strategies.

But as consumer expectations evolve, it's more important than ever to gauge the effort members expend at each touchpoint.

Measuring member effort answers a simple question: How easy is it to do business with you?

Over the past year, as retailers shifted to a digital-first model, finding the answer to that question provided important insights into credit unions' member service success, Robert says.

"Let's hear from your members how you've handled [service]," he says. "That's not to be negative. Let's capture the positive. Let's celebrate success. Let's have something tangible that we can work on going forward."

Indicators of high-effort activities include members having to switch channels to resolve problems, repeating information, and getting transferred to a different agent, Robert says.

Credit unions are largely driven by transactions, he adds. Removing errors from the member experience is intrinsic to effortless service.

"You can be as nice as you can, and you can have great products, but if you mess up my transaction that will result in a negative satisfaction level," Robert says.

Ideas & Inspiration

Millennials show propensity to track deposit rates

The coronavirus (COVID-19) pandemic and the accompanying decrease in interest rates have raised rate sensitivity to a fever pitch.

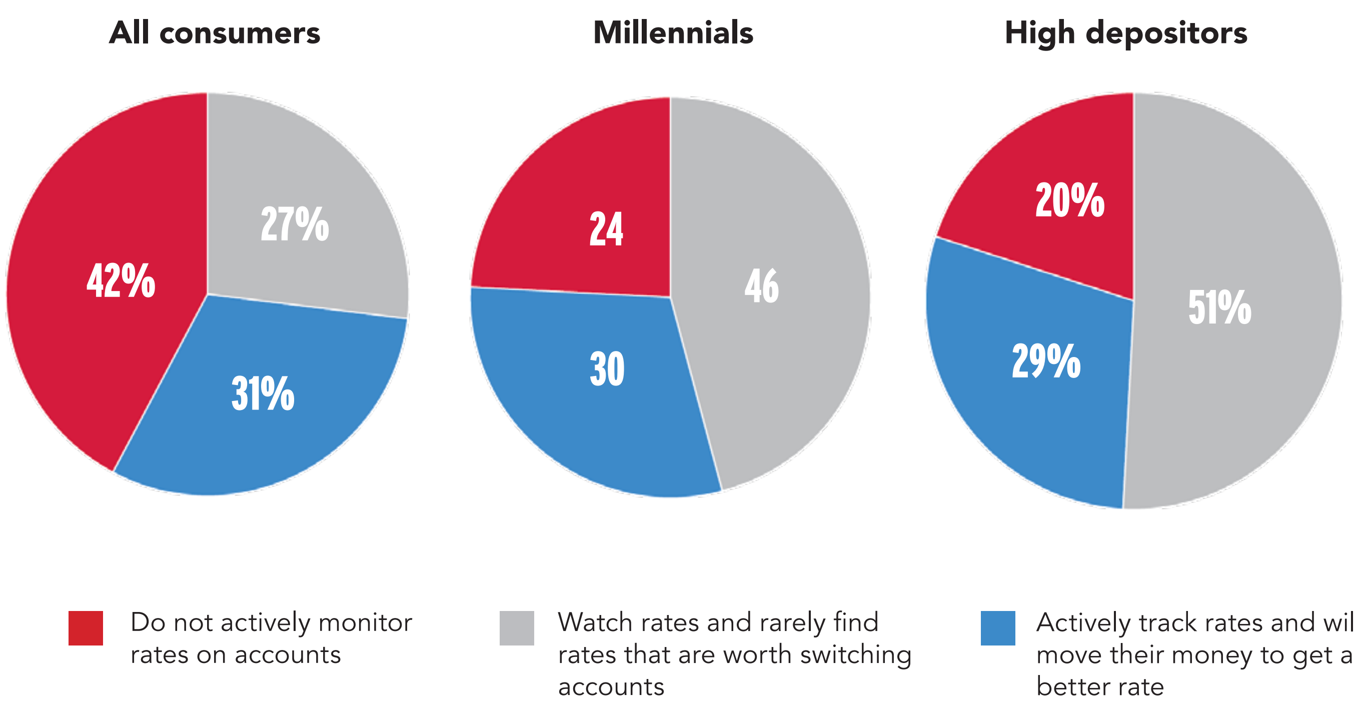
According to a new Raddon Report, "Rise of the Millennial Saver," in 2018 only 9% of consumers actively tracked rates. In 2019, that percentage had grown to 16%, and by 2020, 27% of households said they actively tracked rates.

Two groups track rates more than any others: high depositors, who have at least $50,000 in deposits at all institutions (51% actively track), and millennials (46%). Raddon research shows 22% of millennials, representing 7% of all households, fall into the high-depositor group.

Millennials are rate-sensitive because they grew up with low rates, according to the report. When the only deposit rates you have experienced are in the 0% to 2% range, small differences mean much more than for consumers who at point earned 12% certificate rates, according to Raddon.

While it may be easy to attract millennials with competitive deposit rates, this demographic can just as easily be motivated to move their money elsewhere, especially if the barriers to entry are low. With so many online accounts offering a seamless opening and funding experience, institutions stuck in antiquated processes may find themselves hard-pressed for funding.

Rate-tracking behavior



Source: Raddon Report "Rise of the Millennial Saver" (Nov. 2020)

To avoid fraud, think ‘evil’

When evaluating risk and looking for ways fraud can occur within the credit union, supervisory committee members must “think like a fraudster.”

“We have to be thinking evil,” says Sue Landauer, a CPA with Forensic Accounting Services Group, which specializes in fraud investigations, prevention, and training. “We need to think how can fraud happen to us from both internal and external perspectives, what controls are in place to prevent it from happening or to detect it quicker, and what we can do in the future to prevent fraud.”

The board and management are responsible for establishing policies and procedures that ensure the credit union’s safety and soundness.

But the supervisory committee is responsible for testing internal controls, including policies and procedures, to ensure they are adequate and functioning as they have been designed, says Landauer, who spoke at the CUNA Certified Credit Union Supervisory Committee Member eSchool.

Supervisory committee members must consider fraud in every audit. Landauer suggests they “think like a fraudster” and ask these questions:

- **How** could fraud occur within various departments?
- **What** controls are in place to prevent or detect fraud?
- **Has** management tested these controls?
- **What** tests can auditors develop to assess the adequacy of these controls?
- **Has** management considered fraud from both internal and external perspectives?

“We always have to think about what could go wrong,” Landauer says.

GreenState shares hits, misses online

In a move to be more transparent with members, GreenState Credit Union recently launched a new section of its website that publicly shares successes and mistakes.

Called “Hits and Misses,” the page openly shares the mistakes it has made and what the North Liberty, Iowa, credit union is doing to address them.

“It’s more than just telling your members that you are trying to improve,” says Jim Kelly, chief marketing officer at the $7.1 billion asset credit union. “It’s admitting to them that you probably should have done something about it before it became an issue.”

Because GreenState’s members also are its owners, which is unique to the cooperative structure, “it makes perfect sense that you tell them you are listening to their concerns and trying to address them,” he says.

Member reaction has been overwhelmingly positive, and members appreciate the credit union’s candor. But more surprising has been the reaction from GreenState employees.

“I didn’t anticipate the reaction we’ve received from staff, particularly our younger staff,” Kelly says. “They regularly comment that they love the page and that they are very proud to work for an organization that doesn’t just spin the bad news but instead is willing to admit errors and share what we are doing to address them.”

The page will continue to grow with both hits and misses as time passes. Staff with member contact are asked to regularly report back to marketing about the friction points members report.

“GreenState has a bright future, but we will drop the ball from time to time,” Kelly says. “And when we do, we will own it, share it, and fix it.”

Shaping the future of our movement

There are many places for new leaders to stake their claim in credit unions.

Emerging leadership is an exciting topic for me. It suggests new growth; a new generation coming of age and putting their signature on the credit union movement.

It means that I, as someone from an older generation, can see our movement from a set of fresh eyes.

It's one of the reasons I love speaking to the young credit union professionals—the Crashers—each year at the CUNA Governmental Affairs Conference, and this year was no exception.

Even a digital meeting couldn't dilute their enthusiasm, passion, and dedication.

I told the Crashers, as I do other young credit union professionals, you are the future of our movement. You choose every day to live and breathe the credit union difference, and you see its effect firsthand.

You exemplified that difference throughout the pandemic, and you're with us on our mission to turn that hard work into policies that enable us to do even more.

While it may not feel like it, this pandemic will end. We'll get our economy back on track.

It will be up to a new generation of leaders to not only build upon what we've done but to ensure it stays part of the lifeblood of our system.

> IT WILL BE UP TO A NEW GENERATION OF LEADERS TO NOT ONLY BUILD UPON WHAT WE'VE DONE BUT TO ENSURE IT STAYS PART OF THE LIFEBLOOD OF OUR SYSTEM.

There are lots of places for new leaders to stake their claim in our movement.

One finding of our Credit Union System COVID-19 Restart and Recovery Task Force was the importance of digitization. Whatever our digital plans were before the pandemic, they're now on fast-forward.

I'm far from the cutting edge when it comes to technology, but our next generation of leaders was born into a mobile-enabled world, coming of age as the smartphone transformed our lives.

It's that digital savvy which will lead our businesses and our movement into the future.

Financial Well-Being for All

We just launched Financial Well-Being for All, which presents another opportunity for talented young professionals to lead our movement forward.

Financial Well-Being for All is the lens through which we exemplify the credit union difference. It's about how we can better serve our members.

What can you do to lead your credit union in a direction that not only promotes financial well-being but adds that crucial "for all" element?

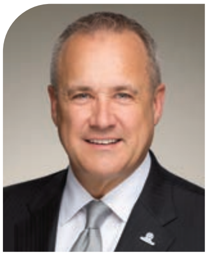
"For all" means we're setting our sights high. There will be hard-to-reach places, but we've spent a century working to provide financial access to those very places.

Think about your community and what it would look like if every person had a sense of financial well-being; a sense that money isn't a source of dread or fear but of hope.

I want to encourage the credit union movement's emerging leaders, and even the leaders who haven't emerged yet, to ask, "How will I take a leadership role in helping the credit union movement promote financial well-being for all?"

Answering that question honestly is how we ensure a thriving credit union system can work for our members well into the future.

It will make us a better movement collectively and, more important, it will help us do more for a new generation of members.



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Congratulations to the 2021 Credit Union Hero of the Year!

CHERYL DEBORDE

President/CEO • Members Choice Credit Union • Ashland, Ky.

Read more about Deborde and the other finalists at **news.cuna.org/cuhero**

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Legacy starts with leadership

Challenges create special opportunities for leaders to shape our movement.

I addressed this year's CUNA Governmental Affairs Conference with a challenge to credit unions around the country to think about their legacy. I chose that message deliberately and at an opportune time.

We've heard from NCUA Chairman Todd Harper that 2021 will be one of the most consequential years for credit unions. There's a lot at stake, both in the present and for the future.

We might be starting to return to normal, but certain things such as our economy have a long way to go. And people need credit unions to help get them back on track.

> "OUR MOVEMENT EXISTS BECAUSE OF LEADERS WHO WEREN'T CONTENT WITH THE OPTIONS THAT WERE AVAILABLE AT THE TIME, SO THEY THOUGHT BIGGER."

Challenges in times like this create special opportunities for leaders to shape the legacy of our movement.

The time is now. Our members need us, not only to meet their financial needs and help improve their financial well-being, but also to go to bat for them with policymakers.

Our movement needs us as well. Outcomes we manage this year will be instrumental in charting the course for our movement's prosperity for years to come, and it will be leaders throughout our movement who make this happen.

Leadership means influencing and engaging. It means capitalizing on our experience and legacy in service to the underserved to bring about a future that sees us have a positive impact like never before.

Our movement exists because of leaders who weren't content with the options that were available at the time, so they thought bigger.

The credit union model is disruptive. It gives people an alternative to predatory lending and traditional banking because it meets needs that neither of them would accommodate.

Through booms and busts, including natural disasters and a worldwide pandemic, credit unions, because of their cooperative structure, are still positioned to meet needs that others won't.

Leaders in our movement have often been pioneers who looked at what members needed and created the products and services to meet those needs.

The first credit union was created 113 years ago by a group of immigrants in Manchester, N.H., who weren't satisfied with the financial options in front of them.

My credit union was established in 1952 by a group of Reynolds Metals workers who needed protection from predatory lenders.

Our seven founding members knew they needed leadership to give those workers another option, and they came up with a vision and executed it. Today, their legacy means 97,000 members of Listerhill Credit Union in Muscle Shoals, Ala., have access to safe and affordable financial services.

Combined, those leaders who founded America's credit unions provide more than 120 million Americans with the same access.

These leaders pioneered a system that leans in when banks pull back and supports members' financial well-being when times are tough, whether government shutdown, natural disaster, or worldwide pandemic.

One of the most sacred aspects of credit unions is their cooperative structure and nature. We cooperate and work together, collaborate with CUNA and our leagues, and ultimately exist and work to improve the lives of our members. Only when our members succeed do we truly succeed. That's the legacy we've designed for ourselves, and one we have no choice but to fulfill.

These aren't just mere words, but a challenge we must all embrace: be the leader this movement needs and that our members deserve.

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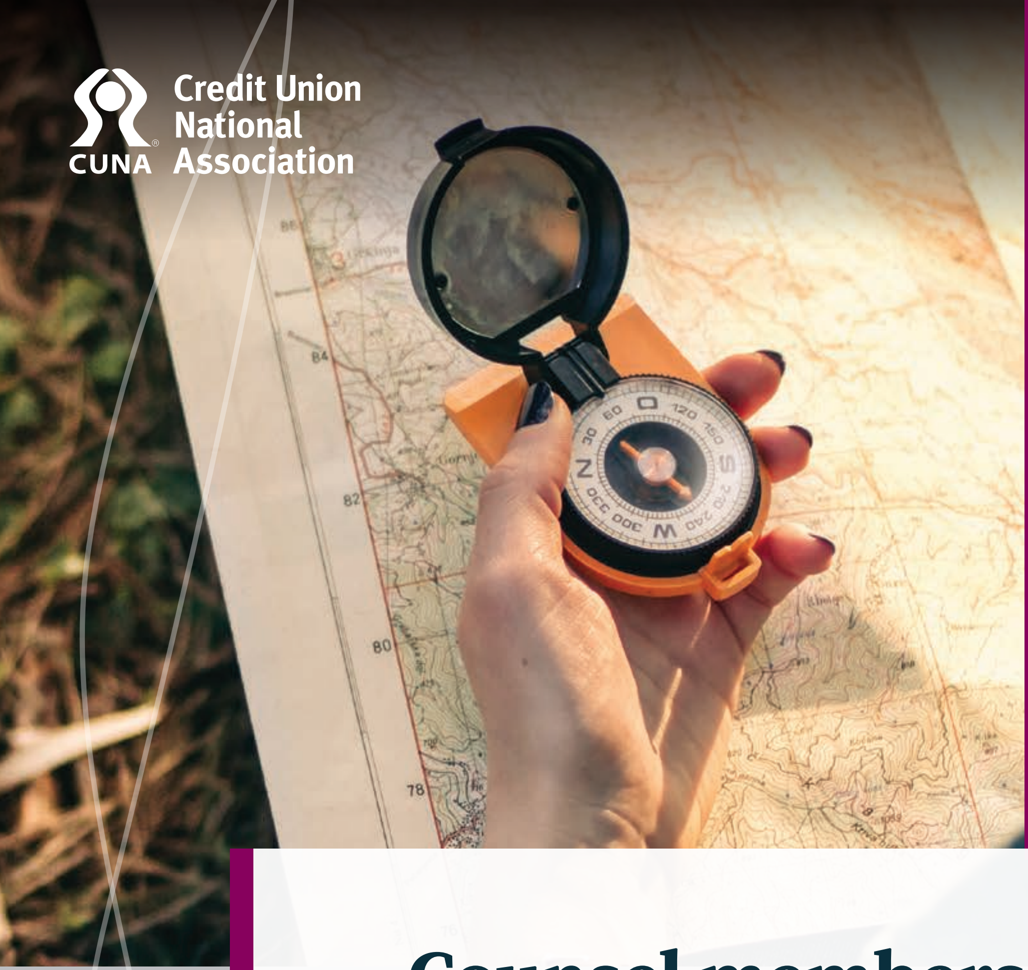

“By establishing and deepening relationships with our members, we will help them along and give them confidence in not just their current financial situation, but their knowledge and their ability to set up more financially responsible services in the future.”

Lloyd Cockerham,
President & CEO,
Ascension CU

Counsel members while improving CU results

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- Build deeper relationships with members
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- Reduce bad debt

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a HEART for SERVICE

LUCY HARR

Young professionals find credit unions are a place where they can make a difference.

A credit union career path is not always straightforward.

Having relocated to Oklahoma, Tim Dunham attended a career fair seeking a teaching position. He stopped by a credit union booth and began his credit union journey.

Today, Dunham is vice president, consumer lending, at $1.2 billion asset Credit Union of America in Wichita, Kan.

Christian Hartley worked at Chick-fil-A before being hired as a teller at $3.7 billion asset Keesler Federal Credit Union in Biloxi, Miss. She's now a branch manager for the credit union.

Seeking a change from her job in a hospital marketing department and conducting a casual search, Kristin Romero discovered a marketing position online at $359 million asset Baton Rouge (La.) Telco Federal

Focus

- **Service** to both members and colleagues is a top motivator for many young professionals.
- **Emerging leaders** should seek opportunities outside of their current areas of expertise.
- **Board focus:** Attract a new generation of leaders by knowing what motivates young professionals.

Change of plans
Many credit union young professionals, including Tim Dunham, vice president consumer lending, for Credit Union of America, began their careers in other business fields.

LOOKING BACK, LOOKING AHEAD

If credit union veterans Bill Kennedy and Jason Lindstrom could time-travel back to their 25-year-old selves to plot career course corrections, they wouldn't change much.

Lindstrom, president/CEO of $402 million asset Evergreen Credit Union in Portland, Maine, would have spoken up more.

"There were times in my career where I held back on speaking what was on my mind or sharing my ideas," he says. "Now, at the CEO level, I wish more young people would speak up and talk to me about their ideas and goals."

Lindstrom believes talking about goals and approaches to problems and other situations is crucial for those seeking to advance in their careers.

Kennedy, chief financial officer at $460 million asset Securityplus Federal Credit Union in Baltimore, feels fortunate that early in his career he had mentors who helped him develop his skills and wisdom.

"They helped me create value and bloom where I have been planted," he says.

He credits their guidance for his numerous professional awards, including the CUNA Finance Council Professional of the Year.

Kennedy aims to pay it forward.

"I want to be a shining light to those who are in my path so they can accelerate their own development and careers," he says.

Both Kennedy and Lindstrom stress the importance of taking charge. Kennedy's first mentor taught him that no matter where you are on your journey, you need to own it with the entrepreneurial spirit of a CEO.

Lindstrom embraces education and networking.

"You want to jump at [these opportunities] as much as you can," he says. "If your credit union can't afford them, find those with scholarships and apply, or find no-cost opportunities. Get involved as much as possible and ask a lot of questions along the way."

He also recommends patience. "Careers don't happen overnight. They are built through a process of learning, spending time in roles, developing networks, engaging in discussions, and, most of all, working hard."

Adds Kennedy, "It will take planning and solid time management, but the time is ripe for those who want to make a significant difference in the credit union movement."

The credit union and staff have a reciprocal responsibility. Kennedy and Lindstrom say credit unions must engage young professionals with job shadowing, management training, internships, mentorship, and educational opportunities.

"You must invest in your staff to keep them," Lindstrom says. "You need to listen and learn from them as well."

Credit Union. She's now vice president of marketing.

A bank teller who gained experience in benefits administration, leading to human resources expertise and a job with the State of Nebraska, Nathan Brock found a perfect fit at $158 million asset LincOne Federal Credit Union in Lincoln, Neb., as director of human resources.

No matter the route, these young professionals have each found a place where they can make a difference. They're motivated by the opportunity to serve.

Brock says building relationships with colleagues is the highlight of his day. "Being that trusted adviser and mentor, and doing what I can to motivate, engage, develop, and empower staff each day is what lifts me up and brings me joy. Their success is our success, so any improvement in employee engagement, advancement, or retention is empowering and self-motivating."

Service first

Before she joined the Keesler Federal team, Hartley didn't know the difference between a credit union and a bank. "It didn't really matter to me," she says. "I thought they were all the same."

But that notion has been thoroughly dispelled. "I saw quickly the credit union difference in 'people helping people' and fell in love with that concept."

Hartley believes that anyone considering a credit union career must have a heart for service. "It's not listed in the job description, but everything you will want to gain in the credit union movement will be on the other side of service: service to your members, service to your team, service to your credit union," she says. "Success is on the other side of service."

Hartley says her favorite part of the job is coaching and staff development, and she's proud of the success her branch and team have experienced. Seven of her assistant branch managers have been promoted to leadership positions within the credit union.

Dunham is motivated by Credit Union of America's mantra: "We come to work every day inspired to make a difference in our members' lives."

The goal is to make it easy for members to conduct business and provide them with transparent products and services, as well as a feeling of security. He's proud of the growth the credit union has experienced.

"I can see where I affect change and have my fingerprints on our policy, procedures, and production," Dunham says. "I can have a vision for something, help others to see it, and then execute."

His biggest challenge is bringing projects to scale and ensuring their regulatory compliance.

Prior to joining Baton Rouge Telco Federal, Romero worked in a variety of industries. She's found her home in credit unions.

"There's opportunity to get in and make a difference, not only for the credit union but, even more importantly, for members."

She has thrived on the opportunity to establish and build Baton Rouge Telco Federal's digital strategy over the past few years. "Each day is different, and I get to have my hands on so many facets, from branding to social media to digital strategy to member experience and even operations. I'm a data geek and love the analytical side of marketing."

That's ironic, Romero notes, because she was initially attracted to marketing because she felt she wasn't good at math. "Now, I have to 'math' all the time."

Be a disrupter and wear it like a badge of honor.

KRISTIN ROMERO

Romero appreciates the collaboration she has found in the industry. "The collaboration, especially between marketers, is unparalleled. I've made friends and connections with my peers across the country. If I'm stumped or have a crazy idea, I can brainstorm with just a text message and get some great feedback."

Keys to success

When opportunity knocked for these young professionals, they were ready and able to open the door. They offer advice for others looking to succeed in credit unions.

For starters, adopt a collegial, positive attitude and a friendly disposition, as well as an open mind and a willingness to learn, says Dunham.

"Find a mentor and be a continuous learner," he says. "Be willing to dive in on special project teams."

Romero sees "rolling up your sleeves and getting your hands dirty" as a driver of success. "Ask hard questions and seek opportunities for your growth and development, especially across disciplines. I see the credit union industry as the perfect opportunity for dynamic young professionals to come in and help shake things up. Be a disrupter and wear it like a badge of honor."

Build trust and respect with everyone from the CEO to the newest employee.

NATHAN BROCK

Hartley advises saying "yes" to every opportunity, including "those others don't want to do," as well as seeking out training and volunteer opportunities.

Each year, Hartley would volunteer at Kessler Federal's annual meeting. "It started with me stuffing gift bags. I found that volunteering put me next to and in front of senior leadership who I'd ordinarily not come in contact with."

She also believes people should show up every day as if they're being interviewed. "Because you are. People are observing you each day.

"Have a big dream, a great plan," Hartley continues. "And be ready when someone asks what you want or asks you to do something."

Brock says young professionals in particular should prioritize building relationships and networking. "Don't wait for folks to come to you," he says. "Put yourself out there and outside your comfort zone if need be. Get out of your work area and get to know each individual within your organization. Build trust and respect with everyone from the CEO to the newest employee. It's a two-way street. You have to give trust and respect to receive it."

Romero believes people gain trust by not only being good at their jobs, "but also acknowledging when something didn't work out and then learning from it."

Adds Brock: Don't be afraid to fail. "We learn more from adversity and failure than we do from success."

He also advises earning your keep. "Many young professionals are hungry for immediate advancement and growth but fail to realize there is tremendous opportunity for personal and professional growth within the roles they currently serve," Brock says. "Leadership typically will reward dedication and patience."

Romero recommends being invaluable. "Learn and grow as much as you can. Think about how you can develop yourself, add value, and make your boss's life easier. I promise the high salary and fancy title will follow."

Recruitment and retention

Romero believes credit unions must also appeal to young professionals to attract and retain the next generation of leaders. "It's important for tenured credit union leaders to be open to new ideas and ways of thinking," she says. "The 'we've-always-done-it-this-way' approach doesn't work anymore. Young professionals bring fresh eyes and ideas to the status quo, and that should be welcomed and encouraged."

Dunham concurs. "Don't become grounded in the 'I work an hour late and show up 30 minutes early' approach."

Work-life balance is critical, he says. Young professionals are "working to live, not living to work."

Regardless of generation, attracting and retaining top talent requires providing a healthy wage, a lucrative benefits plan, and enough flexibility and paid time off for staff to recharge so they can serve members effectively, Brock says.

"It's not all pingpong tables and open office concepts with keg beer at 4 p.m.," he says. "Don't overthink it. Simply follow the platinum rule: treat others as they want to be treated. The world is constantly changing and evolving. If we don't evolve with it, we'll be left behind in the battle for talent."

Resources

›CUNA Councils: *cunacouncils.org*
›CUNA training resources: *cuna.org/learn*

HIT THE GROUND RUNNING

DARLA DERNOVSEK

Mentorships, associate programs, and training put new board members on the fast track to success.

For some tasks, the best way to learn is by doing.

That's especially true for credit union board members, says Nick Etscheid, who was an associate director at $690 million asset Verity Credit Union in Seattle before he was elected to the board in 2020.

The experience prepared him for the responsibilities he'd have as a full board member, as well as how to work effectively with the group. "You can find your voice and learn at the same time," Etscheid says.

Credit unions are developing associate programs, appointing mentors, and updating training to prepare new board members to contribute as soon as possible after their election. The result is a high-performing board that quickly captures the contributions of new directors without losing speed.

Adding associates

An associate director program can prepare new directors before they're appointed or elected to the board.

America's First Federal Credit Union in Birmingham, Ala., started its associate program in 2014 to recruit volunteers who could come to their first board

Focus

- **Prepared board members** have the knowledge they need to act confidently and contribute to a high-performing board.
- **Mentorships** and associate and emeritus director programs are effective ways to educate and onboard new board members.
- **Board focus:** Identify ways to prepare new directors to contribute immediately upon their election to the board.

ASSOCIATE FEEDBACK

Two directors who joined credit union boards through associate programs agree that serving an apprenticeship made them more effective when they were elected.

"This takes a lot of time, but it gives an outsized return in your growth and your strategic thinking, which a lot of young professionals don't get to express in their daily work," says Nick Etscheid, who served on two credit union committees as a board associate in 2019 before he was elected to the board of $690 million asset Verity Credit Union in 2020.

Access to the Seattle-based credit union's executives was critical. It allowed Etscheid, a global data center expansion manager for Amazon Web Services, to ask questions that gave him insights into the role of a director.

Sara Robicheaux, Ph.D., sought an associate board position at $2 billion asset America's First Federal Credit Union in Birmingham, Ala., because it aligned with her expertise as professor of finance and dean of business programs at Birmingham-Southern College. While she has served on nonprofit boards, she needed to learn credit unions' unique structure.

"There is a big learning curve for board members in grasping the credit union aim to serve their members rather than seeking a profit," Robicheaux says.

Attending the annual board retreat helped her understand the credit union's mission and strategic goals, as well as credit union regulations and industry trends.

"By first serving as an associate, you can find out what the commitment is before serving as an official board member," Robicheaux says. "Most important, being an associate gave me a seat at the board table where I could review the monthly board reports, participate in meetings, and ask questions before having to vote on strategic issues."

meeting "fully equipped" to assume their duties as directors, says Alan Stabler, executive vice president and chief administrative officer at the $2 billion asset credit union.

"Before we had the associate program, you could look at new board members in meetings and tell they were struggling to keep up," Stabler says. "It was common during meetings to have new directors using a smartphone to Google acronyms."

The credit union needs to recruit new board members continually because it uses term limits to gather fresh perspectives.

America's First Federal typically draws associates from the credit union's membership. Preferred candidates hold valued roles at community organizations or "benefit partner" businesses that allow the credit union to offer on-site enrollment and financial training.

It appoints up to five associate directors to one-year terms that can be renewed at the annual meeting until a board opening occurs.

> "IN MENTORING SOMEONE, YOU'VE GOT TO DO IT BEFORE YOU CAN TEACH IT, AND YOU'VE GOT TO BE THE EXAMPLE."
>
> JIM TAYLOR

Nonvoting role

Associate members attend board meetings in a nonvoting role, participate in annual planning retreats, attend training, and may serve on committees or perform special assignments. They also can contact executives with questions and are encouraged to attend conferences.

"For all intents and purposes, they are board members in training and are at almost every event that regular board members attend," Stabler says. "They know our routines and they know us. That's been the beauty of this program."

To date, several associates have been elected to the seven-member board while only two associate directors left the program due to scheduling conflicts. Three of the four directors who joined the board in 2020 participated in the associate program, and the fourth received training through service on the supervisory committee.

Strategic win

Applicants for associate director positions typically outnumber openings two to one at Verity. Justin Martin, executive vice president and chief operating officer, says Verity's nine-member board consists entirely of directors who started as associates.

Martin credits the program with creating a high-performing board.

"They hit the ground running," Martin says. "They've learned how to work with each other and how to have collaborative but pointed conversations. This heightened our board's ability to guide our strategic direction."

The associate program started in 2010, driven by older directors who wanted to ensure the "next" board would understand Verity's legacy of community service while welcoming new ideas. They also wanted to recruit young professionals who could relate to young members.

Verity's board now includes directors in their 20s, 30s, 40s, and 50s, but none older than 60.

"These are all working professionals with demanding jobs," Martin says. "They're dedicating a significant amount of time and energy because they believe in this credit union."

Martin notes it's important to be "purposeful" in onboarding associates to make them feel included. When the program started, executives discovered that details like figuring out where associates sit during board meetings can make a big difference in making them feel comfortable and accepted.

Over time, a few associates have left due to other commitments, but most continue to serve until a board position opens. Openings arise more frequently now, Martin says, because experienced board members feel comfortable handing off their seats to trained associates.

When there are more associates than board seats, those who are not elected can remain in the associate program. Verity also trains board members through orientation, formal mentoring, training, and committee work. As a result, Martin says, Verity no longer worries about letting good director candidates get away.

Avoiding 'automatic agreement'

Preparing new board members to contribute prevents them from automatically agreeing to everything, which can happen when they lack knowledge about credit union governance, says Tim Harrington, president of TEAM Resources, which provides board governance training and strategic planning facilitation.

"To have a chance of understanding what you're getting into, it helps to have a good orientation and mentorship program," Harrington says. "Otherwise, you sit and either make a fool of yourself by asking questions to which you should know the answer or you're silent, trying to understand what it is we're doing here."

Harrington says when a credit union has a knowledgeable board, directors feel confident asking questions while expressing a healthy level of disagreement and dissent.

He suggests credit unions offer both an associate or "apprentice" program and a mentorship program to prepare directors for strategic governance. Mentorship programs generally designate an experienced director as a mentor, although emeritus directors can also be effective mentors.

"The idea of mentorship is to make a director as effective as possible as quickly as possible in modern board governance," Harrington says. Mentors should be skilled communicators who are willing to hold a monthly post-meeting debrief during the first six months, and then remain available for questions as needed.

Harrington favors a standardized program for orientation and training, which makes it easy to monitor. Training should prepare directors to help credit unions change as quickly as their members and the marketplace.

Topics should include key regulations, bylaws, governance policies, codes of conduct, and the credit union's history, purpose, and strategic plan.

"Boards have to ensure the credit union is nimble and renews itself quickly," Harrington says. "You want board members to be effective as soon as possible—other than saying the occasional 'aye'—so they can contribute."

> "BRINGING ON NEW VOICES CAN ADD DIVERSITY AND NEW ENERGY TO THE ORGANIZATION."
>
> DION WILLIAMS

Shared wisdom

Piedmont Advantage Credit Union in Winston-Salem, N.C., uses an emeritus program created in 2012 to continue to tap the talents of recently retired board members while helping new directors appreciate the organization's history and culture, says Dion Williams, president/CEO of the $414 million asset credit union. This informal mentorship is developing into a formal process that will acclimate new directors as they join the board, one or two at a time.

"Bringing on new voices can add diversity and new energy to the organization," Williams says. "However, one or two new directors does not constitute a majority, and that transition can be difficult if he or she tries to do too much too fast."

When combined with its associate program, Williams says using emeritus directors as mentors enables Piedmont Advantage to recruit and train board members who become as dedicated, effective, and passionate as the long-term volunteers they

8 WAYS TO PREPARE BOARD MEMBERS

Credit union leaders and industry experts share eight approaches to preparing new directors:

1. Associate or apprentice programs allow board candidates to "shadow" the board and complete training before their name appears on the ballot for board election.

2. Mentorship programs match experienced and new directors to promote an exchange of knowledge, which may be structured or informal.

3. Committee service exposes volunteers to procedures, policies, and executives.

4. Attending the annual retreat provides information about the marketplace, trends, and strategic goals.

5. Board orientation delivers key information and introduces associates or new directors to the board and executives.

6. Informal networking complements formal training by introducing new or prospective directors to experienced volunteers and other experts they can contact for advice or insights.

7. Training provides vital concepts and should be tracked to ensure completion.

8. Attending regional or national conferences can broaden the new director's knowledge and perspective.

replace. One result is efficient meetings that rarely exceed 90 minutes and stay focused on financial reports, the financial outlook, and strategic initiatives.

An informal mentorship at Piedmont Advantage paired Chairman Emeritus Jim Taylor, a 53-year board veteran who retired from service in 2020 after 30 years as chairman, with Tom Mekis, who joined the board in 2007 and now serves as chairman.

> "THERE IS A BIG LEARNING CURVE FOR BOARD MEMBERS."
>
> SARA ROBICHEAUX

Both Taylor and Mekis began their professional careers working for divisions of Piedmont Airlines, the credit union's original sponsor company. Taylor retired as president/CEO of the Piedmont Aviation division while Mekis eventually left Piedmont Airlines to work for an airplane financing and leasing business.

Taylor says his conversations with Mekis often focused on the importance of serving members with integrity and honor. They also mulled over the "traps" that caused past failures and practices that lead to success.

"In mentoring someone, you've got to do it before you can teach it, and you've got to be the example," Taylor says. "You can talk until you're blue in the face but if you don't show it in your life and live it, it's not going to do much good."

Mekis aims to carry on Taylor's inclusive leadership style, which fosters productive discussions by encouraging people to ask questions and share concerns. "Doing what you say you're going to do and listening to others are key," Mekis says.

To carry on that culture, Mekis plans to take associate members to lunch for informal discussions once pandemic restrictions are lifted. This parallels the full board's tradition of going to dinner before or after meetings.

Volunteer 'life cycle'

Williams notes that Piedmont Advantage structures the onboarding process to capture the contributions of directors at every stage of the "volunteer life cycle."

"There is a smooth entry, then the rigors of being a full voting director, and then a dignified exit in which the director can still contribute by way of assisting the next generation," Williams says.

CEOs and directors alike note that creating thoughtful programs that prepare new directors to serve is a win-win scenario at every level of the credit union.

"Who benefits the most? Our membership," Martin says. "They have leadership that truly represents them and is ready to go to work for them right away."

Resources

- Credit Union Directors Newsletter: *cuna.org/directors*
- CUNA board and committee solutions: *cuna.org/board*
- TEAM Resources: *forteamresources.com*


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When you look under the hood of the most creative and innovative credit unions, you will find cultures of the highest
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Seeking SOFT skills

MARK CRAWFORD

Empathy, communication, and emotional intelligence are must-haves for effective leaders.

A fading leadership type is the demanding, inflexible boss who is focused on executing tasks without question or complaint from the workforce. Such leadership, experts say, invites employees to feel marginalized because their opinions are not valued and their feelings are not considered.

Today, due in part to the many challenges brought on by the coronavirus (COVID-19) pandemic, "soft" management skills such as empathy, emotional intelligence, and adaptive communication have come to the forefront.

They're especially helpful for connecting with and

Focus

- **The pandemic** has created a greater need for leaders with soft skills.
- **Critical** soft skills include empathy, emotional intelligence, and adaptive communication.
- **Board focus:** Soft skills improve member and employee retention and engagement.

managing remote workers. "Leadership is about transitioning from master of tasks to mover of people," says Nate Regier, CEO of Next Element Consulting.

This emotional way of connecting with employees leads to better communication, understanding, and adaptability. This often results in collaborative, innovative solutions that move the business forward because employees are more motivated when they feel their leaders care about their feelings and their success.

3 critical skills

Instead of focusing solely on market trends, spreadsheets, and business metrics to make decisions, leaders with soft skills also prioritize employees' emotional well-being and respond to their needs in a caring way. Critical soft skills include:

1. Empathy, or the ability to relate to what others are thinking and feeling. "Validating emotions—or even sharing your own—and being in that moment with someone else builds trust and rapport and allows leadership to take meaningful action on what they learn," says Tobi Weingart, senior manager for CUNA Creating Member Loyalty (CML).

Compassion and empathy are intertwined. "Compassion is the practice of demonstrating that humans are valuable, capable, and responsible in every interaction," Regier says. "Treating people as valuable means trusting intentions, showing empathy, and creating a safe space to be vulnerable without fear of judgment."

In its "2020 State of Workplace Empathy" report, Businessolver indicated that 76% of workers surveyed said they believe an empathetic organization inspires more motivated employees, up from 65% in 2019.

2. Emotional intelligence. This ability to manage and adapt your emotions in positive ways to empathize with others can reduce conflict and increase understanding and cooperation. An emotionally intelligent leader is highly effective in communication, decision making, conflict resolution, and team building.

"Throughout the pandemic we needed to make quick decisions, employ contingent business plans, and work effectively," says Brandi Stankovic, Ed.D., chief operating officer and chief strategy officer for CU Solutions Group. "As the dust settles, emotional intelligence will be critical to ensure we are hearing the needs of our staff and members."

3. Adaptive communication. Good leaders recognize that people have different personalities, backgrounds, and perspectives. To be effective, leaders must adapt how they communicate depending on who they are talking to.

"Great leaders do not just learn about individual differences; they also learn how to adjust their communication style to connect, motivate, and inspire different types of people," says Regier.

Curiosity—the ability to ask good, thought-provoking questions—is also a key part of adaptive communication. "When leaders do this, they also help staff learn to be critical thinkers when it comes to job performance and problem solving," Weingart says.

Pandemic-driven change

COVID-19 has blurred the lines between employees' personal and professional lives. They continue to experience significant stress as they juggle remote work with family responsibilities and deal with the mental health impacts of social isolation.

"These times demand leaders to lead with empathy, flexibility, and emotional intelligence," says Nicole Colgan, chief people/culture officer for $1.8 billion asset TwinStar Credit Union in Lacey, Wash., and a member of the CUNA HR & Organizational Development Council Executive Committee. "They must lead and manage with the 'whole person' in mind."

Some executives have difficulty admitting their shortcomings with soft skills and struggle to adapt.

"Many employers have historically taken the 'leave your personal life at the door' approach with their employees," Colgan says. "The pandemic has forced personal and professional lives to collide. This has required leadership to be OK with a dog barking or a child interrupting a Zoom meeting. Flexibility and

"The pandemic has forced **PERSONAL** and **PROFESSIONAL** lives to collide."

NICOLE COLGAN

3 LESSONS FOR LEADERS

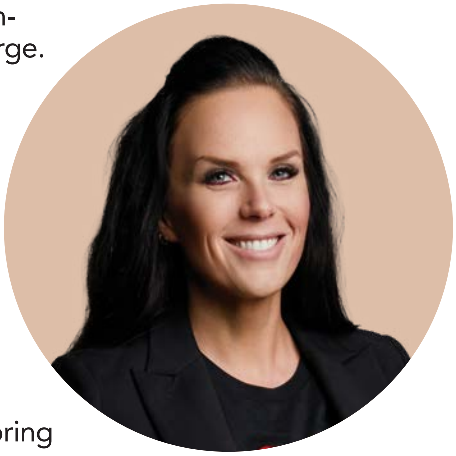
Brandi Stankovic, Ed.D., chief operating officer and chief strategy officer for CU Solutions Group, cites three key leadership lessons from the pandemic:

1. Vulnerability is a strength. 2020 was a difficult year for many reasons, including social injustice, political unrest, the global pandemic, economic turmoil, and disruption of family life. "People had no choice but to reveal a more vulnerable side to themselves," Stankovic says. "Don't be afraid to share how you are feeling. Don't be afraid to ask your staff how they are feeling. Together we are stronger."

2. Increase cultural competency. Some leaders shined during the pandemic while others struggled. The coronavirus (COVID-19) pandemic created a unique opportunity for new team leaders to emerge.

"It was also difficult for many employees and leaders who were, and potentially still are, isolated," says Stankovic. "Open a dialogue with your teams about the subcultures within your organization. The more we can listen and be attentive to the unique diversities within our staff, the more we will blossom as a shared enterprise."

3. Practice empathy and empowerment. "During the COVID-19 pandemic, when people had to adjust rapidly to changes in every area of their lives, many credit unions found that demonstrating empathy for employees and members alike was critical to sustaining operations," Stankovic says. "As leaders, we will need to trust our employees, encourage independence, and bring back a sense of pride and empowerment."



BRANDI STANKOVIC, ED.D.

communication have become even more imperative during the pandemic."

If leaders did not appreciate the importance of soft skills before the pandemic, they do now, notes Regier. "Right out of the gate, the most critical skill was empathy," he says. "Everyone was anxious, afraid, and stressed out. Leaders needed to understand and appreciate this struggle, as well as facilitate a balance between energy spent attending to each other's well-being and energy spent adapting, pivoting, and innovating to stay relevant."

A differentiator

Soft skills are often the differentiator between good and great leaders, and have a positive impact on bottom-line business metrics. Good soft skills increase trust, engagement, and loyalty. When people feel safe, connected, and included, they give more of themselves and provide better service to customers.

But soft skills can be difficult to master.

"Soft skills are hard and hard skills are easy," says Neville Billimoria, senior vice president and chief advocacy officer at $4.7 billion asset Mission Fed Credit Union in San Diego. "As we forge organizational climates and culture based on the collective impact and contributions of all stakeholders, it requires a different set of skills to convene, connect, coach, and champion success beyond historical frameworks."

Progressive credit union leaders want to identify their skill gaps to elevate performance and potential. A good way to start is with an honest self-assessment.

Regier says leaders should ask employees three questions to determine if their soft skills need work:

›**Do you feel safe** enough around me to honestly share how you're doing and what's on your mind? If not, what am I doing to make it unsafe?

›**After an interaction** with me, do you feel more capable than you did before? If not, what am I doing to cause that?

›**Am I clear** about boundaries and expectations without instilling fear or guilt? If not, what am I doing to instill fear of guilt?

Based on these answers, leaders can begin working on their soft skills. "It is only through greater self-understanding and relational and emotional intelligence skills that lasting change can be achieved," says Stankovic. "For some leaders, it is difficult to accept and/or resolve their shortcomings. Credit unions can enlist the help of their business partners, leagues, CUSOs, and other credit union networks for support."

Weingart recalls one credit union CEO, a CML client, who realized he and his executive leadership team

“Soft skills are **HARD** and hard skills are **EASY.**”

NEVILLE BILLIMORIA

were caught up in the “transactional, process, and compliance” side of the business, leaving the “people issue” to the human resources department.

“They realized they lacked empathy,” she says. “In the midst of the pandemic, they all took a course on emotional intelligence and the CEO pulled them in for weekly discussions on empathy.

“When they conducted their employee survey at the end of the year,” Weingart continues, “the staff noted how engaged the leadership team was in helping them cope with issues, both personal and work-related—something they had never shared before.”

Another CEO at a large credit union in Florida launched regular “listening sessions” with small groups of employees via Zoom. He would open the discussion by saying, “Tell me what you’re thinking and how you’re feeling about life and your job right now.”

“He had to learn to be quiet and listen intently,” says Weingart. “It was challenging because he was used to fixing things or jumping in to defend a process. He started asking questions, digging deeper, and heard things he never expected, sometimes critical. He told me it was freeing to hear staff openly share ideas and wishes—and then to start working on them.”

Stronger relationships

Practicing self-care, taking care of staff, and modeling resilience and balance while driving performance during the pandemic disrupted the standard business model and affected relationships with employees and credit union members.

“The past year of virtual leading in a COVID-19 environment should make clear which leaders ‘got it’ and practiced these principles and which ones lacked the emotional intelligence, self-reflection, and authentic leadership to pivot,” says Billimoria.

Empathy and emotional intelligence, starting at the top of an organization, can result in a cultural shift toward caring and compassion that runs through the entire organization—all the way to shaping responses to or interacting with members in a more sensitive way.

“Soft skills lead to stronger relationships,” says Jeff Rendel, principal of Rising Above Enterprises. “With customers, the result is retention and consistent sales. With vendors, the result is flexibility in pricing, execution, and service.

“With employees,” he continues, “the result is engagement, which leads to innovation, profitability, and lower turnover.”

Credit unions focus on building relationships with people and communities. Those with a strong sense of social mission and core purpose will already have a working relationship with empathy.

“Our members have a number of choices of where they conduct their financial business,” says Colgan. “The ability to communicate effectively and with empathy at a human level with our membership is vital and a real differentiator between our credit union and the financial institution down the road.”

“The greatest leaders are often, in reality, skillful followers,” adds Stankovic. “These individuals can put their own egos aside in active pursuit of the social mission and organizational shared vision. This does not mean relinquishing independence. In fact, it often takes courage and a strong work ethic.

“Once a leader can embrace the notion of servant leadership, give clear and specific recognition to their teams, delegate strategically, listen intently, and build trust, they can inspire.”

Resources

- CUNA:
  1. Creating Member Loyalty: *cuna.org/cml*
  2. Environmental Scan resources: *cuna.org/escan*
  3. Solutions for leadership & management: *cuna.org/leadership*
- CU Solutions Group: *cusolutionsgroup.com*
- Next Element Consulting: *next-element.com*
- Rising Above Enterprises: *jeffrendel.com*

> "Because of CML I've seen noticeable change and improvement in team engagement both in our front office and our back office. We now look for ways to help each other to better serve the member."

Crystal Deleon
Director of Training
Navy Army Community
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cuna.org/cml

The future of

BRANCHES

JORDAN VAN RIJN

Economics

Despite the increased adoption of digital banking services due to the pandemic, consumers continue to value physical locations.

The coronavirus (COVID-19) pandemic has accelerated the adoption of digital banking technologies, leading many to question the need for extensive branch networks. In fact, 2020 witnessed a record number of net bank branch closings, not including branches temporarily closed due to the pandemic.

Nonetheless, research shows that consumers continue to value physical locations and personal relationships are critical for credit unions to reach certain populations. These populations include small businesses, seniors, rural areas, low-income households, and families with unreliable broadband access or insufficient technology.

What might the future post-pandemic branch look like? How can it best cater to the needs of a more technologically savvy population while continuing to serve those who prefer personal relationships?

The decline in branch networks

First, it is important to acknowledge that the number of bank branches has been steadily declining since the 2007-2009 financial crisis. Bank branches (including headquarters) peaked at nearly 100,000 in 2009 before falling to 79,974 by year-end 2020.

Various factors have contributed to this decline, including earnings pressure from low interest rates, rising regulatory costs, and customers increasingly turning to ATMs, online banking, and mobile apps to conduct financial transactions.

Unfortunately, even before the pandemic, this trend has led to the creation of hundreds of "banking deserts" across the country, or regions with inadequate or no mainstream financial services.

Rural, diverse, and low-income communities are particularly vulnerable to branch closures, and there is growing concern that branch closures in disadvantaged communities may exacerbate existing inequalities in access to affordable financial services.

Credit unions, however, have closed branches at a much slower pace than banks, and in recent years have even increased their total number of branches. While the number of bank branches has fallen dramatically, the total number of credit union branches grew slightly from 21,440 in 2009 to 21,566 in 2020 ("Bank & credit union branches," p. 40). This means credit union branches are a growing percentage of the total number of branches across the U.S., and now total roughly one-fifth of all branches.

Credit unions also have different location patterns relative to commercial banks, with a higher proportion of branches in low-income and ethnically diverse counties helping to prevent many banking deserts. Still, credit unions face similar pressures as banks due to the pandemic, such as reduced foot traffic and an increasing share of members adopting mobile technologies.

Estimates range that branches have experienced 40% to 50% less traffic since the pandemic started, although some of that has returned in recent months as new COVID-19 cases have ebbed in most states. The extent to which customers will return to physical branches after they're vaccinated and the pandemic subsides remains unclear.

On one hand, people may yearn for the personal aspect of chatting with a teller or loan officer. On the

Focus

- **Even before the pandemic,** consumers were increasingly turning toward digital banking options, including ATMs, online banking, and mobile banking.
- **Despite the increased use** of digital banking services, consumers and small businesses continue to value branches.
- **Board focus:** Consider how the post-pandemic branch can cater to tech-savvy consumers while continuing to serve those who value in-person service.

other hand, as more people adopt mobile technologies for everyday transactions such as bill payments and check deposits, it seems unlikely that they will visit branches at the same rate as before the pandemic.

Banks have bet that branch visits will remain muted even after the pandemic: banks and thrifts closed 3,324 branches in 2020 (versus opening only 1,040), leading to a record net loss in bank branches of almost 2,300. U.S. Bank, for example, announced it will close 400 branches, or 15% of its total locations. Wells Fargo, which has the nation's largest branch footprint, announced plans to reduce the number of its branches from 5,400 to 4,000.

The importance of branches

Even before the COVID-19 pandemic, consumers were increasingly turning toward digital banking options, including ATMs, online banking, and mobile banking. Data from the 2017 Federal Deposit Insurance Corp. (FDIC) "National Survey of Unbanked and Underbanked Households" shows that 63.0% of respondents used online banking to access their accounts in the last 12 months, up from 55.1% in 2013, and 40.4% used mobile banking in the past 12 months, up from 23.2% in 2013.

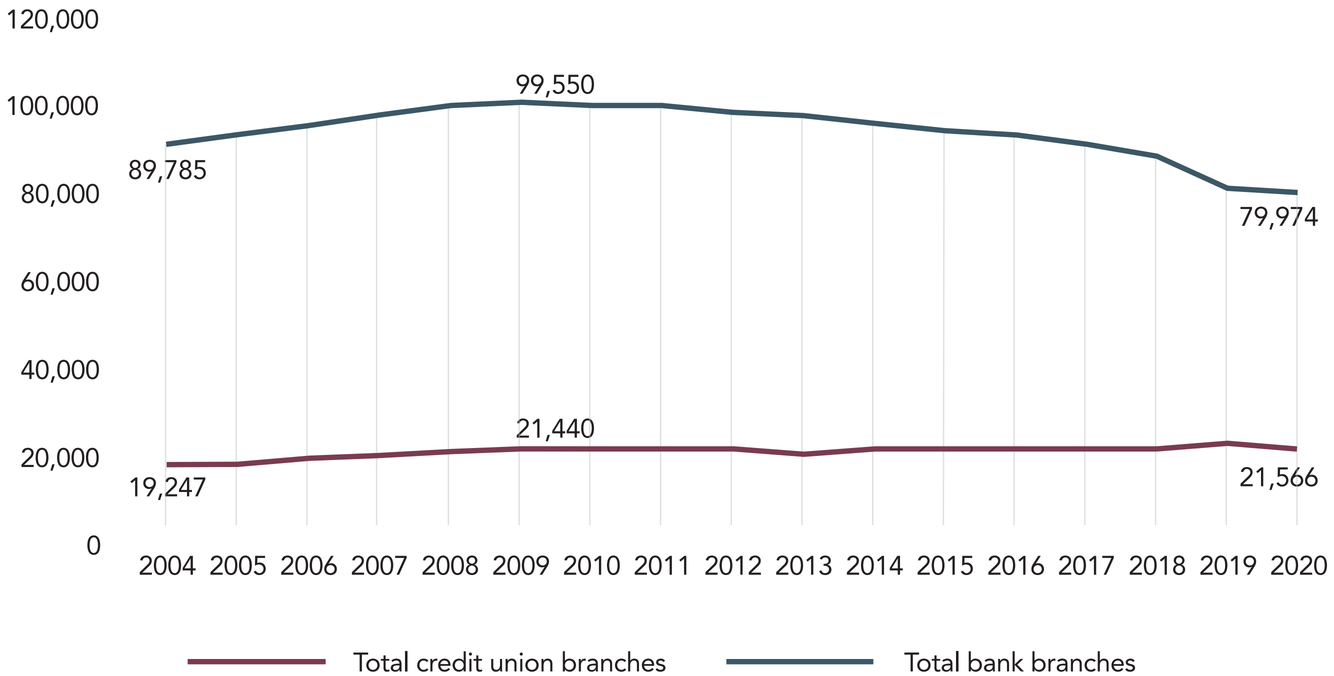
This is comparable to data from the 2017 Federal Reserve Board's "Survey of Household Economics and Decision-making (SHED)," which estimates that about half of U.S. adults with bank accounts had used a mobile phone to access a bank account in the last year.

Overall, 36.0% of respondents in the 2017 FDIC survey use online banking as the primary method to access a bank account, 15.6% use mobile banking, 19.9% use ATMs or kiosks, and 2.9% use telephone banking versus 24.3% who primarily use a bank teller.

Credit unions have generally responded to these changing norms: The percentage of credit unions that offer mobile banking services has increased from a small minority (5.7%) in 2009 to a substantial

Bank & credit union branches

(2004-2020)



Sources: FDIC, NCUA, and CUNA

majority (65.2%) in 2019. During that same period, the percentage of credit unions that offer online bill pay and electronic statements grew from 49.6% and 56.3%, respectively, to 67.8% and 72.2%.

As might be expected, banks are even more likely to offer mobile and online banking services. According to a 2016 Federal Reserve Bank of Boston survey, 90% of banks offered mobile banking services.

Moreover, 96% of larger banks and credit unions with more than $1 billion in assets (who serve the vast majority of U.S. households) offered mobile banking services.

Nonetheless, as of the 2017 FDIC survey, most respondents continued to use bank branches: 73.6% visited a teller in the past 12 months, down slightly from 78.8% in 2013. In fact, only 14.0% of respondents did not visit a bank branch in the past 12 months, 30.8% visited one to four times, and 53.6% visited a branch five or more times.

However, these results vary significantly by age, income level, location, ethnicity, and education level. Older, less educated, rural, low-income, and minority populations are significantly more likely to primarily use branches versus mobile and online technologies.

These populations may find it more challenging to access broadband internet, invest in technologies that enable mobile and online banking, and learn new digital banking methods.

For example, in the most recent SHED survey (2019), rural residents were less likely to say they have broadband internet and to have a data plan for a smartphone. Small businesses, seniors, and those lacking consistent and reliable transportation reported being most negatively affected by branch closures.

A 2019 report by the Federal Reserve Board of Governors finds that branches continue to be an important banking channel for consumers—especially for deposit and withdrawal transactions, accessing safety deposit boxes, and for resolving problems—as well as small businesses.

Most small businesses prefer to use local banks to access financial services and seem to garner tangible benefits in terms of credit availability and preferable terms. A majority of mortgage borrowers also indicate that the presence of a local branch and an existing relationship with a financial institution are important when selecting a mortgage lender.

Rigorous academic research highlights the continued importance of the branch. "Relationship lending," in which lenders use "soft information" about borrowers through repeated interactions over time, can enable lenders to make better underwriting decisions.

Various studies demonstrate that loan applicants who are relatively close to their lenders are more likely to be approved for loans and less likely to default.

Proximity and soft information are particularly important for low-income populations. Credit scores and other underwriting techniques based on hard information are likely to be less effective in low-income markets because the quality of the information is lower and the average risk of the potential loan applicant is higher.

> "WHILE FEWER MEMBERS MAY ENTER OUR DOORS ON ANY GIVEN DAY, THOSE WHO DO MAY BE THE PEOPLE WHO MOST NEED OUR HELP AND SUPPORT."

One study finds that for low-income borrowers, mortgage originations increase and interest spreads decline when there is a bank branch located in a low-to moderate-income neighborhood.

Branches are also shown to be incredibly important for small business lending, and increased distance between small businesses and branches leads to fewer small business loans and slower economic growth. These findings may, at least in part, explain why surveys and interviews by the Federal Reserve show that small businesses have a strong preference for using branches to access financial services.

Small businesses report significantly higher customer satisfaction levels with small banks and credit unions relative to large banks, online lenders, and finance companies. Also, 61% of small businesses listed "existing relationship with lender" as a reason for applying to a bank, highlighting the importance these institutions place on relationship lending.

What's next for branches?

The pandemic and the subsequent rapid transition to digital banking affects not only the number of branches but how customers use them. As credit union members get used to performing routine transactions online or via mobile phones, they become less likely to visit branches.

Those visits are typically for more complex transactions and questions, including loan applications, complaints, financial planning, or trusted financial

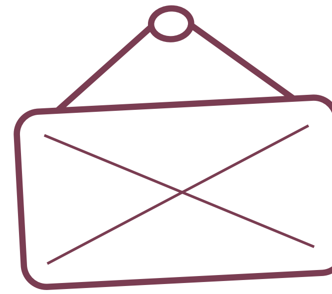
Record bank branch closings in 2020

3,324

Total bank branches closed in 2020, up from 1,391 closures in 2019

2,284

Net bank branch closings in 2020



6

Number of states with more than 100 bank branch closings in 2020 (California, New York, Pennsylvania, Ohio, Illinois, and New Jersey)

Source: BS&P Global Market Intelligence

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advice.

This trend has led some to refer to future branch visits as more akin to a doctor's visit—something you do perhaps once or twice a year and typically for emergencies, complicated questions, or annual check-ups.

For credit unions—who stand out for member service, personal relationships, and financial education—the question of how to use branches in the future is particularly salient and presents both an opportunity and a challenge. Credit unions should resist the urge to simply follow the trend of closing branches to cut costs, even if foot traffic has fallen significantly.

While fewer members may enter our doors on any given day, those who do may be the people who most need our help and support. We could redesign branches to better cater to personal relationships and longer conversations, such as by having more open floor plans, quality coffee and snacks, waiting areas for children, or free Wi-Fi.

Drive-thru services could cater to both quick transactions and longer queries, such as by having designated lanes for quick deposits/withdrawals and those for longer loan applications or financial advice (with the lane requiring the most member interaction closest to the teller window).

Many credit unions have already deployed video kiosks, including in smaller "mini branches," that allow a conversation and face-to-face interaction with a person without having to be in the same location.

Even before the pandemic, financial institutions experimented with designing branches to be more like cafés or coffee houses. For example, Capital One Cafés offer coffee, food, free Wi-Fi, fee-free ATMs, and iPads that invite customers to take short financial lessons or quizzes to test their money knowledge.

They also include dedicated spaces where people can sit down with financial experts ("Café coaches") and a touchscreen for money coaching sessions. Credit unions could implement similar ideas that promote personal relationships as well as financial education and financial literacy classes and workshops—high-touch activities that are more difficult to promote via digital channels.

With these changes, credit unions will also need to consider the qualities, attitudes, and skills their front-line employees should possess when making hiring decisions and training staff. For example, floor staff will need to be friendly, welcoming, and empathetic, but also knowledgeable and skillful enough to quickly resolve complaints and solve challenging questions.

Nothing is more frustrating for a member than driving all the way to a branch to speak to someone in person and then not have their problem resolved. And many of these members might have already tried resolving their problem online or by phone without success, and could be particularly irritated.

Members want to feel they can trust their financial provider to listen to them, empathize, have their best interests at heart, and resolve their problems. This is typically best achieved in face-to-face interactions when you can look into the eyes of the person on the other side of the transaction.

Fortunately, credit unions are already rising to the challenges of the pandemic and changing consumer behavior.

CUNA surveys show that around 80% of credit unions have created new loans to meet members' pressing needs during the pandemic, nearly 95% have offered loan modifications, more than 90% have waived fees, 62% have enhanced drive-thru transactions, 63% offer flexible work schedules for employees, and about half of credit unions have enhanced their mobile app capabilities.

No doubt credit unions will continue to innovate with their branches, too, mindful of both changing consumer preferences and technology adoption, as well the needs of our most vulnerable members and our comparative advantage in member service and relationship banking.

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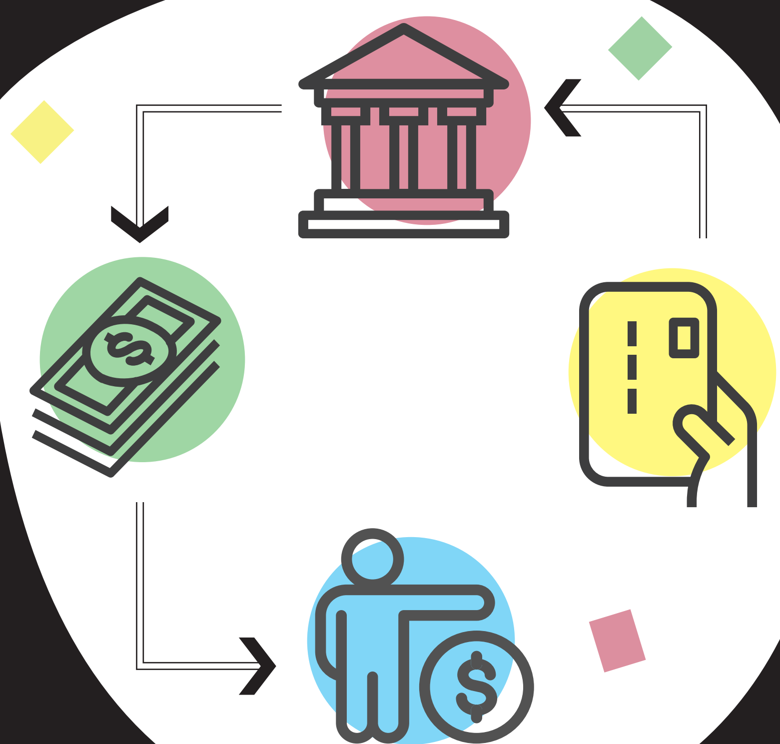
Resources

- CUNA:
  1. Environmental Scan resources: *cuna.org/escan*
  2. Research & Statistics: cuna.org/economics
- CUNA Technology Council: *cunacouncils.org*

Compliance



6 ACH RULE CHANGES

SANDY ORTINS

Modifications affect different ACH Network participants and present internal enhancements to meet compliance.

In addition to clarifying some existing automated clearinghouse (ACH) rules, Nacha has issued six rule modifications every credit union needs to know.

Each modification affects different ACH Network participants and presents various internal enhancements to meet compliance.

1. **Enforcement rule change** (effective Jan. 1, 2021). Defining an "egregious violation," this rule will allow the ACH Rules Enforcement Panel to determine whether a violation is egregious and to classify egregious violations as Class 2 or 3 rules violations.

In short, a willful or reckless action, or cases that involve at least 500 entries or multiple entries in the aggregate amount of at least $500,000, could face a Class 3 violation fine up to $500,000 per month, and the ACH operators and other appropriate regulators may be notified.

2. **Enhanced fraud detection for Internet-Initiated Entries, or WEB debits** (effective March 19, 2021). This supplemental rule strengthens existing fraud detection requirements for originators using WEB debits, or direct payments using the internet-initiated Standard Entry Class Code WEB.

Without prescribing a specific method, the rule requires originators of WEB debits to perform account validation on the first use of a consumer account number or changes to the account number.

The rule will not apply to existing, recurring WEB debit authorizations; only to new or changed accounts after March 19, 2021. Originators will only need to perform account validations if there are updates to the account number.

The rule does not prescribe the method of account number validation. However, options include using a prenotification entry, microdeposits, or using a vendor to verify account ownership.

Nacha will not enforce compliance with the rule for an additional year for a compliance effective date of March 19, 2022, as long as originators can demonstrate they are working on implementing the appropriate processes to comply.

3. **New Same Day ACH processing window** (effective March 21, 2021). This rule expands access to Same Day ACH by creating a third Same Day ACH processing window, expanding availability by two hours every business day.

The new window allows Same Day ACH files to be submitted to the ACH operator until 4:45 p.m. EST and settlement occurring with the receiving depository financial institution (RDFI) at 6 p.m. EST. All credits and debits, and all returns, will be eligible to be settled in this third Same Day window.

Like the first phases of the Same Day Rule, the

Focus

- **Supplemental rules** strengthen existing fraud detection requirements.
- **Nacha won't enforce** compliance for an additional year if originators can demonstrate they're working to comply with appropriate processes.
- **Board focus:** Be aware of clarifications and modifications to automated clearinghouse rules.

funds availability of the credits in the third window is the RDFI's end-of-processing window for that settlement date. When the funds will be available may be an important area of communication between credit unions and their members.

The existing rule of what will not be eligible for same-day entries will also apply to this window, international ACH transactions, automated enrollment entries, and entries that are more than the per-transaction dollar limit.

4. Reversals (effective June 30, 2021). This rule will address improper uses of reversals in the ACH Network. It will expand the permissible reasons for a reversal to include a "wrong date" error, which is the reversal of a debit entry that posted earlier than intended by the originator or a credit entry that was for a date later than intended by the originator.

Two examples of this:

›**An originator** initiates a debit entry against a consumer account and later realizes they included a settlement date earlier than the authorization allowed. The originator can initiate a reversal and a new entry with the correct settlement date.

›**An originator** initiates a payroll deposit with the wrong settlement date, creating a late pay date. They can initiate a reversal for the incorrect payroll deposit and a new entry with the correct settlement date.

The rule will establish new formatting requirements for reversals where the company ID, SEC code, and amount fields of the reversing entry must be identical to the original entry.

The rule will also permit an RDFI to return an improper reversal using Return Reason Code R11 for improper consumer reversals. Prior to returning the entry, the RDFI must obtain a written statement of unauthorized debit signed or similarly authenticated.

For improper nonconsumer reversals, the RDFI will be permitted to return the reversal as R17. There will not be a requirement of a signed or similarly authenticated written statement of unauthorized debit.

However, the time frame of the return will need to be made so the return is available to the Originating Depository Financial Institution (ODFI) by the opening of business on the second banking day following the settlement date of the improper reversal.

> "A WILLFUL OR RECKLESS ACTION COULD FACE A CLASS 3 VIOLATION FINE UP TO $500,000 PER MONTH."

An important reminder: Reversals are an attempt to reverse an error, but neither the process nor the ACH rules guarantee that the attempt to reverse an error will be successful.

5. Limitations on warranty claims (effective June 30, 2021). In an effort to consistently position the ACH rules with applicable laws for consumer and corporate claims of unauthorized debit activity, the new rule limits the amount of time an RDFI has to initiate a warranty claim (aka breach of warranty) against the ODFI and originator.

RDFIs will be limited to a one-year window to initiate a breach of warranty claim against the ODFI for business transactions.

For consumer transactions or debits to consumer accounts regardless of the SEC code used, there are two claim windows available to the RDFI: the first 95 days of unauthorized transactions and the most recent two years of unauthorized transactions are eligible, outside of the network, for a breach of warranty claim against the ODFI.

The rule does not dictate what information is to be included in the breach of warranty claim or a time frame in which the ODFI must respond to the breach of warranty claim. Our recommendation would be to include all the information needed for the ODFI to find the transaction in their system, identify the originator, and remind the ODFI that they are responsible for these transactions based on the Nacha Operating Rules Section 1.15.

ODFIs that fail to respond to an RDFI's breach of warranty claim could face a potential rules violation.

ODFIs may need to enhance their contracts with their originators and adjust internal handling of breach of warranty claims from RDFIs to ensure they are accepting and paying these covered transactions.

6. Standing authorizations (effective Sept. 17, 2021). This new rule will define a "standing authorization" as a verbal or written authorization that is provided by a consumer in advance of ongoing debits.

The rule is designed to accommodate the use of new technologies and business methods that use frequent or occasional interactions between an originator and a consumer. This will remove barriers associated with intermittent payments and those using voice-activated technology to make payments.

Different from the current recurring debit authorization, this rule recognizes unique consumer purchasing habits and business models covered by neither the current single authorization nor the recurring authorization. This rule allows a consumer to have a standing authorization with the originator for future debits and to initiate the debit using new technology, such as voice-activated devices.

The other key part of the standing authorizations rule is the addition to the subsequent payments rule. A standing authorization must be initiated through one of those entries.

Under the subsequent entry rule, a consumer may initiate a payment based on a standing authorization via telephone-initiated entries (TEL), internet/wireless network, and WEB SEC codes. In these cases, the originator will not need to meet the authorization requirements for the TEL and WEB SEC codes but will need to meet the risk management and security requirements of each of those SEC codes.

There are a lot of changes in the Nacha Operating Rules to respond to new technology and the needs of the consumer and originator. Not discussed in this article are the three additional amendments that were designed to improve and simplify the ACH Network by providing clarity and consistency around authorization processes and reducing administrative burdens.

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Resources

- ›CUNA compliance resources: *cuna.org/compliance*
- ›NEACH: *neach.org*

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'Ask the Old Guy'

Sage advice for new leaders confronting industry challenges.

Here is the first edition of "Ask the Old Guy," an advice column for new leaders who are confronting industry challenges:

Dear Old Guy: I'm a new CEO and our first exam is coming up. Can you recommend something that will help me through this stressful time?—*Stressed in Kansas.*

Dear Stressed: Get off on the right foot and try to make this a learning exercise for both of you.

While you will find that regulators come from a certain viewpoint, in the end you both want the credit union to be successful.

Dear Old Guy: How do we get our members to use electronic services? They're reluctant, and all they want to do is to sit in the lobby and drink coffee.—*Coffee Snob.*

Dear Coffee Snob: Make really bad coffee.

Do you know why they don't use your electronic services? Do they use others? Like those from Facebook, Google, and Amazon? You will probably find it's not them, it's you.

How do your mobile offerings compare with those they use and enjoy?

If it boils down to the fact that they enjoy shopping at Amazon, but hate using your mobile banking app, you've probably answered your question.

Dear Old Guy: I don't think the other managers here respect me because of my energy and drive. I come in every morning at 8 a.m. and don't leave until 6 p.m. I run 10 miles per day, serve on three nonprofit boards, and coach my kid's soccer team. None of them work as fast or as hard as I do. What should I do to fit in?—*Peloton Lover.*

Dear Peloton: First, lay off the energy drinks. Second, you may have their respect, but they don't want to compete with you. This isn't a race, and even if you come in first, nobody wins until everyone crosses the finish line.

> "LEADERSHIP IS NOT IS BESTOWED, LEARNED, OR PRACTICED. RATHER, IT REQUIRES YOU TO HAVE THE TRUST OF THOSE AROUND YOU."

Dear Old Guy: At my credit union, most of the groups operate as their own silos. There's lots of bickering between groups and not much collaboration. How can we safely bury the hatchet?—*The Knight.*

Dear Knight: Quit sharpening it.

Dear Old Guy: I'm trying to be a good leader but none of my staff listen to me.

How can I make them pay attention?—*Boisterous in Boston.*

Dear Boisterous: Hold your breath for 60 seconds. They won't notice your face turning blue, but you might hear something coming from them.

Dear Old Guy: What's the definition of leadership?—*Team Player in Tacoma.*

Dear Team Player: Leadership is the ability to convince others to wholeheartedly follow you on the path to a common goal. It is not an ability that is bestowed, learned, or practiced.

Rather, it requires you to have the trust of those around you.

Dear Old Guy: I keep forgetting my passwords. Do you have any tips for someone with a bad memory?—*Forgetful in Florida.*

Dear Forgetful: I used to have the same issue until I switched my password to "Incorrect Password." Now I get reminded what I set it to multiple times each day.

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cuna.org/cucms

Q&A with Mike Lord

State Employees' Credit Union, Raleigh, N.C.

Mike Lord, president/CEO of $48 billion asset State Employees' Credit Union (SECU) in Raleigh, N.C., plans to retire in August. Lord joined SECU in 1975 and served as chief financial officer for more than 30 years before succeeding longtime President/CEO Jim Blaine in 2016.

Credit Union Magazine: What has stayed the same in financial services since you joined the industry four decades ago?

Mike Lord: From accounts to technology, financial services has changed in every way. But the principles upon which SECU was founded ring true today: low-cost products and services; members sharing in the benefits of cooperative ownership through higher deposit rates, lower loan rates, and lower or no fees; and consumer education to help members and their families live better lives.

Even approaching $50 billion in assets, we are really 272 small credit unions in communities across North Carolina—we have 272 branches—not some detached monolith. We exist to serve our members, and we do.

The principles on which credit unions were founded are still alive: voluntary ownership, democratic control, member education, cooperation between cooperatives, and community involvement and support. And we may soon have an eighth cooperative principle: diversity, equity, and inclusion.

Q: How has SECU preserved the personal touch while meeting consumers' expectations?

A: We have 2.5 million members. One out of four North Carolinians are members. Our members cover the economic and generational strata. They conduct business in different ways and are in different stages of life. We have always attempted to foster an "in-person" relationship with members through our local branches.

We want to meet our members where they are and enable them to conduct their business conveniently, quickly, and happily. We want to serve them and help them to a better life through good products and services fairly priced and well delivered.

Q: What are the biggest challenges facing credit unions?

A: There are many, but the speed of change, which is exponentiating, comes to mind immediately. Digital transformation, cybersecurity, technology, data privacy, changing member preferences, fintechs, regulations, where the future is headed, and coronavirus pandemic challenges have all sped up the rate of change. That's just a quick, tip-of-the-iceberg list.

Q: What lessons have you taken away from the tumultuous past year?

A: That we are all resilient and adaptable—even more than we might imagine. For example, we pivoted from 200 employees with the capability to work from home to 2,500 in very short order. I could not be prouder of the job our employees have done and of the patience our members have shown.

The social unrest reflects that, as a society, we still have a way to go before we are all measured by the content of our character rather than the color of our skin—to paraphrase Dr. Martin Luther King.

Q: What are the keys for credit unions to survive and thrive in the future?

A: We all need to ask our members what they need and want, and find ways to provide it to them faster, more conveniently, cheaper, and with courtesy and respect.

Leverage technology, but don't forget the human piece of the equation.

Anticipate Needs:
Marketing and analytics to help exceed member expectations.

financial services @ the speed of life®

fiserv.com/accountprocessing