Volume 13, Issue 4

Perspectives

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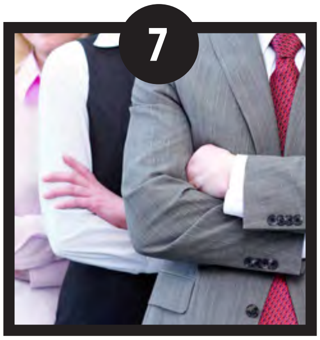

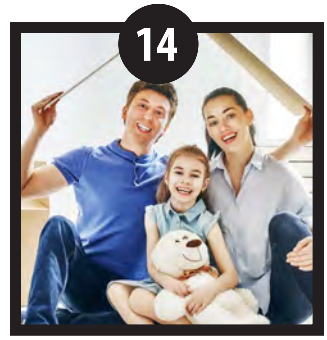

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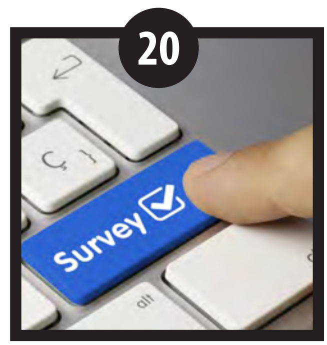

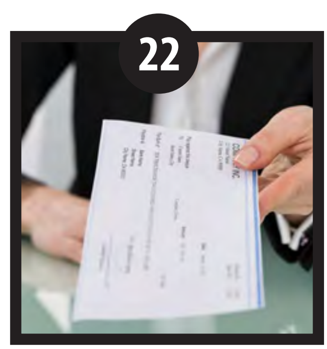

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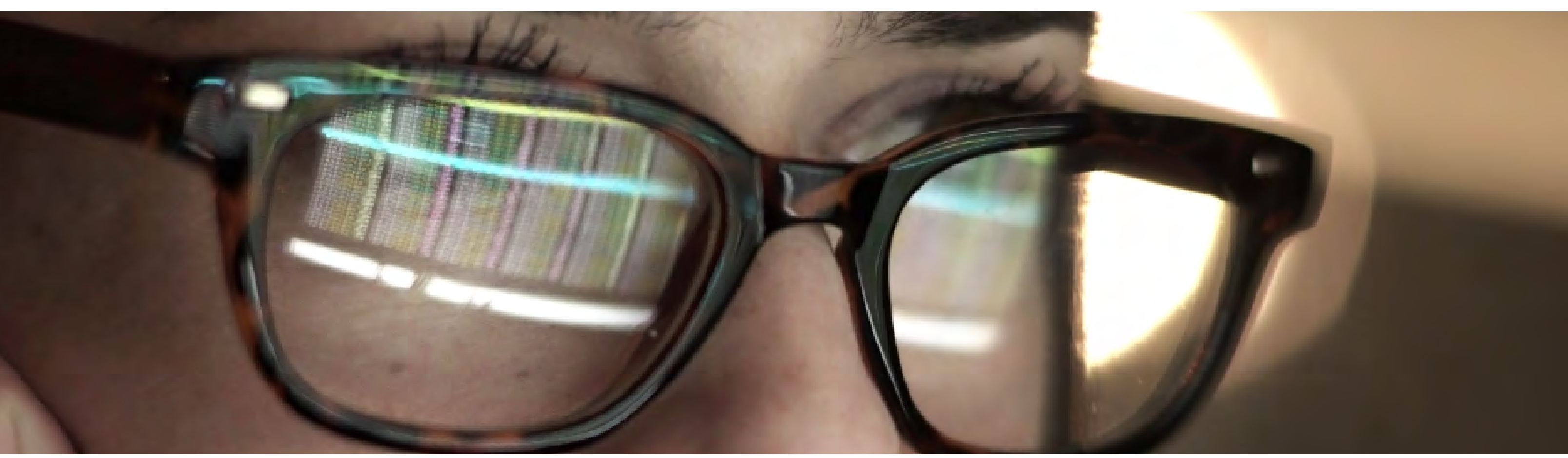

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Ser Technology was founded to provide value-added, technology-enabled services to support credit union growth, strategy and loan management. Our products have been developed to make credit unions and their members' lives more efficient and effective. We have worked with over 3,000 credit unions since the company's inception. For more information, email us at sales@sertech.com.

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Inside

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Perspectives is a quarterly publication of the Cornerstone Credit Union League and is offered to affiliated credit unions as a dues-supported service. If you are not an employee or volunteer of a Cornerstone-affiliated credit union and would like to subscribe to this publication, an annual subscription rate of $20 is available.

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A STRATEGIC PARTNERSHIP FOR THE FUTURE

Caroline Willard, President/CEO, Cornerstone Credit Union League

At Cornerstone, we are 100 percent committed to supporting our member credit unions. We therefore make available solutions-oriented products and services from not only our wholly owned subsidiary Credit Union Resources, but also our strategic business partners whom we have vetted thoroughly.

CUNA Mutual Group is one partner with whom we've maintained a decades-long relationship. Their value isn't only measured in the wealth of insurance products, lending solutions, and marketing programs; they work closely with state leagues and the national movement monitoring regulatory agencies and legislative initiatives to ensure that the laws and regulations enable credit unions to support and promote the financial wellbeing of their members. They are deeply committed to the credit union movement.

CUNA Mutual Group sponsors a number of Cornerstone events, supports the efforts of the Cornerstone Credit Union Foundation, and contributes to the Southwest CUNA Management School Scholarship Fund. They also support Credit Union National Association in virtually every major initiative to protect and promote the credit union movement throughout the United States.
If you're not taking advantage of the partnerships we have forged on your behalf, I encourage you to explore how they can bring great value to your organization.

In this edition of Perspectives, CUNA Mutual Group's president/CEO Robert N. Trunzo has written an excellent article on getting the middle class back on track with, of course, the help of credit unions. We're also introducing our new Chief Growth Officer Barb Lowman, spotlighting her strategies for guiding Cornerstone and Credit Union Resources into the future. Also from the Cornerstone team, Doug Foister on Cornerstone's new research services, Nathan Behncke on remote deposit capture, Jim Phelps on what's in store for government relations in 2019, and Jon Gorman on the new credit union awareness campaign, "Open Your Eyes."

Our special business partners made some valuable contributions, as well: CU Solutions' Jessica Thelen on prize-linked saving programs, LEVEL^5's Anthony Burnett with a look at the real gold of the branch, CU Direct's Bill Meyer with an insider's view of Southwest Airlines FCU's first-class lending experience, and CU Members Mortgage's John Jackson on the necessity of home lending education.

I hope you enjoy reading this jam-packed edition of Perspectives. As always, we look forward to your feedback, which helps us deliver the content you want in future editions.

Best regards,

Caroline Willard

Caroline Willard,
President/CEO
Cornerstone Credit
Union League

'PEOPLE HELPING PEOPLE' AS A GROWTH STRATEGY

Barbra Lowman, Chief Growth Officer, Cornerstone Credit Union League

Growth is vital to the success of any organization, and Cornerstone is no exception. When I accepted the role of chief growth officer at the Cornerstone Credit Union League and Credit Union Resources, Inc., I fully understood the challenges that lie ahead for us.

I embraced the role—and the opportunity—because growth is not only vital to Resources and Cornerstone, but to our credit unions as well. At Resources, our growth goals would be aggressive in an expanding market, but with the continued rate of consolidation in the credit union industry, they may not be aggressive enough. At the end of the day, we must not lose sight of our purpose, mission, and the basic understanding that if you're not growing, you are indirectly creating an industry exit strategy. So growth = survival.

Through our commitment to growth and driving the success of our credit unions, our strategy is actually quite simple:

- Fully understand the business needs and challenges of each market segment we serve;
- Create and deliver solutions that not only solve those business needs and challenges, but also bring tremendous value to our credit unions; and
- Build a marketing and sales culture that positions us to clearly show the value our solutions bring to the table, and make it easy for our credit unions to engage with us to drive their own growth.

If this strategy seems over simplified, that's by design. We're getting back to basics and understand that our ability to achieve our own growth goals starts with fully understanding what problems we need to help our credit unions solve in all market segments. Logically, there are some challenges, like the regulatory climate and demands, which all credit unions face together, regardless of size, field of membership, or demographic. However, there are also very specific challenges facing each market segment that show us a one-size-fits-all approach is no longer relevant or appropriate.

> **ONE-SIZE-FITS-ALL APPROACH IS NO LONGER RELEVANT OR APPROPRIATE**

We've recently completed extensive segmentation analysis and are working with a third-party firm to get out there and really listen to our credit unions when they tell us what it is they need from us in order to better serve their members and be successful in achieving their growth goals. We're conducting surveys and interviews, and I am personally making my rounds to engage as many credit unions as I possibly can—in all market segments—to learn what it takes to ensure that a partnership with

Resources will help to solve the challenges they (and their members) face, without creating an additional support or service burden on their staff.

At Resources, we are committed to delivering solutions that drive operational efficiencies, leverage economies of scale (to keep expenses manageable), and position our credit unions to remain competitive and attract and retain profitable members.

When a CEO tells me that the value of what Resources currently brings to the table for them is limited, I take it as a challenge to work with our team to expand our product offerings and overall portfolio to position us to help solve at least one of the key business challenges impeding their ability to execute against their strategic plan. I guess you could say it's our quest to deliver value to every market segment as we grow our business at Resources.

As we focus on understanding exactly what it is that keeps our credit union partners up at night, we also realize that there has to be a compelling reason for them to put their trust in Resources and turn to us to help solve their business challenges. Consultants and technology partners are abundant in the credit union space in this day and age, so again, we're using a very simple philosophy and approach. We're stepping back and actually putting ourselves in the shoes of our credit unions, asking ourselves the basic question, "Why would I want to partner with CU Resources or the League for that solution?"

In every case, we strive toward an answer that resonates with our credit unions and truly differentiates us from everyone else in the market: "…because the value they are able to deliver is unparalleled in the industry!"

I understand that we're not quite there yet, but we already have some niche solutions in which our credit unions see tremendous value, and we're studying those businesses to understand where the value lies and how we can double-down on those models in every way possible.

The final piece of the puzzle for us is building a marketing and sales culture that positions us to clearly show the value our solutions bring to the table and make it easy for our credit unions to engage with us to drive their own growth. Don't panic—I'm not saying that a credit union's engagement with the League and Resources is going to start to feel "sales like" in every activity and setting. What I am saying is that we are committed to educating our entire team and creating ambassadors of knowledge and understanding who can serve as trusted advisors and connect the dots to help our credit unions solve those business problems that are impeding their ability to succeed. Without having a strong team that fully understands all that we can do for our credit union partners, along with the value that our solutions bring to the table, our credit unions would miss out on opportunities to leverage our solutions to deliver on their strategic priorities. Not every staff member will be a subject matter expert on every product and service we offer, but they should certainly be able to speak to the value of what we offer and how it can solve business issues credit unions face every day.

Put simply, the greater the awareness we create to explain and illustrate what the League and Resources can do for our credit unions, the more credit unions we'll be able to serve and help over time. As we grow Resources and generate additional revenue, we'll consistently be looking at different ways we can give back more to the movement and help our credit unions thrive. I guess you could say that our growth strategy and mission truly are tied to the "people helping people" philosophy of the credit union industry, and I for one am excited to see what great things we'll be able to accomplish through our growth trajectory!

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WHAT'S IN STORE FOR GOVERNMENT RELATIONS IN 2019

Jim Phelps, Chief Government Relations Officer, SVP, Cornerstone Credit Union League

On the heels of the volatile 2018 midterm elections, the Cornerstone Credit Union League is preparing for what promises to be a busy year in the state legislatures and the U.S. Congress.

In 2019, all three Cornerstone state legislatures will be in concurrent sessions, and while there are some similarities among the three states, each has its own political dynamics and issues that resonate more with member credit unions. In addition, following the midterms our state and federal delegations will have many new members.

Cornerstone's legislative priorities were identified through a variety of means, including the Advocacy Survey distributed last spring to all credit union CEOs, input from visits with credit union CEOs and volunteers in the interim between state sessions, and, in some cases, carryover legislation that did not pass in previous legislative sessions.

The 92nd Arkansas General Assembly will convene on Jan. 14, 2019. A session in Arkansas lasts for 60 days unless the legislature votes to extend it. The priority issues in Little Rock will be to oppose legislation that adversely impacts lienholders' interest, including non-consent towing; oppose legislation that would allow predatory lending; and protect the credit union taxation exemption.

The 1st Regular Session of the 57th Oklahoma Legislature will convene on Feb. 4, 2019, and adjourn by May 31. The priority in Oklahoma City will be to support legislation to hold local merchants accountable for instances of data breach; protect lienholder interests in a variety of areas including the possessory lien process and insurance regulations that would require unreasonable timelines for remitting insurance proceeds to mortgage holders; and oppose legislation that could impact a credit union's ability to prevent firearms on their premises.

The 86th Session of the Texas Legislature will convene on Jan. 8, 2019, and last for 140 days. Cornerstone's priorities in Austin will be to seek opportunities to mitigate regulatory burdens on credit unions; support legislation to protect lienholder interests; support measures to favorably modify data security; protect the franchise tax exemption for credit unions; and support an independent Texas Credit Union Department with SDSI (self-directed, semi-independent) status.

In addition to the state legislative sessions, there will be a new session of the U.S. Congress. The 116th Congress will meet from Jan. 3, 2019, to Jan. 3, 2021. The federal legislative priorities for Cornerstone will be to protect the federal credit union tax exemption; pursue measures to favorably modify data security; collaborate with credit unions to engage members in legislative and regulatory issues; and pursue remedies to alleviate regulatory burdens on credit unions with specific focus on agencies that impact the Americans with Disabilities Act, Telephone Consumer Protection Act, and the Military Lending Act.

The issues identified above will be the focus of Cornerstone's advocacy efforts for 2019, but certainly not the only issues on which we'll be active. During what will be a busy year in government relations, it will be essential for credit unions back home to be informed and engaged so that we can be ready for whatever challenges or opportunities present themselves.

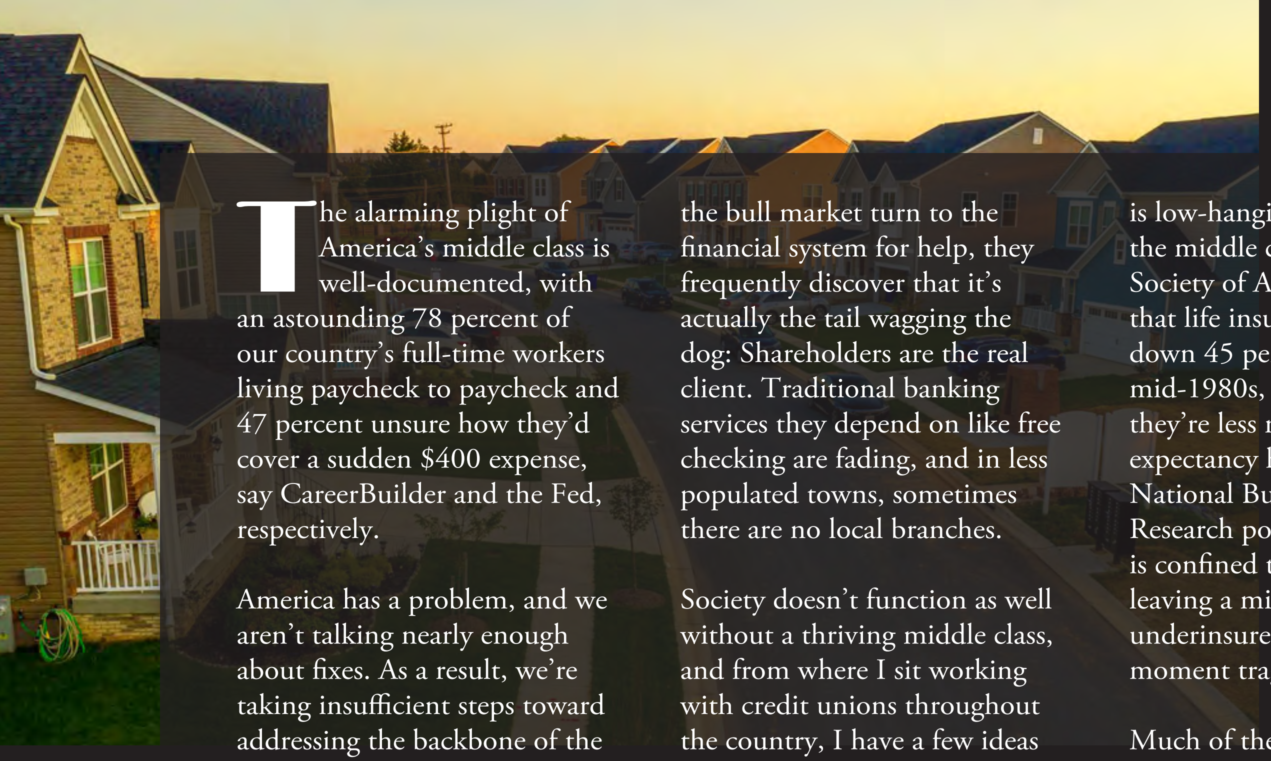
ENGAGEMENT IS ESSENTIAL TO SUCCESS

Credit unions can support our state and federal legislative priorities in a number of ways. Start by knowing who represents you. Specifically, your member of Congress, state senator, and state representative. Visit their websites to find out which committees they serve on and when they are back in the district. Make sure you have their contact information to expedite contact on priority issues.

You can participate in Cornerstone's key advocacy initiatives such as R.O.A.R. (Ready, Organize, Activate and Respond), contribute to the PAC via Payroll Deduction, and run Project Zip Code. Your participation in these programs will help to ensure a strong grassroots infrastructure across the Cornerstone region and augment our lobbying efforts.

Last but not least, participate in the governmental affairs conferences (GACs). The GACs are designed to showcase the grassroots strength of credit unions. The more credit unions participating, the stronger we appear to lawmakers.

Effective government relations is a process, not an event. A consistent effort encompassing local and capital meetings, PAC support, and credit union advocates prepared to respond will provide momentum for achieving our legislative priorities in 2019 and beyond.



The alarming plight of America's middle class is well-documented, with an astounding 78 percent of our country's full-time workers living paycheck to paycheck and 47 percent unsure how they'd cover a sudden $400 expense, say CareerBuilder and the Fed, respectively.

America has a problem, and we aren't talking nearly enough about fixes. As a result, we're taking insufficient steps toward addressing the backbone of the American economy—its middle class. Instead, too much stock is placed in the ups and downs on Wall Street, falsely confusing stocks with the actual economy. The truth is, as an economist at New York University found, the top 10 percent of U.S. households currently own 84 percent of stocks, while those on Main Street deplete retirement funds by trying to balance support for young adult children with helping out elderly parents. This leaves many who aren't considered low-income without enough money to even consider what investment returns might look like.

Adding insult to injury, when the millions of Americans who haven't reaped the rewards of the bull market turn to the financial system for help, they frequently discover that it's actually the tail wagging the dog: Shareholders are the real client. Traditional banking services they depend on like free checking are fading, and in less populated towns, sometimes there are no local branches.

Society doesn't function as well without a thriving middle class, and from where I sit working with credit unions throughout the country, I have a few ideas for how to solve this.

The first thing we need to do is better protect people from shocks and emergencies.

One idea is wage insurance, which protects workers in the event of being forced to take a job with a lower salary. A study from the Brookings Institution suggests this could receive bipartisan support. The business community must also step in with creative forms of insurance with an eye toward financial shocks. An interesting emerging concept is "stuff happens" insurance that guards against all kinds of emergencies—not just losing one's job—that fall outside of traditional solutions. Getting more people enrolled in traditional forms of insurance is low-hanging fruit for helping the middle class as well. The Society of Actuaries notes that life insurance policies are down 45 percent since the mid-1980s, but not because they're less needed now. Life expectancy has risen, but the National Bureau of Economic Research points out the uptick is confined to high earners, leaving a middle class that is underinsured and exposed the moment tragedy hits.

Much of the reason behind the decline of life insurance is that signing up has historically been a long and complex process. But recent advances in technology have made underwriting simpler: computers make instant decisions without the need for a medical exam. We must generate greater awareness that Americans need life insurance, and it's now quite easy—and can be affordable—to do.

In addition to helping mitigate economic shocks, there are underutilized ways to enable middle class growth. Having a car is a necessity for the vast majority of middle class families, yet many people struggle to qualify for loans to purchase cars. Once they have one, warranties rarely extend past five years despite the average car being much older. We can support greater access to credit for people who may not have pristine balance sheets but can still make their car payments, and we can promote businesses that offer extended warranties.

Removing simple obstacles must happen in tandem with helping people invest more in themselves. Today, there are many growing alternative lending platforms that help link parties and vet borrowers. They can enable small business loans to be dispensed quickly and profitably and frequently pair students with lenders who offer credit at lower rates than traditional student loans. By helping people get better jobs and create better jobs—and making money doing so—these businesses can do their part to help society.

We must begin a conversation in earnest on how we can take concrete and immediate steps to help the middle class. There are ways we can act now to put that in motion. It's time to get to work and help the segment that defines American exceptionalism.

Robert N. Trunzo is president and CEO of CUNA Mutual Group. Contact him at Robert.Trunzo@cunamutual.com.

How We Can Get the Middle Class Back on Track

Robert N. Trunzo, President/Chief Executive Officer, CUNA Mutual Group

Two Awareness Initiatives Intersect to Increase Consideration of CU Membership

Jon Gorman, Communications and Outreach SVP
Cornerstone Credit Union League

If you've been paying attention to CUNA during the past two years, you may have heard something about how CUNA and leagues are going to "Open Your Eyes" to a credit union. Well, not you specifically, but those non-credit union members who have yet to find a credit union to call home.

In 2019, CUNA will launch its "Open Your Eyes" awareness initiative, delivering advertising across the country with an ambitious three-year, $100 million media plan. CUNA is asking credit unions to support the initiative and promises to deliver advertising into the credit union backyards from where the financial support was received while also coordinating with and lifting up local efforts like the one the Cornerstone Credit Union League has been engaged in since 2015.

A little more than four years ago, credit union leaders in the Cornerstone region set out to design and deliver a new credit union awareness initiative that addressed and answered a key question, "How will this be different from past efforts?" The credit union system had seen consumer awareness initiatives at a chapter, state, regional, and national level for years. But leaders seeking to truly change consumer perception and behavior kept looking for the system's "got milk?" moment.

Cornerstone didn't set out to deliver the credit union system's "got milk?"

In 2019, Cornerstone will shift from its "Feel The Difference" creative to CUNA's "Open Your Eyes" creative.

campaign, but it did set out to do things differently than in the past. Credit union marketers, leaders, and influencers worked with Cornerstone leadership to change the mindset of consumers considering their financial services options. The goal? Overcome consumer misperceptions about credit unions, increase consideration, and equip credit unions with tools and resources to impact commitment to membership.

Design and execution in a modern and changing media environment were going to be critical in addressing the question about how this initiative would be different from past efforts. The initiative would be informed by new research executed nationally and in the Cornerstone region, supported by a new brand narrative that worked to overcome negative perceptions of credit unions, and delivered through new creative concepts delivered in a digital media environment that allowed us to deliver advertising direct to those consumers who have yet to discover a credit union for themselves.

> "CORNERSTONE'S BOARD OF DIRECTORS COMMITTED NEARLY $1 MILLION FROM THE LEAGUE'S FINANCIAL RESERVES TO SUPPORT THE STARTUP COSTS RELATED TO RESEARCH AND BRANDING, CREATIVE DEVELOPMENT COSTS, AND THE FIRST TWO YEARS OF PAID ADVERTISING."

A little more than two years ago, the Credit Union National Association began its own work toward delivering a national awareness initiative, the design of which mirrored closely the work already completed in the Cornerstone region.

"We've had our best minds on this in the Cornerstone region since 2015, and nationally with CUNA for the past two to three years," says Jon Gorman, Cornerstone's communications and outreach senior vice president. "We've used solid research as the foundation of our work and evaluated market conditions to inform both the Cornerstone and CUNA plans."

Top Streaming Audio Channels

- Spotify
- Slacker Radio
- Apple Music
- Google Play
- Amazon Music
- Pandora
- iHeartRadio

Top Social Media Channels

- Reddit
- WhatsApp
- Instagram
- Facebook

Top Connected TV Channels

- Fire TV
- Apple TV
- Chromecast
- Xbox

In 2017 and 2018, Cornerstone has been delivering digital advertising across the Cornerstone region to overcome consumer misperceptions of credit unions and positively affect consumer consideration of membership in credit unions.

In 2017, more than 64 million digital advertising impressions were delivered on Pandora, via pre-roll video on services like YouTube, and in display advertising on websites visited by consumers across the region.

That's 64 million opportunities for consumers 18–34 years old to learn about a credit union and begin to see how credit unions could more ably serve their needs than other financial services providers. Cornerstone also delivered a marketing toolkit to credit unions with strategy documents and creative assets that they could use to support their own advertising and marketing strategies.

In 2018, we expanded our channel delivery to include additional streaming audio services, and we added connected TV, including services like Roku, Apple TV, and Xbox. We increased our effectiveness at behavioral targeting, which entails our monitoring online user searches and reading about banking, mortgages, auto loans, and refinancing and then delivering credit union advertising to these individuals (think Amazon). And we began advertising on social media while continuing to deliver digital pre-roll video and online display advertising.

In June through September of 2018, Cornerstone delivered another 7.3 million advertising impressions to consumers in the Cornerstone region. When presented with an opportunity to click through to a website Cornerstone created to help a consumer find a credit union in their market, Cornerstone's digital advertising overachieved Google's Credit & Lending Industry category by between 276 percent and 736 percent. Going back to a key research finding, the more we talk with consumers about credit unions, the more likely they are to seek one out to serve their financial needs.

"We've invested as a league in the research and development of Cornerstone's initiative and supported the CUNA initiative by participating in its Creating Awareness Advisory Group," says Cornerstone President/CEO Caroline Willard. "Together, everyone will benefit as a result of the collaborative Cornerstone and CUNA efforts. Cornerstone and CUNA are already aligned and will move forward together to increase the number of Americans who think of a credit union when considering a new account, loan, or product."

CUNA's plan is to deliver digital advertising in the markets where it receives financial support, while Cornerstone will deliver digital advertising across the region to those consumers not yet a member of a credit union whose online behaviors indicate an opportunity to inform them that a credit union should be at the top of their consideration set.

The outcome of all this work, according to Willard, is that everyone benefits as a result of the collaborative Cornerstone and CUNA efforts.

"CUNA and the leagues are working together to address a decades-old, deeply entrenched problem," says Willard. "There are no fast or easy solutions. If there were, it would have happened long ago. We believe the time is right for us to throw our weight behind a national initiative and that, as is the case with so many things within our cooperative system, we are stronger together — members, credit unions, leagues, and CUNA."

For more information about how you can get involved, email Cornerstone's Jon Gorman at jgorman@ cornerstoneleague.coop or CUNA at awareness@cuna.coop.

If you have any questions about Site Selection Profiles or the Member Experience Survey, please contact Doug Foister, Cornerstone's research director, at dfoister@cornerstoneleague.coop or call 469-385-6477 or 800-442-5762, ext. 6477.

Consistent with the Cornerstone Credit Union League's commitment to listen and respond to the needs of its members, the League's Research Department has developed two new research services: Site Selection Profiles and the Member Experience Survey.

Site Selection Profiles

Credit unions that are considering an expansion into a new geographic area require as much data as possible to understand their potential market. To assist with this need, Cornerstone Research offers the Site Selection Profile. This is a compilation of strategic information that will help credit unions determine whether a target area can accommodate a new branch or branches. Areas of interest may consist of counties, cities, ZIP codes, and/or census tracts. To add perspective to the profiles, we include national and state-level data as well.

Cathy Higgins is CEO of First Priority Credit Union in Abilene. When her credit union began to consider an expansion of membership into surrounding geographic areas, Higgins contacted Cornerstone Research to see if they could assist by providing information about the areas they were considering.

"Within a week," Higgins says, "we received valuable information about 10 surrounding counties. Not only was the service fast, but it was also very affordable even for my small credit union. Most importantly, it helped us to see which areas provide the best opportunity for expansion."

Another recent user of Site Selection Profiles is Thad Angelle, CEO of MCT FCU in Port Neches, Texas. "The Cornerstone League was very responsive to my request for a Site Selection Profile," Angelle notes. "The profile included pertinent demographic information that assisted the leadership team to complete our analysis. The information provided was not only timely, but extremely helpful."

Typically, the Site Selection Profiles consist of three sections: dominant socio-economic and demographic characteristics; financial institution data; and relevant crime statistics. The socio-economic and demographic section gives a detailed view of who resides in your areas of consideration. It segments this population by age, gender, race, income, and education. It also includes important information on housing occupancy and business patterns. The latter reveals the total number of business establishments, number of employees, and annual payroll amounts by business sector (retail, professional, health care, and so forth).

Furthermore, Site Profiles contain vital data on the financial institutions located in your target areas.

CORNERSTONE OFFERS TWO NEW RESEARCH SERVICES

SITE SELECTION PROFILES AND MEMBER EXPERIENCE SURVEY

Doug Foister, Research Director, Cornerstone Credit Union League

This examination of the competition includes, among other things, the number of branches for each specific institution in the areas, as well as total deposits, average deposits per branch, annual change in deposits, and deposit market share.

The crime data in the Site Profiles consists of annual crime rates for both violent crimes (murder, rape, robbery, assault) and property crimes (burglary, theft, vehicle theft) within the geographic parameters being explored.

Site Selection Profiles are delivered in both Excel and PDF formats.

Member Experience Survey

After learning of the need for a lower-cost membership survey, Cornerstone Research has created the online Member Experience Survey. This is a shorter, semi-customized version of our fully customized member survey. It yields the same type of incisive and actionable data that credit unions require to understand their members' wants and needs. And, like the League's full member survey, the Member Experience Survey delivers invaluable insight from your members' perspective and will inform your team where your performance is highly rated and where it's not doing as well.

Each Member Experience Survey includes the following questions:

- Primary financial institution
- Net Promoter Score (likelihood of recommending the credit union to a friend or relative)
- Member's most frequent transaction/ interaction with the credit union
- Member's most preferred access channel
- Member's age and income
- How the credit union can better serve its members

Beyond the standard questions above, credit unions are able to select any two of the following for inclusion in the survey:

- What would motivate members to switch primary financial institutions?
- Member Effort Score (a measurement of ease of using the credit union)
- The credit union's market share for selected services
- Satisfaction with service attributes such as convenience, friendliness, accuracy, and security of funds
- The likelihood of using potential new services
- A pain point analysis of access channels (lobby, ATM, online, mobile, telephone, etc.)

The survey findings are presented in a written report, which includes detailed charts and graphs, verbatim member comments, and an executive summary focusing on the strengths, weakness, and recommendations indicated by the survey findings. The final report is delivered within 35 days after launch of the survey.

UNDERSTANDING THE NEW REGULATION CC UPDATES TO REMOTE DEPOSIT CAPTURE

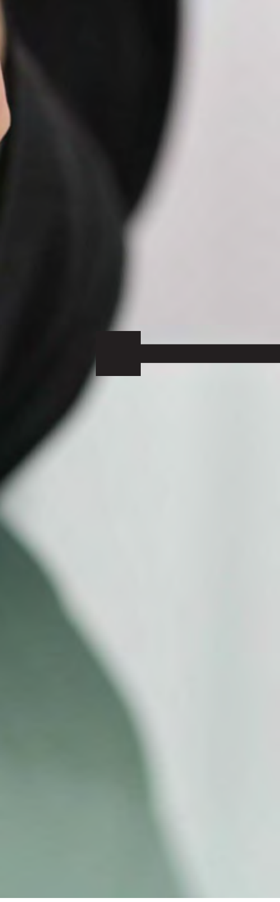
Nathan Behncke, Regulatory and Compliance Consultant, Cornerstone Credit Union League

Paper checks are not yet a historical relic, but their manual collection, processing, and payment of checks have largely shifted to electronic means. This movement was facilitated in part by the passage of the Check Clearing for the 21st Century Act, otherwise known as Check 21, which allowed the recipient of a paper check to create a digital copy of that check for use in check settlement. This process of digital transmission has largely eliminated the need for the physical version of checks, as well as that old box of returned checks we all used get in the mail.

This ability to “truncate” a paper check into a digital form also opened up the ability for financial institutions to permit remote deposit capture for its depositors.

While this is an enormous convenience for depositors, it presented certain kinds of risks because it essentially created a copy of a check that is as negotiable as the original document. Even though a person may deposit a check electronically, what happens if that person accidentally (or intentionally, as is often the case) later attempts to present that paper check for payment?

Often times, the institution responsible for paying the check would simply deny the second payment; that is, the paper check presented after the original remote



PAPER CHECKS ARE NOT YET A HISTORICAL RELIC, BUT THEIR MANUAL COLLECTION, PROCESSING, AND PAYMENT OF CHECKS HAVE LARGELY SHIFTED TO ELECTRONIC MEANS.

deposit. This would make intuitive sense, since it is the second presentation of the same check information. However, the institution that received the paper copy may have provided provisional credit which, by the time the double presentment is found, has been withdrawn by the depositor. This not only has the potential for loss, but also makes receipt of paper checks seem a little less certain, something unacceptable to the industry.

While Check 21 permits the use of a truncated check, it does not subject a truncated check to the same warranties that UCC check law requires. Digital checks (at this update) are largely governed by agreements between financial institutions, which often means that paper checks are refused when a prior mobile deposit was already presented.

Updates to Regulation CC stipulate that at the time an institution presents a truncated electronic check for payment, it is essentially guaranteeing that the check will not be presented again for deposit in paper form and that it is has not been deposited electronically in the past. So in the event that the paper check is presented later for payment, the institution that submitted it electronically is responsible for the loss that another institution incurs when it presents the original paper check.

The reasoning for this designation of responsibility is that the Federal Reserve believes the institution accepting the electronically created copy would be in the best position to control the subsequent deposit of the paper check by its depositor and therefore should take the loss in the event the check is presented again. This assumption is why institutions ask depositors to write “VOID” or to destroy the original paper copy at the end of the remote deposit capture process.

This is not the end, however. While “paper” prevails, for the purposes of this new rule, you can shift the liability back to the institution receiving the paper copy by requiring that your depositor include a restrictive endorsement to the check, limiting the negotiation of that check to the remote deposit.

An institution can add this safeguard through several means, including adding a check mark to the back of the check indicating that it is for deposit only to a particular account or to have the depositor add “For Deposit Only to [Credit Union Name] Account #” to the back of the check prior to scan. On top of that, make sure you’re preserving images for a period of at least three years. This way, you have rebuttable proof that your member endorsed properly, should another institution present a UCC claim for payment due to an improper endorsement.

So what if your member is the one that attempts to deposit a paper check that was already deposited through another institution and you miss the restrictive endorsement from another remote deposit capture? You take the loss. But, you are entitled to recover what you can from your member and apply any denial of services that your policy deems appropriate, including the revocation of any current remote deposit capture you offer. There’s no reason to take the loss twice.

“THIS ABILITY TO “TRUNCATE” A PAPER CHECK INTO A DIGITAL FORM ALSO OPENED UP THE ABILITY FOR FINANCIAL INSTITUTIONS TO PERMIT REMOTE DEPOSIT CAPTURE FOR ITS DEPOSITORS

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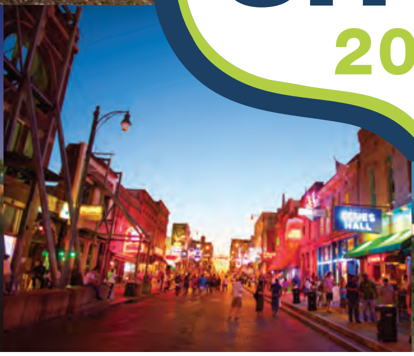

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Home Lending Education a Necessity on Down Payments

Buying a house is stressful, and it appears that with added layers of regulation the process isn't necessarily getting easier. All the more reason credit unions must play a part educating and leading the way through a rather complicated financial transaction for their member. In many ways, the credit union has an obligation to get involved in mortgage lending and assist their members through it. Members need the education; they need options; and they need to know their credit union is willing and able to help.

The biggest challenge credit unions have to face is educating members around the down payment myth that continues to push members away from the buying table. They simply don't understand there are home loan products available for them with low down payment options.

Here are just a few of these great options:

- Freddie Mac offers a 97 percent mortgage product called HomeOne^{SM} that offers down payment options as low as 3 percent and no income restrictions; however, at least one buyer must be a first-time homebuyer. Homebuyer education must be completed by at least one borrower when all borrowers are first-time buyers.
- Fannie Mae offers a 97 percent mortgage product too, called HomeReady® that allows for a 97 percent LTV and 3 percent down. The big difference with this product is that it's for both eligible first-time and repeat homebuyers, and co-borrowers don't have to live on the property.
- FHA is an oldie but goodie with only 3.5 percent needed for a down payment and it can all be a gift. The Mortgage Insurance (MI) on an FHA is provided by the Federal Housing Administration, but it doesn't "fall off" when a member has reached the 20 percent threshold. The member would need to refinance to have it removed. The good thing about FHA loans is that the qualifications are a bit less restrictive with high and flexible qualifying ratios.
- VA home loans are also a staple for every credit union. While these home loans are for eligible veterans, active military, or their surviving spouses, they do not require a down payment at all, as long as the sales price doesn't exceed the appraised value. No monthly MI requirement here either. If your member has any reason they would be eligible for this home loan option, this is a great choice to have on your menu of products.

These options don't begin to scrape the surface of the many down payment assistance programs available in various areas.

To compete in today's home loan industry, credit unions must get the message out that home loans are available at the local credit union and that less than 20 percent down payment options

Prize-Linked Savings Programs and Financial Literacy

Jessica Thelen, CU Solutions Group

Credit unions rely on a steady stream of financially literate consumers, the same people who deposit their paychecks into a checking account at regular intervals and take out loans to finance a home, auto purchase, or new business venture.

But how do these same institutions reach out to consumers that lack basic financial knowledge or those who have poor saving habits and are unfamiliar with credit unions as an institution? Many credit unions are now realizing that this problem is actually an opportunity in hiding; financial education is the key to proving value and building loyalty with a significant number of consumers. Not only are financial education programs trending among the industry's C-suites, but at least one recent survey found that consumers seek out advice specifically from their financial institutions.

According to the research firm Raddon, 55 percent of participants identified their primary financial institute as their top source for financial literacy, followed by online sources (45 percent) and family or friends (39 percent). Many financial institutions already have financial education programs in place, but sometimes a blog, resource database, or even video series isn't enough. These are great resources, but consumers often require an incentive, such as prize-linked savings programs. Prize-linked savings accounts are well-suited to credit unions and can help attract new members, assist members in building assets, build loyalty, and generate opportunities to cross-sell other relevant products. When used alongside other financial literacy programs, prize-linked savings can also drive positive saving habits.

Incentive programs can encourage strong saving habits earlier, and more states are joining the fold when it comes to passing prize-linked savings legislation. Following a change in state legislation for the states of Arkansas and Texas, prize-linked savings programs are also available to credit unions and their members in those states. As the trade association for credit unions in Arkansas, Oklahoma, and Texas, Cornerstone Credit Union League is coordinating with CU Solutions Group, the credit union service organization that manages the Save to Win program, to increase credit unions' wallet share and help members build savings.

Financial education is the key to proving value and building loyalty with a significant number of consumers.

Save to Win is the nation's largest prize-linked savings program designed to help low- to moderate-income members improve their saving habits and enhance their financial knowledge by leveraging the connection between credit unions and members.

The Save to Win program offers members a 12-month share certificate that allows unlimited deposits throughout the year, which qualifies accountholders to win cash prizes monthly and quarterly. Opening the account only requires a $25 deposit, a relatively low barrier to entry that makes it appealing and accessible to consumers with lower incomes. Accountholders earn a raffle entry for every $25 deposited in the account, up to a maximum of 10 entries per month.

According to statistics from Save to Win, nearly 10 percent of participants say they joined their credit union solely to take part in the program, 62 percent say they have never held a CD before, and 65 percent say they are considering other products from their credit union. Demographically, program users are evenly split between millennials, Gen X and Baby Boomers. The majority of users (78 percent) are considered financially vulnerable, with 66 percent unable to cover three months of expenses on their savings.

Save to Win offers a great opportunity for credit unions to reach out to members and encourage good saving habits.

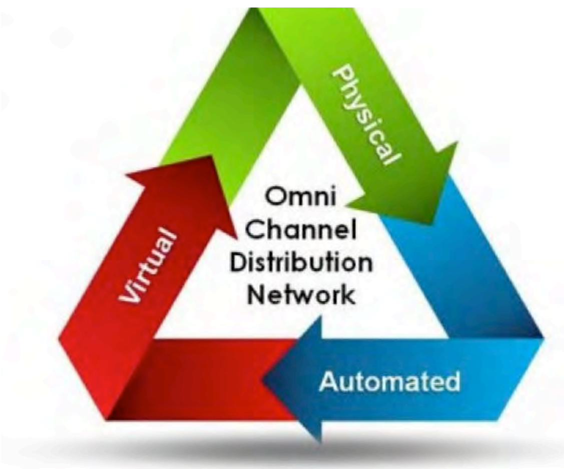
Learn more about how your credit union can participate at:
www.SavetoWin.org or email Jessica.ThelenCUSolutionsGroup.com.

What's the Real Gold in the Branch?

Anthony Burnett, Customer Experience Director, LEVEL5

What would motivate consumers to bypass the most convenient branch in the world?

Think back to 11 years ago, the summer of 2007, when only a select few were forecasting the fall of the financial industry. Maybe even fewer saw that a young senator from Illinois would be our new president in 18 months. And no one could predict how Steve Jobs' brand new invention, the iPhone, would revolutionize consumer expectation by creating the most convenient banking branch in the world—one that lived in a back pocket or purse.



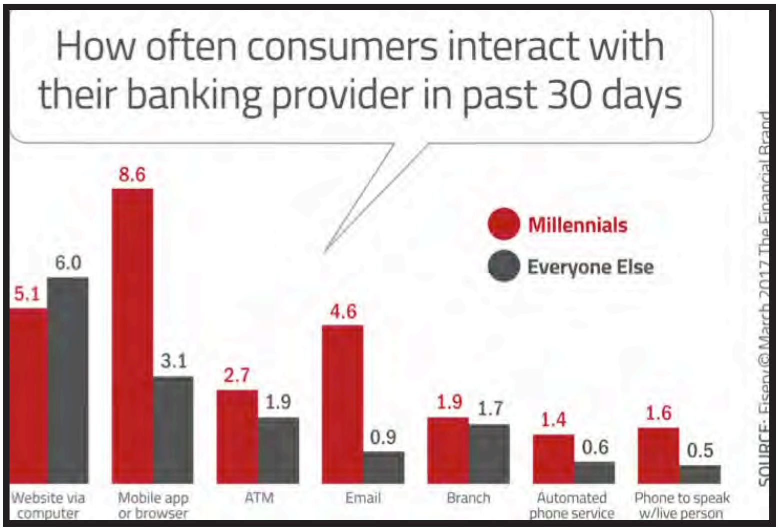
Along with the financial industry's recovery from the Great Recession, the advent of digital convenience created omni-channel banking, the triune relationship between delivery channels: physical branches, cash automation, and virtual branches.

In just a handful of years, consumers said they wanted multiple channels for their financial institution of choice, and few consumers held on to the single-channel approach. By 2017, consumers were saying they preferred digital channels (website plus mobile) over the physical branch for day-to-day transactions.

It's remarkable that in less than a decade after the iPhone's launch, consumers had been reprogrammed to understand the unique value of a digital branch.

This appreciation is shared by financial institutions. Thanks to some research from Bain & Co., we can quantify the real value of a mobile banking consumer. The average mobile transaction costs a bank or credit union about $0.10 per interaction. The average teller transaction (visiting a branch or calling a person) costs at least $4. Therefore, there is tangible value in mobile banking that is unmatched by physical branches, especially for transactions.

However, consumers still visit branches on regular basis. Study after study shows that more than 50 percent of all consumers visit branches on a monthly basis, and 60 percent of consumers visit branches twice per year. What's more, millennials are the



most likely demographic to visit branches every month.

Bringing the channels together…

So, what's really going on? A 2018 report by Foresee brings many of the pieces together. In their study, they found that 60 percent of all bank and credit union accounts start online, while about 35 percent of consumers go straight to the branch. It's not shocking to hear that people shop online, but what might be shocking is that more than 70 percent of all consumers end up in a branch during their journey. Therefore, there must be something intrinsically valuable to consumers for them to bypass the most convenient branch in the world—the digital branch in their back pocket or purse—only to visit one farther away.

The ongoing consumer dance between digital and physical branches explains why physical branches continue to transform at a rapid pace. Consumers use the branch for something they cannot from a device: a face-to-face personal interaction. Open environments, automation, pods, branding, point-of-purchase imagery, and transformative experiences are in place in today's branch precisely to leverage the high-value opportunity of face-to-face interactions.

Ten years from now will we have fewer branches? Yes. Over the next decade will the branch continue to change? Yes. Will the need for a human experience diminish? No, because the real gold in today's branch isn't in the vault, it's you and your team. We call this the Universal Banker.

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Lending 360 L.O.S.

Upgrades Southwest Airlines FCU's Lending Experience to First Class

New technology systems always make at least some employees feel apprehensive. That's understandable; most people don't like change.

The $555 million Southwest Airlines FCU kept this in mind as it prepared to launch the Lending 360 loan origination system (LOS) two years ago. To minimize that fear, the Dallas-based credit union had its lending staff participate in testing the system before its November 2016 go-live day.

"We created templates and gave them 14 different products to test," said Sharon Baker, SVP of organizational development and operations. "We assigned two to three per week. Not only did they help with testing, they learned the system in the process."

Lending 360 is such an intuitively designed loan origination system, Baker added. Employees were only provided with a simple flow chart and received no initial training up front; yet they were able to process loans immediately during testing.

"By the time they went into classroom training, they were able to focus on ways to optimize their use of the system," she said. "The most common response I received from staff after the launch was 'Is that really all I have to do?'"

Southwest Airlines FCU had been using a loan origination system, offered by its core system provider. When it was announced that the system would be sunset, the credit union decided to conduct an LOS search that included third-party vendors.

Southwest Airlines FCU had typically met or exceeded its loan growth goals, so it wasn't only looking for a system that would boost loan production. The credit union was also seeking better lending efficiencies, more secure delivery, streamlined policies and procedures, and relief from pain points caused by poor system integration.

Not only did the credit union achieve all those operational and compliance goals, it also significantly exceeded its annual consumer loan growth budget of 6 percent, achieving over 16 percent growth for the last two years. In August 2018, Southwest Airlines FCU funded $17 million from 969 applications, its highest funding month in history. That figure includes $3.3 million funded exclusively by the credit union's e-branch loan officer who handles online applications collected through Lending 360.

That's pretty remarkable for a credit union with a field of membership spread across the country that's always on the go, thanks to its primary airline sponsor.

Adding e-signatures through DocuSign was a real game changer, Baker added. Prior to transitioning to Lending 360, staff would send a secure email to members with loan documents as attachments. Members would then have to print them out, sign them, scan them, and securely email them back or send them via snail mail. Making efficiencies even more challenging was that loan documents didn't integrate with the old LOS, which required staff to do manual calculations to approve and process loans.

"It was a big convenience and speed issue for members," Baker noted.

Now, with Lending 360, loan processing time has been cut down to as quickly as five minutes on average. The system's integration with the credit union's optical system also eliminated a full-time employee position solely dedicated to scanning docs into the LOS. That employee is now being utilized elsewhere and provides greater value to members.

Loan decisioning is also more consistent with Lending 360. Southwest Airlines FCU utilizes L360's decision manager feature and uses auto decisioning to approve about 30 percent of all loans. The credit union plans to further automate the decision process by adding Lending 360's Decision Challenger later in the year.

Lending 360's ability to grow as the credit union grows and quickly and easily provide system updates were also important features to the credit union, Baker added.

Finally, Southwest Airlines FCU appreciates L360's structured workflows and built-in reporting for quick management reviews. The credit union has found significantly fewer errors and increased communication among employees within the system without having to toggle over to email for approvals.

"Our member surveys have been very positive," Baker said. "Members have told us that the loan process is easy, our loan officers are wonderful to work with, and the overall process is now painless."

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