Perspectives

Volume 14, Issue 3

The Official Magazine of the Cornerstone Credit Union League

GROWTH & ENGAGEMENT

IN CREDIT UNIONS

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Chris Hutson
President & Chief Executive Officer

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EXPLORING GROWTH & ENGAGEMENT

Caroline Willard, President/CEO, Cornerstone Credit Union League

"STRATEGY WITHOUT TACTICS IS THE SLOWEST ROUTE TO VICTORY. TACTICS WITHOUT STRATEGY IS THE NOISE BEFORE DEFEAT."
~ SUN TSU, THE ART OF WAR

In this issue of Perspectives, we're focusing on growth and engagement, which goes along with much of the work we're doing at Cornerstone Credit Union League. We are continually evolving our value proposition. To that end, we performed extensive analysis last year to help us better understand how credit unions are engaging with us. This has resulted in a new strategy for member-facing staff and is driving us to retool our offerings and member engagement model going forward.

Tiffani Bova, global customer growth and innovation evangelist at Salesforce, said, "How you sell matters. What your process is matters. But how your customers feel when they engage with you matters more."

Cornerstone designed its Growth & Engagement Conference to help you gather fresh ideas for your marketing and business development efforts. Mark your calendar to attend Nov. 4–6 in Allen, Texas. You'll discover the latest market trends, learn from industry experts, and network with your credit union peers. You'll also have the opportunity to see the most effective marketing campaigns from across the Cornerstone region at the Pinnacle Awards reception.

Speaking of marketing efforts, we're excited to be part of CUNA's Open Your Eyes to a Credit Union initiative. We've begun efforts to introduce the campaign in our three states through meetings and webinars. It's so important to get involved so you can grow your membership. To learn more, see the story on page 16.

This issue features articles from two of our Growth & Engagement Conference speakers. Victor Corro, CEO of Coopera, provides us with "Five Steps to Growing Your Credit Union's Hispanic Member Base," and Stephanie Sievers, president/CEO of Star of Texas Credit Union, asks, "What Is Business Development?"

You'll also find informative articles on critical issues including bank attacks on the credit union tax exemption, factors to consider for CECL implementation, and moving outside your comfort zone to move forward.

In addition, our valued business partners contributed articles on building a successful member experience through strategic planning, taking advantage of countercyclical marketing, and how new loan origination technology is helping drive speed and efficiency.

I hope you enjoy reading this edition. We welcome your feedback and suggestions for topics you'd like to see in future issues.

Best regards,

Caroline Willard

Caroline Willard, President/CEO
Cornerstone Credit Union League

EXPERIENCE INNOVATION

2019 **GROWTH & ENGAGEMENT** Conference

If you're responsible for marketing and business growth within your credit union, then this is the conference for you. Cornerstone Credit Union League's 2019 Growth & Engagement Conference (formerly the Marketing & Business Development Conference), will be held Nov. 4–6, in Allen, Texas.

Why attend?

- Learn how to be innovative with your marketing and business development;
- Discover the hottest trends, new ideas, and fresh perspectives from industry experts, as well as your peers;
- Network with the best and the brightest in credit union marketing and business development; and
- Find products and services at the vendor fair that could make your job easier.

Register online today!

www.events.cornerstoneleague.coop/ge

Cornerstone Supports Credit Unions for Kids

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Questions?

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WHAT IS BUSINESS DEVELOPMENT?

Stephanie Sievers, President/CEO, Star of Texas Credit Union

For me, business development is the most fun and exciting part of my job. I believe business development encompasses all the components for growth. It is loans, deposits, members, community, building relationships, and reinforcing your mission through action. It is the reason we exist. It is the strategy we build, reinforcing our "why," and it starts with answering two questions:

1. Who are you serving?
2. What problem are you trying to solve for them?

Simple to understand, but not always simple to define. If it was simple, no business would ever fail. If answered correctly, companies can prosper; if not, they can wither and die. You might think smaller credit unions that don't have the resources of their larger counterparts might be at a disadvantage when it comes to these two questions. But do not despair, my fellow small CUs. You are not the only ones at risk. Think, equal opportunity danger.

Consider Toys 'R' Us. Founded 71 years ago, at its peak Toys 'R' Us was considered a category killer (stack 'em high, sell 'em cheap); and then in 2017, they filed for bankruptcy, having amassed more than $5 billion in debt, and closed more than 800 U.S. stores.

Done.

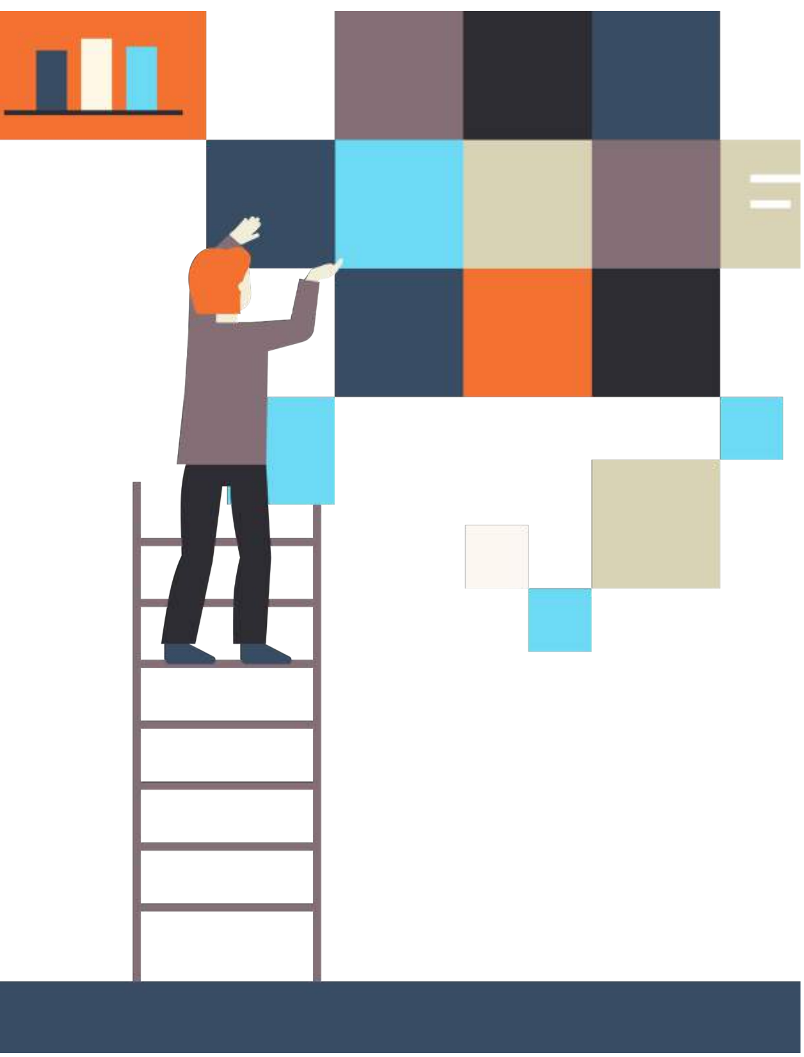
Wait. What's that? A bird? A plane? No, it's Geoffrey the Giraffe rising from the ashes, wide-eyed and smiling.

So, what happened? Well, it looks like they had a "come to" meeting about who they serve and the problem they are trying to solve. Their two new stores will be open for business this holiday season. The stores are focusing on being a place to try things, not a place to buy things. Will this work? No idea, but they did redefine their "why" and are tackling the issue of kids wanting to experience and play with the toys before purchasing.

I love this. As a parent of four, my house is filled with what could have been my retirement, or better yet, an adult-only vacation. Instead, it's full of discarded toys that were "needed" and played with for 30 minutes.

It's interesting that we talk about business development as if it is someONE's job. We tell an employee in the marketing, lending, or other org-chart location to go out and bring in business. Your mission, should you choose to accept, is to drum up business and bring people to the credit union. I have visions of BD professionals, like a Pied Piper, leading the people, singing and dancing, back to the CU.

Business development starts with the board and CEO. It is the life blood of the business strategy. Defining who you are, who you are helping, and what problem you are trying to solve, are all strategic questions. While the questions give your company direction, they don't produce static answers. With new variables, you can get new results—which could lead to new problems to solve.



Who doesn't love a challenge?

I have the world's coolest, most fun, and super awesome job … ever! Seriously, I get excited about putting together win-win business deals and doing good business. Think about it. We get to make a difference by helping people solve their unique problems. Do you have a great solution? If so, then shout it out. We should be like those all-in, hard-core people on Facebook who sell diet or makeup products with their video tutorials that show their before and after photos. *Look at me, I feel great and look great. Join me and we can be crazy together, here is an invitation to my trunk sale. Who wants to place an order?*

Boiled down, I think business development and growth is easy and fun. You get to make connections with those who have the same mission, or a complementary mission to yours, and then work together to be awesome. Rinse and repeat.

Now here is my challenge: If you get excited about solving problems, I invite you to come to Cornerstone's Growth and Engagement Conference Nov. 4 at 6 p.m. That's my session, during which we'll tackle real issues from the audience. It is actionable engagement with lively discussion. There's no preset script. Come be part of the story, laugh, learn, and get ingeniously simple answers to your problems.

Challenge issued. Will you accept?

Stephanie Sievers, President/CEO, Star of Texas Credit Union in Austin, Texas, and Chief Pink Thinker at Pink Strategies helping businesses transform and grow. Sievers is also CEO of Sisseton-Wahpeton Federal Credit Union in Agency Village, S.D.

Having failed at their campaign on the federal level to eliminate the credit union tax exemption, bankers have largely shifted their focus to state legislatures, supporting bank-friendly candidates and mining vulnerabilities in state tax laws.

Cornerstone Credit Union League has been monitoring these attacks nationwide. While Oklahoma and Texas have yet to see significant battles on the credit union tax exemption in their own back yards, Arkansas faces a continual fight with a bankers association that is aggressively pushing the state assembly to oppose all credit union expansion legislation.

It's a head-scratcher. Big banks have expanded market share in Arkansas and represent the biggest competitive challenge to small institutions, even community banks, yet they continue to drone their specious arguments against credit unions. This happens all across the country.

Case Study: Closing Vulnerability Loopholes

To offset the state's poor fiscal condition, the Kentucky legislature created a task force to examine all entities with tax exemptions, which included reviewing the credit union income tax exemption as a potential new revenue source. Bankers took advantage of low credit union awareness among consumers in the state—a crucial point of vulnerability—and immediately launched deceptive attack ads.

In response, the Kentucky Credit Union League moved to increase awareness of credit unions, giving birth to the "Move Kentucky Forward" campaign.* From their benchmark research in 2018, new polling and results of the campaign have shown improvement in public perception.

One of the tactics employed the credit union movement's push to share credit union stories with consumers. The Kentucky league is now using the #MyCreditUnionStory hashtag in their social media efforts and showcasing personalized credit union staff and member testimonials.

The Ongoing Threat of Bank Attacks on the CU Tax Exemption

The Fight Could Be Headed Straight to Your Doorstep

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

With its subsidiary, the Arkansas Credit Union Association, Cornerstone is preparing for a 2020 bout with bankers using a campaign similar to Move Kentucky Forward, and it's called "Arkansas Credit Unions: The Right Move Right Now." The main takeaway here is that credit unions should be regularly and proactively teaching their members and communities about the credit union difference.

CU > Bank Mergers

The financial industry is seeing an uptick in credit unions buying community banks—six in 2018 and at least nine in 2019. The trend is alarming to bankers, who chafe at the tax-exempt status of credit unions and their emergence as competitors for consumer depositors and business borrowers. Consequently, bankers are advocating for policymakers in multiple states to stop the trend, and they have used these bank purchases as another campaign to tax credit unions.

The fact is, struggling community banks that find themselves in the market to sell are finding a dearth of buyers in traditional bigger banks. Expansion-minded credit unions are filling the gap. Some banks are faltering, and some are failing and closing their doors, potentially leaving entire communities of working families without a financial institution.

Again, the best defense is offense. When consumers understand the credit union difference, they're more likely to make credit unions their financial institution of choice. Cornerstone is working in partnership with CUNA to promote fundraising for the "Open Your Eyes" campaign, which is designed to increase not only awareness, but also consumer consideration of joining a credit union. Credit unions can and should support this effort, which will counter the bank attacks with accurate and appealing consumer information.

** Check out Move Kentucky Forward at http://www.kycul.org/move-ky-forward.*

When the Tax Attack Fails, Try the CRA

All banks are subject to the federal Community Reinvestment Act (CRA), and bankers are lobbying to change the law so credit unions fall under the Act as well.

The bankers argue that one of the goals of the Federal Credit Union Act and the justification for the credit union tax exemption is a requirement that credit unions make credit available to people of modest means. But the truth is, adding credit unions to the CRA isn't necessary because credit unions by design have the same goals as the Community Reinvestment Act.

The CRA was imposed on banks in 1977 as part of an effort to encourage banks to meet the credit needs of communities, including low- and moderate-income communities, and because banks had been found to engage in discriminatory lending practices. Congress didn't impose the CRA on credit unions because, during 100 years of operation, credit unions have never engaged in such behavior. Since the 2008–2009 financial crisis alone, big banks have paid $243 billion in related fines.

Stay Up to Date and Proactive

Credit unions that stay up to date on the latest banker attacks are the nimblest responders when it comes to communicating with their lawmakers about pending legislation. They are the best equipped to handle any banker attacks that arrive on their doorstep, and it's a near certainty they will.

CURRENT BATTLE STATES

Illinois: Historically, banks have been influential in Illinois, and its coalition created the "family of four pays more in taxes" attack ads. More than 50 new state legislators and a Democratic governor with a "Fair Tax" initiative created a dangerous environment for credit unions—so much so that a tax bill against credit unions could have success in 2020.

Iowa: With no success passing credit union tax legislation in 2019, the bankers will feel pressure to succeed in 2020. The Iowa fall 2019 campaign will be centered around a "Tell Your Story" theme with television, radio, and digital components. In 2020, they will need a much more intensive media buy to keep up with bankers' efforts.

Kansas: In 2019, Kansas bankers succeeded in introducing two bills claiming that the credit union tax structure gives the cooperatives an unfair advantage. One bill would allow banks to deduct interest received from business loans from net income. The second bill would levy a new 4% tax on credit unions with assets of $100 million or more. Kansas credit unions anticipate that banks will push these two bills anew in the 2020 legislature.

Nebraska: Nebraska's Banking Committee chairman (a prominent former banker) and Nebraska bankers proposed legislation that required consent of the banker-dominated Banking Committee for any approval or expansion of credit union fields of membership. The bankers' legislation didn't pass out of committee, but Nebraska expects to see similar legislation in 2020.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Moving Outside Our Comfort Zones to Move Forward

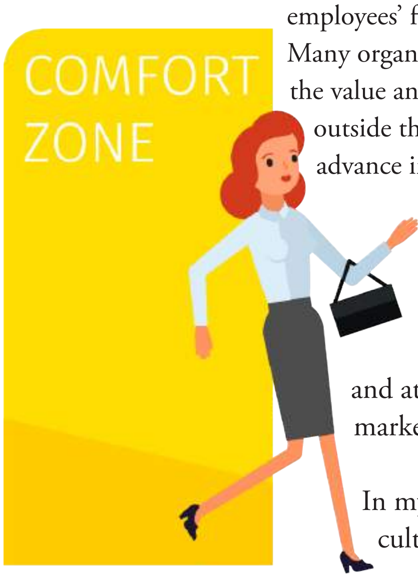
Jeff Phillipich, Innovation and Product Development Director, Credit Union Resources, Inc.

In allowing ourselves to move outside our comfort zones, we give ourselves an opportunity to discover areas we need to develop personally and professionally. On the flipside of being outside your comfort zone is a darker phenomenon known as "chasing," which drives people to try to keep up with the Joneses, socially engineer one's online persona to one-up others, or covet someone else's business niche. Such misdirected activities and wheel-spinning keep us from doing the work that can really differentiate us from the pack. By focusing on a perceived greener pasture or jumping from strategy to strategy, chasing the next big thing, we can miss our potential entirely.

Growth comes first from the inside, after all, whether we're talking about an individual or an organization through its leadership. Many of the lessons I've learned within my short professional life come back to this one common theme: Do less with less, and do it really well.

Tracking Hand in Hand: Individuals and the Organization

Leadership must be directed and clear about what they stand for, who they are to the community they serve, and what makes them different; and they must commit to getting their employees' full buy-in and support. Many organizations underestimate the value and importance of moving outside their comfort zones to advance individual and team ideation, strategic planning, goal setting, and building a culture that is both attractive to internal concerns and attentive to the external market.



In my mind, fostering a culture that supports growth, personal development, successes, and even failures should be at the heart of every credit union. If done with care and compassion for individual self-realization and self-awareness, credit unions can capitalize on its "people helping people" philosophy that begins internally and moves externally to maximum effect.

Our neighbors, our towns and cities, and our employee groups, whether or not they are members of the credit union, are directly influenced by the experiences we create for them. If we strive to create an environment where our teams know what's expected and are given the support and tools to do their jobs to the best of their abilities, they will grow; the credit union will reap the benefits; and our members will be the lucky beneficiaries—in turn, rewarding the organization for its clarity of purpose and commitment to individual growth and self-actualization.

How Cornerstone Can Help Move You Forward

Whether looking for new core partnerships, cards and payments solutions, expanded loan delivery channels, or member experience tracking, Cornerstone Credit Union League's subsidiary, Credit Union Resources, can help with all the transformational ideation and strategic services that credit unions can offer internally or through industry-leading partnerships. Our seasoned staff and experts keep you from operating in a vacuum and instead help you to expand your potential.

In addition, Cornerstone's Experiences and Events department offers quality education to help foster growth and engagement. Whether you're a credit union leader looking to provide educational opportunities to your team or you're an individual seeking personal growth opportunities, you are investing in your future. It's Cornerstone's mission to partner with you to ensure successful professional development experiences.

Tamra Gaines, VP of experience and events, says, "The benefits of professional development are equally advantageous to both parties, providing increased retention, improving efficiencies in the office, a platform to succession planning, building confidence and credibility, and creating a sense of value."

The Benefits of Employee Development

All professionals can benefit from employee development, but many employers don't realize how these programs are a powerful investment in their organization's future success. Here are five ways you'll benefit:

1. Combat the skills shortage;
2. Stay up to date with industry and technology trends;
3. Increase engagement and reduce turnover;
4. Aid in succession planning; and
5. Attract better talent.

Our 2019 Growth & Engagement Conference, Nov. 4–6 in the Dallas metroplex, can help expand your credit union's marketing and business development efforts. This year's EXPERIENCE theme continues with an event that emphasizes innovation and is chock-full of experts sharing actionable insights, best practices, and market trends. Attendees will gain not only valuable information, but a unique opportunity to connect with like-minded credit union peers.

For other professional development opportunities provided by the Cornerstone Credit Union League, please visit our website at cornerstoneleague.coop.

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Jon Gorman, Communication & Ou
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For the past two years, the Credit Union National Association has been working diligently on a project to lift the entire credit union segment in the minds of consumers. You may have heard of this initiative, "Open Your Eyes to a Credit Union."

So why did CUNA set about to deliver this consumer awareness initiative for all credit unions? Because the market share for credit unions has stayed the same for the past 25 years. What's more, banks are outspending credit unions by $43 to $1 in marketing.

And while we have typically called Open Your Eyes an awareness initiative, awareness isn't the problem. Survey results show that 98% of Americans have heard of a credit union.

What we really have is a consideration problem—with 72% of the consumers surveyed saying they aren't likely to consider a credit union for financial services. So that leads to the question: why not?

Survey results uncovered two myths we're working to overcome:

1. I can't join; and
2. Accessing my money may be hard.

To overcome these myths, CUNA began this year to launch Open Your Eyes to a Credit Union across the country, and your Cornerstone Credit Union League

YOUR
EYES
HELP
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utreach Senior Vice President,
erstone Credit Union League

has been working closely with CUNA to support the strategic rollout. It's a cooperative effort designed to deliver one voice with your credit union peers, system partners, and leagues in the formation of this effort.

Open Your Eyes is based on new nationwide research that's ongoing and in real time. It's lifted by new brand messaging to help us overcome these critical obstacles. And it's a digital-first marketing effort optimized to reach key target audiences, primarily nonmembers ages 25-34.

The goals are simple:

1. Increase consideration;
2. Overcome credit union myths; and
3. Grow credit union membership over time.

We believe this model positions us better than any other effort in our history. The formula for success is: Category brand building + individual credit union marketing supported by Open Your Eyes = long-term growth.

With a digital initiative, we can roll this out on a broad scale. CUNA's research reveals that adults spend more than five hours a day with digital media, and we want to be there with them throughout the day. We are focused on social media first and are supporting that with programmatic digital advertising.

YourMoneyFurther.com, the website where we will drive consumers, is now live. On it we have key messaging designed to dispel the key myths. Currently, the credit union finder is based on ZIP codes. Version 2.0, which is in the works, will expand the site's capabilities with additional location services, incorporating field of membership criteria and collecting and leveraging consumer data.

All credit unions will have access to a messaging guide, will be included in the credit union locator at YourMoneyFurther.com, and will receive updates and metrics related to Open Your Eyes.

So why invest in Open Your Eyes? Our approach to funding provides contributing credit unions with additional benefits. The recommended contribution is based on the lesser amount of $1 per member or asset tiers. Contributing credit unions will also have:

- Access to specialized resources to support your local efforts;
- Enhanced deployment in the Cornerstone region;
- Additional metrics and benchmarks;
- Preferred placement in the credit union locator; and
- Access to an online contributor headquarters and social media community.

To date, more than $43 million has been pledged by more than 655 credit unions. Our shared success will be measured in three ways:

1. Increase in consumer consideration of credit unions measured annually;
2. Digital performance and engagement with our content; and
3. Organic member growth over the long term.

Here's the good news: In the states in which Open Your Eyes is live, 75% of nonmembers surveyed would consider a credit union after viewing the campaign.

Statistics so far show that:

- 78.2% of visits to YourMoneyFurther.com are on a mobile device;
- Over half of those who visit YourMoneyFurther.com are female;
- The majority of visitors to YourMoneyFurther.com are between the ages of 25-44; and
- More than 62% of traffic is from Facebook.

The campaign is live and gaining traction in nine states with:

- 8.1 million consumers through programmatic advertising;
- 6.1 million consumers on social media;
- 7.1 million consumers on YouTube;
- More than 241 million impressions; and
- 58 million videos viewed to completion.

"We can be proud of the fact that our league, working with CUNA, is on the forefront of a new, tech- and research-driven consumer consideration effort that is cutting edge," said Cornerstone President/CEO Caroline Willard. "I'm grateful to our credit unions that are already on board to help deliver Open Your Eyes across the Cornerstone region. We are looking for credit unions to be 'all in' with the initiative, so we can drive significant change in consumer consideration."

For more information, contact:

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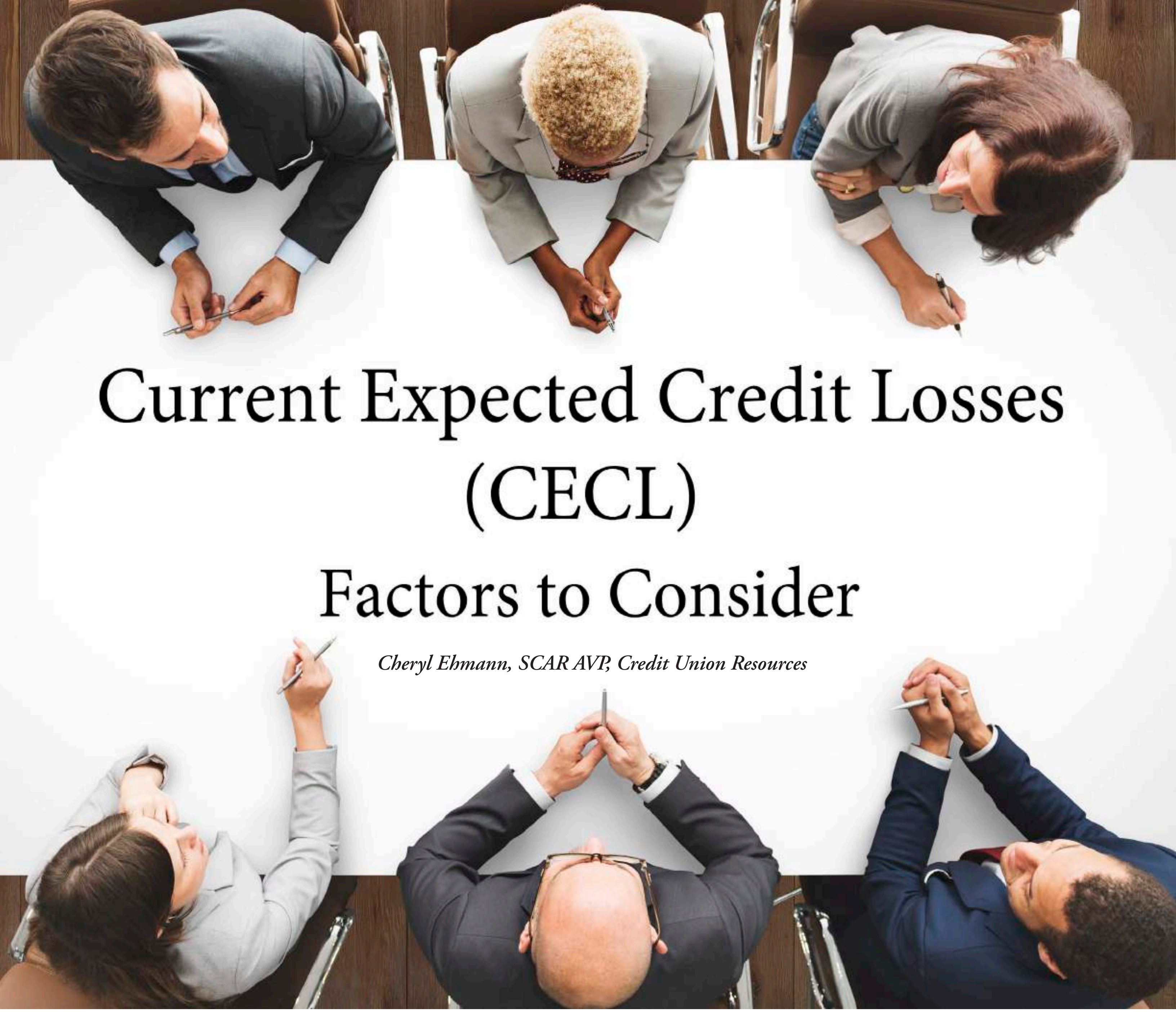
- **CUNA**
  Buddy Gill, engagement consultant, 512-987-1205 or bgill@cuna.coop



Current Expected Credit Losses (CECL)

Factors to Consider

Cheryl Ehmann, SCAR AVP, Credit Union Resources

Let's start off with some good news! The Financial Accounting Standards Board (FASB) has determined that the implementation date for CECL will be pushed back one year, as far as credit unions are concerned. Implementation of CECL is not required until Jan. 1, 2023, but you should be addressing this issue now.

What Should You Be Doing?

- Designate a CECL Committee. Members of this committee should include the CEO, the head of lending, and the CFO at a minimum. Ideally the VP of Technology would be included as well. He or she will assist in determining what data is available and how to extract the data for the appropriate calculations.

- Determine if you want to use a third party to assist in compliance or if you want to perform the calculations yourself. This will be dependent upon many factors, including the structure of your loan portfolio, expertise on staff, budget, etc. There are pros and cons to each course of action. If you perform the calculation in house, it will be cheaper but may not be as accurate depending on your ability to create financial models. Please remember, your responsibility to perform due diligence does not go away if you select a third-party service provider to perform these calculations.

- Determine what methodology or methodologies you are interested in using for the various loan pools. Some methods are more appropriate for certain types of loans, so do your research. Many factors will go into this determination: the average loan life, how many years of data are available, if repayment fluctuates with local economic conditions, etc.

- Determine what types of data you will need in order to be able to use the selected method or methods. Some methods require more data points than others. Ensure this data is accurate and available.

- Determine what data is available for loans held and serviced by third parties, such as credit card loans and real estate loans. Determine what methodologies can be used for these loans.

- Once these determinations have been made, start running a calculation using the new methodologies in conjunction with (parallel to) your current calculations. Fund the Allowance account based on your current methodology, but carefully review the results of the new methodology. How much of a funding difference will this make? Do the results make sense? Is this the most accurate methodology for your portfolio, or should you revisit this determination?

Don't forget that CECL applies to investments as well as loans. Under current accounting pronouncements, debt securities (that is, any investment that has been issued a CUSIP number) must be classified in one of three categories at the time of purchase: trading, held to maturity (HTM), or available for sale (AFS).

Trading securities are meant to be bought and sold to generate income on the trades. Because securities trading is not the primary method of income generation for credit unions, many credit unions would not ever have securities in this category; however, it is possible. Securities in this category are marked to market value monthly, with the adjustment going directly to the income statement; therefore, accounting for this category of investments will not change under CECL.

Held to maturity securities are those investments for which the credit union has both the intention and the ability to keep until the maturity date, without having to cash in early or sell for liquidity needs. Please note, if investments are categorized as held to maturity when purchased but are later cashed in or sold, it could taint the entire investment portfolio, and the credit union could be required to classify all investments as available for sale.

Currently HTM securities are accounted for at historical cost. That is to say, the cost basis of the investment is not adjusted unless an other than temporary impairment (OTTI) occurs. Under CECL, at the time an HTM investment is purchased, an Allowance account must immediately be established for all potential losses.

Available for sale securities are currently marked to market value monthly, but the offset is recorded to Other Comprehensive Income (OCI), which is an equity account. The accounting for AFS securities will basically remain the same under CECL, with any fluctuation in market value being recorded to an Allowance account monthly. If the market value of the investment increases, a recovery will be made to the Allowance account.

Make the most of the extra 12 months we gained for implementation, and you can look forward to 2023 with a peaceful mind.

HELPING CREDIT UNIONS SERVE, GROW AND REMAIN STRONG

RETHINK ▶ TECHNOLOGY	REIMAGINE ▶ MARKETING	REINVENT ▶ PERFORMANCE

RETHINK ▶ TECHNOLOGY

CUSG has decades of experience working solely with credit unions and helping them leverage technologies to engage existing members and attract interest from potential members.

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- Web Design & Hosting
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- Save to Win

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5 STEPS to Growing Your Credit Union's Hispanic Member Base

Victor Corro, CEO, Coopera

As member-owned financial cooperatives, credit unions often excel in helping members meet their financial goals. When it comes to the growing Hispanic population, however, many credit unions are yet to discover the Hispanic community's full potential and reaching out to them in strategic and culturally nuanced ways.

Though it comes from a good place, it truly is not enough to post lobby signs and distribute marketing brochures written in both Spanish and English. Today, businesses of all kinds, including financial services, actively and aggressively pursue the Hispanic community's business, meaning that credit unions must take more bold and strategic approaches to this market segment.

Helping credit unions achieve this goal is Coopera's mission. Here are five steps your institution can take to better serve and benefit from the Hispanic market.

1. **Recognize the potential.** Hispanics constitute one of the fastest-growing segments of the U.S. population, logging in at 58.9 million, or 18.1% as of July 1, 2017, according to the U.S. Census Bureau. Between 2010 and 2050, the Hispanic population is expected to grow 167%, compared to just 42% for U.S. population growth overall.

   Hispanics are no longer a population sub-segment, but an economic and social force with significant purchasing power. According to a 2012 Nielsen report, Hispanics will soon become the dominant and perhaps the only domestic sales growth driver in the U.S. In addition, the number of Hispanic households earning $100,000 or more annually has increased 313% since 2001, making the Hispanic community an even greater financial powerhouse.

2. **Understand the culture.** Serving the Hispanic community is not a one-size-fits-all proposition. Latin America and the Caribbean are comprised of 20+ different countries, all of which have their own unique history and cultures. Credit unions must identify which Hispanic segments are represented in their communities. They must know that culture intimately if they expect to create the trust necessary to attract and keep their Hispanic members' business.

   Like all consumers, Hispanics like doing business with firms and individuals they trust. Foremost to that trust is a clear understanding of consumer wants, needs, and expectations. Credit unions that demonstrate such understanding consistently and frequently can count on loyalty from Hispanic customers, their family members, and their community overall. Few things are more important to Hispanics than la familia. Win one heart, and that person is likely to bring even more friends and family members to the credit union.

3. **Treat different generations differently.** First-generation Hispanic immigrants may prefer the Spanish language and may be learning about the U.S. financial system, while second-generation members

born and educated in the U.S. are often bilingual and well-educated, making them more comfortable dealing with financial institutions. Third-generation members find themselves at even greater ease when dealing with a financial institution. It is important to know this distinction.

Credit unions must understand the generational differences, then segment and deliver services clearly and respectfully to all generations of the same family. Younger family members may even help teach the older ones how the system works, saving the credit union time and effort, and making the relationship more valuable for all involved.

4. **Take a holistic approach to service.** These days, serving the Hispanic market effectively requires an integrated effort at all levels of the credit union, from the boardroom to the teller line to digital services delivery. But the amount of return offered by loyal Hispanic members more than justifies those efforts.

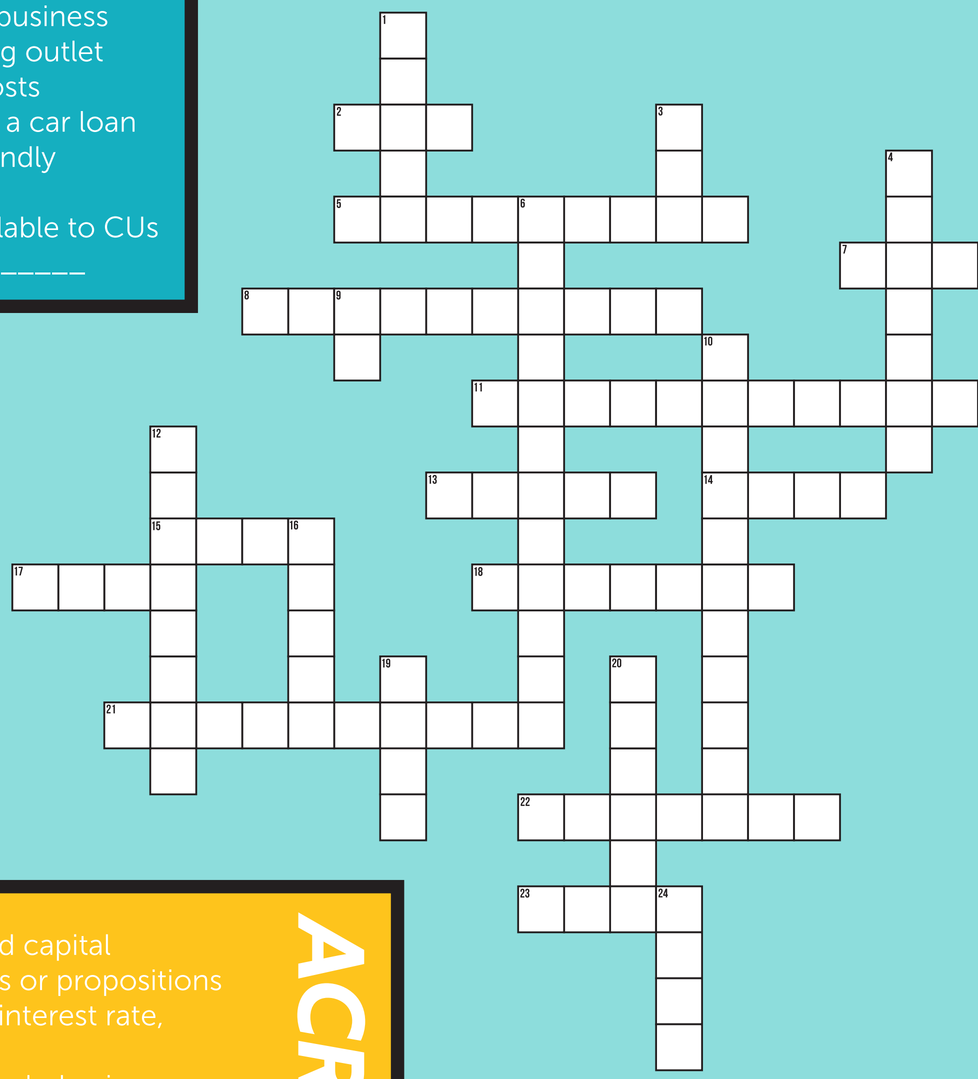
Much of it involves understanding the needs and wants of Hispanic consumers within the context of their cultural and generational differences. Bank of America research shows that Hispanics skew more conservatively when it comes to finances. For example, 53% of Hispanics track their expenses every month, compared to 48% of the general population, while 31% of Hispanics follow a monthly budget, versus 24% of non-Hispanics overall. Knowing these traits can help you adjust financial services to their preferences. Using analytics like those offered by Coopera can help uncover those characteristics.

5. **Understand the importance of community and joining the family.** As mentioned, few things are more important to Hispanics than family, something that extends to the entire community. Credit unions actively involved in the community stand a better chance of being accepted by its members, who will exhibit greater trust in an institution that takes time to know them on both personal and public levels. Consumer trust leads to greater opportunities for service and increased share of wallet. That's beneficial to all involved.

CROSSWORD PUZZLE

DOWN

01. Culture of computers and virtual reality
03. Acronym for NCUA's payday rule
04. CU Mantra: People _____ People
06. Not-for-profits devoted to financial wellness of members
09. Computing needs of a business
10. CUs Care merchandising outlet
12. Leadership Academy hosts
16. Length of time to repay a car loan
19. Elect a credit-union friendly candidate
20. Foundation dollars available to CUs
24. CMN Credit Unions for _____



ACROSS

02. Short for risk-based capital
05. Fundamental truths or propositions
07. Managed liquidity, interest rate, currency risk
08. Guiding principle or behavior
11. Type of credit union grant
13. A place on which volunteers serve
14. Federal CU regulator
15. Mighty force of Advocates
17. Mick's temporary stomping grounds
18. Cornerstone Credit Union League CEO
21. Collective action at local level to effect change at national level
22. Industry that uses technology to improve finance activities
23. Uncertainty of investment decisions

SEE PAGE 32 FOR ANSWERS

CREDIT UNIONS S
TAKE ADVANTAG
MARKETING

> **“Credit unions, in particular, should take advantage of their not-for-profit status and volunteer boards, because they have no one to please other than their members—and perhaps regulators. Use that countercyclical business model to grow market share as others pull back.**

As the world was clutched in the depths of the Great Recession in 2007-2008, Harvard Business Review wrote, “This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at a lower cost than during good economic times. Uncertain consumers need the reassurance of known brands—and more consumers at home watching television can deliver higher than expected audiences at lower cost-per-thousand impressions.”

Credit unions, in particular, should take advantage of their not-for-profit status and volunteer boards, because they have no one to please other than their members—and perhaps regulators. Use that countercyclical business model to grow market share as others pull back.

Even as consumer debt has risen over the last several years, it’s nothing like before the last financial crisis, brought on by low- and no-documentation mortgages. But rates won’t be doing any favors for net interest margins, as the Fed has already

SHOULD
GE OF COUNTERCYCLICAL

Shana Richardson, CEO, Ser Technology

begun lowering rates to avoid a yield curve inversion, often a precursor to recession, and they can't go much further.

Refinancing loans of all types is a great opportunity for credit unions right now. For example, a recent Edmunds Report projected the average purchase price of more than $37,000 for cars, an almost 9% increase over three years. Credit unions hold about 30% of the nearly $1.2 trillion in auto loans currently outstanding, according to a report from Experian, meaning 70% of auto loans are available for credit unions to recapture in a tightening lending market. Credit unions have the best auto loan deals in the market and should use that advantage to expand their market-share position.

As temperatures begin to cool, consumers are starting to think about their holiday budgeting and spending. Credit cards are another great opportunity for credit unions to aggressively offer better rates and rewards, while also helping members to save money. After the holiday hangover hits, refinancing will also be on members' minds.

The near-prime market presents additional opportunity when priced accordingly. Value Penguin reported that the average interest rate auto-loan borrowers with a 620-659 credit score across all financial institutions is nearly 10% APR, while a customer with a credit score of 700 can expect a rate of nearly 5%. With the average APR on credit union loans coming in at 3% and 5% for new and used vehicles, respectively, credit unions with the right messaging and targeting can lure borrowers away from their competitors into better options for the member, while also serving the credit union's interest income needs. Credit unions exist to serve their members, and, in part, that means those who are credit challenged but also a smart risk.

Messages that resonate with consumers during an economic downturn are different from those during the good times. Let them know you're there for them, to assist with financial stability so they can worry less about finances and take care of themselves and their families. Credit unions and other value brands perform better than most during recessions, because they offer lower-cost alternatives that appeal to consumers' frugality when they may be worried about decreased income. Provide consumers that critical sense of security during uncertain times.

Credit unions' focus should also turn toward marketshare more so than profits, because you can afford to as not-for-profit financial institutions. You may want to adjust your pricing tactics with short-term discounts to take advantage.

A potential economic downturn should not scare your credit union out of the opportunities that lie in a recession. Maintain your marketing spend to the extent possible to share the messages mentioned above, and keep your brand in front of consumers so they know who was still there for them, lending for home repairs or cars to get them to work when no one else would.

The members you help when they need it most will recognize your credit union's value and, with a little nudging, bring more of their accounts to you because your credit union was there for them. With the right data and messaging, credit unions have a clear path to greater market share as they help members, building trust and loyalty. Credit union lending is countercyclical. When others are not lending, credit unions are because they don't have investors to serve. Credit unions serve their members, and many are going to need their credit unions to step up for them.

MEMBER CENTRICITY—

Building a Successful Member Experience as Part of Strategic Planning

Eric Schornhorst, Strategic Advisory Solutions Advisor, CU Solutions Group

"Credit unions face uphill pressure in attracting and retaining members in an industry rife with competition, as fintechs and bigtechs continue to gobble up market share.

Quality member service is one business virtue embraced and lived out in the credit union philosophy. Credit unions have earned high marks for serving members, as evidenced by the 2018 Temkin Experience Ratings[1] with credit unions scoring an impressive 83%. But credit unions face uphill pressure in attracting and retaining members in an industry rife with competition, as fintechs and bigtechs continue to gobble up market share. So how can credit unions better position themselves to keep pace with these contenders? By providing a member experience that encourages loyalty.

Members drive value and revenue growth for credit unions and ensure their sustainability in the market. With more than half of consumers saying the customer experience in most companies needs improvement,[2] credit unions must buy into the value-first mentality or risk member attrition. To develop attraction and retention strategies and keep these objectives top of mind, include member experience as part of the overall plan. A member experience strategy maps out how to reach, interact, and communicate with members.

It should begin with identifying your member or potential members. Next, determine which products/services are trending and which would appeal to your audience. With those answers in mind, create action steps to promote member loyalty and define how to empower your frontline staff to deliver on the initiatives.

Questions to flesh out during your strategic planning session may include:

- Is our goal to transform the member experience or simply enhance it?
- What are the gaps between members' needs/wants and what they actually experience?
- How does your staff support the member experience you envision? Are there capability gaps? Is more training needed?
- What competitive strategies/trends are realistic? What opportunities/risks do these create? Where do we want to have the most impact?
- What are new product/service opportunities and the pros and cons to both?

While the tried-and-true way to engage members is through relationship building, following are a few ideas to consider as you craft your member experience strategy.

Narrow the focus—Target a specific group of potential members to reach and tailor the messaging to their needs. For example, pair baby boomers with retirement loans and millennials with student loan discounts/consolidation loans. Have a strategy to engage each generational group—currently there are 73 million millennials residing in the U.S., and they make up the largest generation today; however, Gen Zers are now starting to make their own financial decisions.

Plot out the member journey—During strategic planning, gain consensus from leadership on an enterprisewide model and what parameters to use for segmenting data, derived from your archives, such as demographic information (age, marital status), credit union accounts, communications, and touchpoints. Then develop a framework for measuring and optimizing marketing campaigns to attract interest.

Adopt a community-minded culture—Invest in your community by hosting/sponsoring local events to personalize the brand and develop deeper relationships. Post compelling photos on social channels to share with community members to build trust and loyalty.

Recharge member programming—Provide member loyalty incentives throughout the year, such as:

- Pay-it-forward programs like randomly selecting to pay a member's auto loan;
- Prize giveaways during a product launch;
- Scholarship programs;
- Scholarship awards to students for good grades;
- Reduced rates on student loans or incentivized credit card use;
- Thank-you notes, touchpoints for opening an account/new loan; and
- Random surprises for members—free donuts, cider in the fall, or barbequed hot dogs in the summer.

Develop a formal onboarding approach—
According to Harland Clarke research, an effective onboarding program is another way to attract/retain members and cross-sell products. Automate the process to deliver the right messaging at the right time. Deliver targeted communications at least three times during the first 90 days and encourage feedback.[3]

Streamline application processes—By providing speed and ease, members will appreciate the fast turnaround of the approval process and more likely be a repeat customer in the future.

Strategic Advisory Solutions helps credit unions develop and execute a member experience strategy as part of strategic planning. As subject-matter experts, they guide organizations toward achieving business stability, cultivating corporate culture, enhancing the member experience, and maximizing potential for financial growth. For more information, visit: CUSolutionsGroup.com.

Sources:
[1] Temkin Experience Ratings, 2018
[2] PwC, 2018
[3] Harland Clarke, 10 Strategies for an Award-winning Onboarding Process White Paper, 2012

NEW LOAN ORIGINATION TECHNOLOGY HELPS VANTAGE WEST CU DRIVE SPEED & EFFICIENCY ACROSS THE LENDING PROCESS

Bill Meyer, PR & Content Manager, CU Direct

The $2 billion Vantage West Credit Union is one of Arizona's largest financial institutions, serving nearly 157,000 members. Lending has driven its strong and steady growth. According to NCUA financial reports, Vantage West's key financial measures show it has led its peers in nearly every lending category, even through the Great Recession.

In fact, in 2010 when other credit unions were still recovering from recession losses, Vantage West was focused on the future, participating as a beta tester for CU Direct's Lending 360 consumer loan origination system.

"Our previous platform had peaked out and was limiting our ability to grow our lending portfolios," said VP of Consumer Lending James Waskin. "We needed a system that could move us into the next generation of lending."

Specifically, Vantage West was looking for a multi-institutional and multiuser platform that could integrate with other partners, such as the Mountain West Credit Union Association.

"Our short-term goal was to have both our direct and indirect departments using the same loan origination system," Waskin recalled.

> **“*Higher loan volume and better underwriting had a quantifiable effect on results, producing lower losses and increased profitability for the credit union.*”**

The credit union’s long-term conversion goals were to take advantage of new loan origination system (LOS) tools that could increase its loan volume, improve its profitability, and offer its members first-class loan products.

The credit union met its short-term goal when it took its direct lending channel live on Lending 360 in October 2012. Vantage West was already surpassing peer averages in lending at that time, with a 95.25% loan-to-share ratio, 6.29% average loan yield, 1.40% return on average assets, and 13.15% annualized loan growth. However, to maintain that level of success, the credit union turned to Lending 360 to improve its processing speed, efficiency, and consistency across the lending process.

The consumer LOS’ robust auto decisioning, which allows Vantage West to set its own criteria, provided the biggest boost. Waskin observed that system decisioning and automation have allowed the credit union to improve turnaround times and approve deals after hours. Specifically, on Mondays or days that followed a holiday, the turnaround time was improved by 50%, thanks to auto decisioning because there were fewer applications pending.

Higher loan volume and better underwriting had a quantifiable effect on results, producing lower losses and increased profitability for the credit union. “In the last 12 months, we have experienced a decline in our net charge-off rate of approximately 20 basis points,” Waskin noted.

Lending 360 also allowed Vantage West to achieve other operational efficiency goals. “On the direct side, we have been able to centralize our funding in the back office,” Waskin said. “This allows us to provide a better member experience through consistency, and our financial representatives now have more time to focus on members.

In fact, despite all the efficiencies gained through automation, Waskin notes that the system’s flexibility was the aspect he finds most appealing. The LOS allowed Vantage West to customize application workflows, queues, and decision rules to match the various loan products it offers members. And, the LOS is so user friendly, Vantage West is able to modify the system using an in-house administrator without having to rely solely on CU Direct for system enhancements.

Vantage West has doubled its assets since it first became a system beta tester in 2010 and, as of March 31, 2019, reported more than $900 million in secured consumer loans, representing nearly 60% of its current loan portfolio.

“In today’s current environment, Lending 360 continues to meet our expectations and enables us to make changes to our loan products, decision criteria, and process flows to meet our members’ needs,” Waskin concluded.

CROSSWORD PUZZLE

ANSWERS

DOWN

01. CYBER
03. PAL
04. HELPING
06. COOPERATIVES
09. IT
10. CORNERSTORE
12. CHAPTERS
16. YEARS
19. VOTE
20. GRANTS
24. KIDS

ACROSS

02. RBC
05. PRINCIPLES
07. ALM
08. PHILOSOPHY
11. DEVELOPMENT
13. BOARD
14. NCUA
15. ARMY
17. BCFP
18. WILLARD
21. GRASSROOTS
22. FINTECH
23. RISK