



## Dealing With a Public Health Crisis

*Check your business continuity plan and make training a lifeline.*

Monitoring disease outbreaks and local conditions is key to being prepared to respond to a public health crisis. It's also critical to evaluate the financial and operational consequences an outbreak has on the credit union and the business continuity plan.

COVID-19 has rocked financial markets. Public health concerns are growing significantly. The mild U.S. economic slowdown predicted just two short months ago will almost certainly be magnified.

At press time, it appears the U.S. economy may be entering the early stages of a recession. Economic growth in the first half of 2020 likely will be more disappointing than CUNA economists originally forecast.

Unemployment will rise. Some regions of the country and some sectors of the economy will experience harsh economic conditions.

### Potential effects

These developments will have significant financial

and operational consequences for credit unions. The effects, most of which already are observable, will become more pronounced going forward and some may be seen for years to come, says Mike Schenk, deputy chief advocacy officer for policy and analysis at CUNA.

They include:

- **Near 0%** interest rates with more distinct net interest margin pressure.
- **Faster** savings and asset growth.
- **Potentially** significant increases in loan delinquencies and losses.
- **Downward** pressure on net income.
- **Lower** net-worth ratios.

These trends get the attention of credit union boards and senior management. A natural reaction is to jump into action to quickly take whatever steps are necessary to reverse those results.

As was the case with the Great Recession, Schenk urges caution in credit union responses.

It's certainly appropriate to closely monitor the situation and to evaluate the specific reasons for any negative results experienced by your credit union.

However, it's also important to understand that financial challenges occurring because of the world health crisis and expected economic slowdown are neither signs of operational/oversight deficiencies, nor are they likely to last for long.

That, of course, means the appropriate action to deal with these challenges will likely be modest for most credit unions, Schenk says.

Today, most credit unions have very strong balance sheets and near-record-high capital levels. Therefore, the best course of action is for credit unions to avoid knee-jerk reactions, to closely study financials, and, when possible, to let the capital position do its work: to temporarily let net income fall as a result of margin pressures and modest loan losses.

This will require both a careful review of your credit union's budget and financial situation and a clearly documented plan. But it is imperative to avoid doing unnecessary near-term harm to the credit union that would result from trying to maintain net

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**'THE CORONAVIRUS IS A REMINDER THAT ANYTHING CAN HAPPEN.'**

KUNAL KESHAV

### QUICK TAKE FOR YOUR NEXT BOARD MEETING

#### ASSETS, MEMBERSHIP CONTINUE TO GROW

Total assets in federally insured credit unions rose \$113 billion, or 7.3%, during 2019 to \$1.6 trillion, according to NCUA. During the same period, federally insured credit unions added 4.2 million new members, a 3.6% increase, for a total of 120.4 million members.



Source: CUNA and NCUA



- Coronavirus resources for credit unions: [cuna.org/coronavirus-disease-\(COVID-19\)](https://cuna.org/coronavirus-disease-(COVID-19))
- CUNA News coverage on how credit unions are responding to COVID-19: [news.cuna.org/coronavirus](https://news.cuna.org/coronavirus)

income in the current environment.

Credit unions that have more than adequate capital should not find it necessary to penalize members of the credit union with higher loan rates, more and higher fees, lower dividend rates, service cut-backs, or layoffs just to keep net income from falling.

Rising delinquency and loan losses require close monitoring and active collections, but they do not necessarily call for a tightening of credit standards.

The best response to a decline in net income may be to adjust your budget and then carefully let it happen.

### Check your business continuity plan

Kunal Keshav, assistant vice president/chief technol-

ogy officer at the Illinois Credit Union System, recommends using tabletop exercises to review and test your business continuity plan.

He suggests :

- Making sure the plan is “fluid” to respond to a wide range of threats.
- Having a disaster team ready to respond.
- Maintaining an employee contact list.
- Documenting business-critical functions, including backups.
- Knowing where employees are traveling for business or personal reasons.

“The coronavirus is a reminder that anything can happen,” Keshav says.

## CUNA Launches Coronavirus Resource Page

CUNA has launched a resource page for information and other materials about the coronavirus (COVID-19).

CUNA is closely following all developments and will update the page regularly with recommendations and information about CUNA conferences and events.

The page also includes links to guidance from the CDC, World Health Organization, Occupational Safety and Health Administration, Federal Financial Institutions Examination Council, and others.

Visit [cuna.org/coronavirus-disease-\(COVID19\)](https://cuna.org/coronavirus-disease-(COVID19)) for more information.



- CUNA advocacy resources: [cuna.org/advocacy](https://cuna.org/advocacy)

## Advocacy Efforts Result in Modernization Bills

### *Bills would remove outdated board duties, modify meeting requirements.*

Three bills that would provide important updates to the Federal Credit Union Act would also update board operations.

The bills were introduced during CUNA's 2020 Governmental Affairs Conference (GAC). Modernizing the Federal Credit Union Act is a main advocacy goal this year, as CUNA and leagues seek enhancements to increase consumers' access to safe and affordable credit union products and services.

“We thank the legislators who came together to introduce these bills that would modernize credit union governance, allowing credit unions to meet more local family and business needs in the communities in which they operate,” CUNA President/CEO Jim Nussle says.

The bills are:

- **The Credit Union Governance Modernization Act of 2020 (S. 3323).** It would allow a credit union board to expel a member for just cause, rather than require a full membership vote, introduced by Sens. Tina Smith, D-Minn., and Ben Sasse, R-Neb.

- **The Credit Union Fairness Act (S. 3326).** It would remove outdated duties for credit union boards, including acting upon membership applications; appointing a loan officer and giving that person the power to approve or disapprove loans, lines of credit, or credit advances; reviewing approved and pending applications for membership monthly; and providing members who request it a written reason for why membership applications were denied. The bill also would remove the requirement for credit unions to provide NCUA with the names of its loan officers. The bill was introduced by Sens. Thom Tillis, R-N.C., and Richard Burr, R-N.C.

- **The Board Governance Modernization Act (H.R. 5981).** It would modify the Federal Credit Union Act requirement that credit union boards meet once a month to not less than six times per year, introduced by Reps. Katie Porter, D-Calif., and Mark Amodei, R-Nev.

The Board Governance Modernization Act has been referred to the House Committee on Financial Services while the other two bills have been referred to the Senate Committee on Banking, Housing, and Urban Affairs.

# A Fresh Perspective for Onboarding

## *The credit union movement is becoming more diverse.*

Increased volunteer diversity couldn't come at a better time. One of the hottest topics credit union leaders are embracing today is diversity, equity, and inclusion (DEI).

This development is much needed and important in making sure the communities credit unions serve and the people they hire represent diverse backgrounds and experiences.

Volunteers represent member groups best when they can personally relate to their unique needs and challenges. Doing so improves the overall direction and decisions of credit union leaders.

### How onboarding is evolving

The concept of onboarding volunteers is not new. However, expectations of current and prospective volunteers are changing. Onboarding practices also need to change to stay relevant.

Volunteer recruitment needs to emphasize diversity. Credit unions lacking in diversity will need to evaluate and evolve their recruitment strategies.

Here are three suggestions for recruiting diverse board members:

**1. Consult** with proponents of the group you desire to serve. This could include employees who reflect a certain demographic or leaders of community groups that reflect this market.

**2. Connect** with other community-based organizations and nonprofits about how to reach potential volunteers.

**3. Train** board members on DEI issues to make sure they are ready to approach, recruit, and onboard a diverse group of people.

### Successful onboarding

The purpose of onboarding is to educate and integrate new volunteers, ensuring they are prepared to make informed decisions that are congruent with the organization's mission, vision, and values. These decisions also must ensure safety and soundness.

Begin by setting realistic expectations for new volunteers so they understand what is required, such as participation, attendance, training, engagement, advocacy, and more.

Also, provide formal and comprehensive introductions to new volunteers. Take these steps:

■ **Share** the credit union's history, including key changes and other impacts that influenced where the credit union is today.

■ **Explain** your mission, vision, and values. Invite team members to relay member or community service stories that reflect your mission, vision, and

values. Volunteers should understand how the new credit union team is unique.

■ **Host** a welcome reception. This gives new volunteers a chance to meet staff and other board members. Give the new volunteer a sense of the people who shape the credit union's unique culture.

■ **Involve** new volunteers in credit union events and introduce them to community partners. This gives a sense of how the credit union is respected and how community contributes to the credit union's brand.

■ **Schedule** a one-on-one meeting with the human resource officer to learn about required training. Provide the training they need as soon as possible.

■ **Set** up a meeting with the chief lending officer to educate the new volunteer about the credit union's products, features, and borrowers. This will help when reviewing loan policies and other risk-related issues.

■ **Schedule** time with a finance representative to explain the credit union's business model.

■ **Teach**, assess, and coach for the right volunteer behaviors. You wouldn't hire a new employee and not provide training, assessment, and coaching to get them started. Volunteers are no different.

### Why it matters

Credit unions need volunteers who are ready to govern into tomorrow. The diversity of volunteers is critical as the communities we serve evolve.



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SCOTT BUTTERFIELD

Simply attracting diverse volunteers isn't enough. Once we recruit them, we need to make sure they receive the proper tools and training to do the job well. Diverse and high-performing boards set the tone for a diverse and high-performing credit union.

Recruiting and developing the best board is a work in progress, but it's necessary. The board's focus on developing its future governing body should be one of its top priorities.

**SCOTT BUTTERFIELD** is the principal at Your Credit Union Partner ([yourcupartner.com](http://yourcupartner.com)).



CUNA board and committee resources:  
[cuna.org/board](http://cuna.org/board)



CUNA News coverage from  
GAC: [news.cuna.org/gac](https://news.cuna.org/gac)

## Tell Your Credit Union's Story

### *Form relationships with lawmakers before you face an attack.*

As a board member, your primary responsibility is ensuring the credit union operates in a sound and safe manner. But you're also responsible for taking part in advocacy efforts.

The most effective way to advocate for your credit union's members and the industry? Tell your story.

Stories of the people credit unions help every day matter to policymakers because that's who they work for, CUNA Chief Advocacy Officer Ryan Donovan told attendees at CUNA's 2020 Governmental Affairs Conference (GAC). Stories of people credit unions serve resonate because congressional staffers and even members of Congress can identify with what members go through and how credit unions have helped.

"There is certainly a place for facts and figures," Donovan says. "But everyone has numbers, and Congress gets bogged down in them all of the time. Credit unions are in a better position than other financial service providers to humanize the impact that decisions in Washington have because the interests of your members align with the interests of the credit union."

But don't wait until the credit union movement faces a dire situation to reach out to lawmakers.

Instead, build relationships with legislators at the local, state, and federal level, and tell them about the positive work credit unions are doing in their communities and the impact that has.

"Talk to these folks when the house is not on fire," says Debbie Painter, president/CEO of the Kentucky

Credit Union League. "The times of perceived peace are great times to build relationships."

Building relationships is crucial, not only to passing pro-credit union legislation or defeating anti-credit union bills. It also allows credit unions to share how they're involved in their communities and the difference they make.

In Connecticut, credit unions have held reality fairs at the state capitol, allowing lawmakers to volunteer and see firsthand how credit unions carry out their financial literacy efforts, says Connecticut State Sen. Eric Berthel.

The stories you share with lawmakers show the impact your credit union has on your members and how it's advancing communities and empowering financial well-being, Donovan says.

"This matters to policymakers because they are interested in two things: their community and their constituents," Donovan says. "Policymakers want what is best for their constituents, and that includes the opportunity for them to be financially secure."

Also, engage with lawmakers when the legislature is not in session, says Dan Newberry, senior vice president of lending at TCU Federal Credit Union and a retired Oklahoma state senator. Invite representatives to the credit union to see how it operates and to meet staff. Form these crucial relationships with legislators from both parties.

In general, take the time to tell your credit union's story to lawmakers. After all, Newberry says, interacting with constituents is what lawmakers want to do.

"Your legislator wants to hear from you," he says. "They thrive on communal relationships with their constituents."



Send us your comments:  
[directors@cuna.coop](mailto:directors@cuna.coop)

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**Publisher:** Ann Hayes Peterson, vice president and editor-in-chief, [apeterson@cuna.coop](mailto:apeterson@cuna.coop)

**Editorial staff:** Bill Merrick, deputy editor, [bmerrick@cuna.coop](mailto:bmerrick@cuna.coop); Jennifer Plager, senior editor, [jplager@cuna.coop](mailto:jplager@cuna.coop)

**Design and production staff:** Carrie Doyle, graphic designer, [cdoyle@cuna.coop](mailto:cdoyle@cuna.coop)

**Editorial:** 608-231-4211 **Subscriptions:** 800-348-3646, fax 301-206-9789, or [cuna.org/directors](https://cuna.org/directors)

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