Credit Union
Directors NEWSLETTER

December 2020
Volume 46
Issue 12

Responding in the face of uncertainty

Board members act as a strategic sounding board for the CEO.

Cyberattacks, financial crises, hurricanes, and health pandemics. While they look substantially different, each is a crisis. When one happens, credit unions must be ready to respond appropriately.

Russell Country Federal Credit Union in Great Falls, Mont., has entered crisis management mode multiple times over the years in response to Y2K, the 2008 financial crisis, and cyberattacks.

But the coronavirus (COVID-19) pandemic has proven to be the most challenging situation the $78 million asset credit union has faced so far.

The multidimensional pandemic means credit unions and boards must gather information and make decisions that address the health response piece—how to continue serving members while ensuring their safety and that of staff.

They also need to make business and financial decisions that allow the credit union to continue providing products and services to meet stressed members' financial needs, such as new loan products, loan deferrals, and waived fees.

"Individuals must come together in a synchronized and integrated fashion to achieve common objectives and goals," says Bryan Fox, Russell Country Federal board member. "The COVID-19 pandemic has tested our board's agility and flexibility. It forced us to quickly cast out old paradigms, think outside the box, and adopt creative solutions while keeping everyone informed."

'Proactive preparation'

It's often difficult to know exactly how a crisis will hit and the impact it will have. But that doesn't mean boards can't take steps to prepare.

Tony Ferris, CEO of Rochdale Paragon Group, encourages credit union leadership and boards to engage in "proactive preparation." This includes predefining the objectives surrounding a crisis, such as understanding how to serve members, protect staff, and assist the community.

Credit unions also can use tabletop exercises to determine the board's role and expectations during a crisis. This will allow the credit union to be more organized and respond more quickly.

> "The **TIME** to respond to a **CRISIS** is long before one exists."
>
> **Ted HENIFIN**

"The time to respond to a crisis is long before one exists," says Ted Henifin, board member at $3.1 billion asset Langley Federal Credit Union in Newport News, Va. "Policy development, trust building, and defining roles and responsibilities must be done outside a crisis."

Mitigate the impact

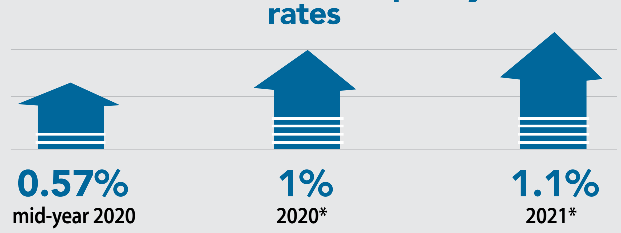
The board's primary responsibility during crisis management is gathering information to make deci-

QUICK TAKE for your next board meeting

Watch for falling asset quality

While CUNA economists predict 6% credit union loan growth in 2020 and 2021, they warn of possible "significant deterioration in asset quality" depending on whether and when Congress approves additional stimulus funding. Census Bureau research shows the possibility of a year-end wave in evictions and mortgage payment challenges.

Credit union delinquency rates



*Forecast
Source: Credit Union National Association

sions. Board members often need more frequent updates and more detailed information than during normal operations, says Kevin Smith, consultant with TEAM Resources.

The board must understand the credit union's objectives and the critical risks posed by current and future events before it can assess the impact of the situation and make thoughtful decisions for the short and long term, Ferris says.

"A key board role is challenging core management assumptions, which creates diversity of thought and a common understanding," he says. "However, this must be done in a solutions-based manner and remain at the governance and strategic level.

"Ultimately, the board should drive better decisions and not be a hindrance to agile decisioning," Ferris adds.

The board is also responsible for acting as a sounding board for the CEO, who will be busy "jumping from fire to fire," Smith says.

The board must be willing to listen to what the CEO says and provide an environment to discuss ideas and concerns, and challenge decisions.

Once leadership makes a decision, the board must speak with one voice.

"Everyone on the board has to support it," says John Davis, a board member at $132 million asset Wichita (Kan.) Federal Credit Union. "If you disagree with an action and you're the only one, the action is the majority and you must go along with it."

While a crisis may be chaotic, Smith says it's important to document steps the credit union took, why it made those decisions, and the results.

Document the information while it's fresh and review it later in the event a similar situation arises later.

"Take notes about what went well and what didn't, and learn from it," Smith says.

"The board should drive better decisions and not be a hindrance to agile decisioning."

Tony Ferris

Challenges to DEI efforts

Obstacles include cultural competence, strategic priorities, and a unidimensional framework.

Diversity, equity, and inclusion (DEI) efforts often fail because many organizations encounter challenges that create barriers to implementing strategies for a more inclusive workplace.

"Key leaders in an organization may bring DEI forward with tremendous enthusiasm and a desire to see fast change," says Jill Nowacki, president/CEO of Humanidei. "But a strong DEI champion will understand the value of working on the front end to continue to cultivate enthusiasm while also making sure they're developing cultural competency that moves these strategies forward through effective change management."

During the CUNA HR & Organizational Development Council Virtual Conference Collection, Nowacki explored three challenges credit unions face:

1. Cultural competence, or the organization's readiness to provide an inclusive workplace. At organizations with cultural competence, people feel safe having vulnerable conversations, can admit what they don't know, and can assess personal awareness and explore unconscious bias, Nowacki says.

Organizations that lack cultural competence have a "significant us-versus-them" feeling, reject training or conversations designed to advance DEI, and sometimes see reverse discrimination claims emerge, Nowacki says.

Gather feedback from employees through focus groups or surveys to gauge the level of cultural competence at your credit union, she advises.

2. Level of strategic priority. Consider your strategic priorities and how you prioritize them. Set goals and timelines, and hold employees accountable.

Many organizations delegate DEI strategies to committees that meet occasionally and whose members are qualified based on their heart rather than their skills, experience, or education. Or they don't have a budget for action, training, or development, and committee leaders don't have the authority to act and make changes, Nowacki says.

Assign an executive champion for DEI, she says. Consider assigning the role to the board, CEO, or a C-suite executive.

3. Unidimensional framework. This occurs when organizations create programs that focus on one group, such as women or Black employees.

When leaders create resources inclusively and allow allies to opt in, they build an environment where everyone recognizes the benefits of inclusion, Nowacki says.

Investment services during the pandemic

Despite uncertainty, financial planning is more important than ever to your members.

Credit union leaders are always searching for new ways to improve service and add value. Credit unions step up to serve their members and help them through tough times.

During the pandemic and economic uncertainty, it may seem counterintuitive to focus on investments as members struggle economically and are unsure of their future. But this is exactly when these services and strong financial planning need to be present and proactive within credit unions.

Providing members with the six core financial needs of cash management, credit, growth of assets for the future, income generation, protection, and leaving a legacy not only fulfills credit unions' mission to their members, it produces strong business benefits.

> Establishing an investment services relationship for members will deepen their connection.
>
> Rob Comfort

More than half (52%) of members prefer accessing financial services at a credit union, but member penetration for investment services is only 3%, according to "Making Wealth Management Core in Credit Unions" by Kehrer Bielan Research & Consulting and sponsored by CUNA Brokerage Services Inc.

The report found that integrating wealth management services, such as retirement planning, investment services, and overall financial planning yields several significant benefits.

Here are four advantages to consider as we look to 2021:

1. Expanded wallet share. Households that have investment holdings with their credit union keep 42% more savings and investments at their credit union than those who simply consider the credit union to be their primary depository institution.

The typical credit union household keeps 17% of its savings and investments with the credit union. However, the report found that when members add one investment relationship, credit unions increase wallet share by 159%, and the relationship has a positive impact on member loyalty and retention.

2. Increased customer life cycle. When credit unions offer more products and services, they give members more options and strengthen member relationships. When a household considers the credit union its primary financial institution, assets held by the credit union jump 82% on average.

In addition, the report found that wealth management clients stay with their credit unions for 1.7 more years on average versus households that view credit unions as their primary depository.

3. Added points of sale. Members with investment relationships at their credit unions often need other financial services, too. Those with investment relationships are:

- 35% more likely to have a first mortgage.
- 50% more likely to have a home equity line of credit.
- 93% more likely to have an automobile loan.
- 77% more likely to have a money market account.

4. Higher levels of member trust. The report found that when an investment or insurance account is added, members are 20% more likely to have a great deal of trust in their credit union.

Establishing an investment services relationship with members will deepen their connection to your brand and their trust in it, especially in uncertain times.

ROB COMFORT *is president of CUNA Mutual Group's CUNA Brokerage Services Inc.*

Resources

CUNA Credit Union Board Leadership Virtual Roundtable, Dec. 14-15: *cuna.org/blvr*

CUNA Supervisory Committee & Internal Audit Virtual Conference, Dec. 8-9: *cuna.org/sciac*

CUNA board and committee solutions: *cuna.org/board*

CUNA diversity, equity, and inclusion solutions: *cuna.org/learn*

What's your value to members?

Human connection and interaction often are as important as fees and rates.

Credit unions can measure value in many ways.

Value can be an amount of money or the value of goods or services rendered. It can be the importance, worth, or usefulness of something, or an ideal accepted by an individual or group.

Credit unions provide value across all of those definitions. Each is important.

The first definition—value as a monetary amount—only scratches the surface of what credit unions offer. Any credit union employee or volunteer will tell you the value they provide surpasses rates on loans and deposits, lower fees, and personal service.

These values are important and worthy of being our hallmark. But they are of bare minimum value because they've become a commodity.

Credit unions face increasing competition, and consumers can always find better rates and fees elsewhere.

But the material difference for many consumers is negligible. Consumer preferences are changing. With the migration to digital channels, the value of in-person or person-to-person service delivery is decreasing.

> "When we place value on human connection and interaction, inclusion, and collaboration, credit unions stand out as different and better.
>
> Scott Butterfield"

According to the J.D. Power 2020 U.S. Retail Banking Advice Satisfaction Study, customer satisfaction with advice and guidance received through digital channels has increased significantly. And while 36% of retail bank customers receive advice and guidance through digital channels, that number jumps to 51% among generation Z.

Credit union leaders must keep up with digital channels to make sure members receive the value that means the most to them.

Credit unions provide much more than great rates and fees. For millions of Americans, credit unions provide financial inclusion and a path to a better quality of life.

Affordable access to credit

Credit unions provide credit-building tools that allow millions of consumers to improve their credit.

Consider the economic and quality-of-life value for consumers who increase their credit scores: lower loan rates, cheaper insurance, and better job opportunities.

Access to affordable transportation improves job retention and leads to higher earnings for lower- to moderate-income families. Quantify the value of home ownership when it comes to safety, asset creation, and other quality-of life-measures.

Affordable lending to small businesses creates job growth and, for people living in poverty, starting a micro business can be a pathway out of poverty.

The depth of value is high, and it provides individuals and families with greater prosperity and quality of life. This is the level of value that vaulted credit unions to prominence a century ago.

But it's more than that. When we have this level of impact on the individual or family unit, we lift the entire community. When credit unions are at their best, communities improve.

Why it matters

The value credit unions deliver to members and the communities they serve matters.

To stand out and grow market share, credit union leaders need to maximize perceived value and communicate outcomes widely.

Competition on rates, fees, and service is intense. However, when we place value on human connection and interaction, inclusion, and collaboration, credit unions stand out as different and better.

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CREDIT UNION DIRECTORS NEWSLETTER

(ISSN 1058-1561) is published monthly for $146 per year by the Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454. (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of $716. Periodical postage paid at Madison, Wis.

POSTMASTER

Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, P.O. Box 461, Annapolis Junction, MD 20701-04661. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or CUNA Inc.

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