

Ignore cryptocurrency at your peril

Focus on opportunities to counter the long-term market share challenges of disruptors like PayPal.

It's easy to become mesmerized by the wild swings in cryptocurrency valuations. In the first half of 2021 alone, Bitcoin's price doubled, reaching an all-time high of \$62,000 before suffering a nearly 45% drop within a two-week period in May.

Through all the volatility, Bitcoin remained up 13% at the halfway point of 2021—an impressive return by traditional investment standards but hardly a calming trajectory. Although these gyrations can make for great sport, they don't change the premise underlying credit unions' potential role in cryptocurrencies.

The most substantive recent development on this front was PayPal's late 2020 integration of Bitcoin and Ethereum into its standard wallet app, enabling consumers to buy, sell, and, most importantly, pay for certain retail purchases at checkout with existing crypto holdings.

The company also touts the same fraud protections as for other purchases, essentially placing them on parity with the U.S. dollar. More recently, Fiserv announced a partnership with NYDIG that will enable buying, selling, and holding of bitcoin through financial institution accounts.

The biggest hurdles facing crypto have been mass market acceptance and the ability to use holdings seamlessly as a means of exchange. In fact, nearly all of crypto's traction has been based on its hype as a speculative asset rather than a functional currency.

For this reason, PayPal's move (and, to a lesser extent, Fiserv's) may prove to be a watershed event. PayPal's website actively positions its functionality as a safe way to "discover crypto for as little as \$1."

Given its large installed base and claim of "millions of online stores" ready to accept Bitcoin, PayPal has made significant inroads in addressing those hurdles.

On the other hand, the site warns that "checking out with crypto is a taxable transaction" requiring a signed W-9 tax form before the feature is enabled, so some friction remains.

"A GROWING NUMBER of your members are **DEMONSTRATING INTEREST** in cryptocurrencies like Bitcoin."

Member interest grows

What does this mean for credit unions? Although broad adoption likely remains a few years out, a growing number of your members are demonstrating interest in cryptocurrencies like Bitcoin.

They're increasingly likely to ask about your capabilities or advice in the area. The lack of an informed answer could jeopardize credit unions' "trusted partner" status.

Moreover, members may decide to hold greater balances on account with PayPal or similar providers enabling crypto transactions—hardly asset migration credit unions want to encourage.

QUICK TAKE for your next board meeting

The move to faster payments

Credit unions are gradually migrating to faster payments, recognizing the growing importance to members. Sixty-four percent of today's community banks and credit unions offer at least one faster payment capability, according to "Securing Digital Acceleration: The Community Bank and Credit Union Imperative," a report prepared for NICE Actimize by Aite Group.



45%

indicate members are asking for same-day ACH

Source: Aite Group survey



67%

indicate members are asking for Zelle



82%

indicate an additional faster payments option is a priority

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Regulators are increasingly willing to allow credit unions to provide custody services for crypto assets. Though not without risk—if the volatile assets cause member losses, members may associate the credit union with an unpleasant experience—it's a logical and incremental first step into the crypto arena.

Central bank digital currencies (CBDC) will likely be another catalyst for digital assets in the tradi-

tional financial services sector. The Federal Reserve is collaborating with MIT on such solutions.

For now, tune out the noise of daily price swings and focus on opportunities to counter the long-term market share challenges of disruptors like PayPal.

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Cryptocurrency

What it is:

Typically decentralized digital money designed to be used over the internet.

What it's called:

Bitcoin, Ethereum, Bitcoin Cash, Tezos, and Litecoin are a few types of cryptocurrency.

What it does:

Makes it possible to transfer value online without the need for a middleman like a bank or payment processor.

Why it matters:

Cryptocurrency is the first alternative to the traditional banking system and has advantages over other payment methods and traditional classes of assets. Cryptocurrency can be used to purchase goods or services or be held as part of an investment strategy.

Challenges provide opportunities for growth

White paper provides recommendations for preserving small credit unions.

Small credit unions provide vital services to their communities and continue to grow and serve members in extraordinary ways.

But they also face challenges which, if overcome, can present opportunities for continued growth, according to "The State of Small Credit Unions Today," a white paper from the CUNA Small Credit Union Committee.

The white paper explores how cross-industry support can lead to greater collaboration at all asset levels. It also provides recommendations for the preservation of small credit unions nationwide.

One of the biggest challenges facing small credit unions (those with less than \$100 million in assets) involves the board and leadership and their involvement in CEO succession planning, new board member recruitment, and director onboarding and training.

To ensure the credit union's success, the board must be actively involved in both CEO succession

planning and recruiting new board members to fill vacancies. The board must recruit and retain a "deep bench of strong board members who think strategically and who encourage the credit union to evolve," according to the report.

Robust onboarding and training will allow small credit unions to capitalize on opportunities for growth; adapt to new technology, products, and services needed to remain relevant; and plan for the succession of current leadership.

To achieve these goals, the report recommends a shift in culture. Enhancing governance will improve how board members lead their organizations.

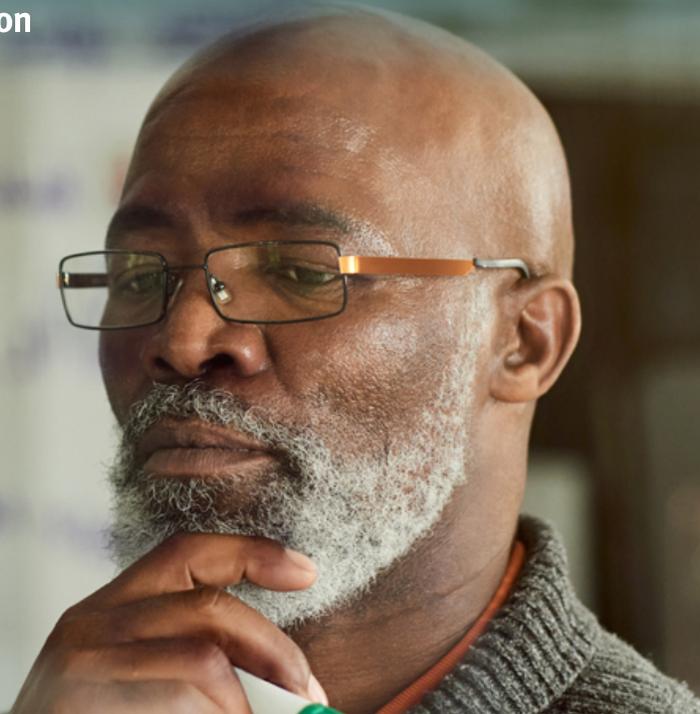
Shifting to this type of culture will:

► **Instill** a growth-focused strategy and the importance of finding a niche.

► **Create** a pipeline of diverse board members.

► **Address** the challenges of CEO and board succession.

► **Improve** how boards of small credit unions perceive their role, ensuring they focus on the credit union's high-level strategic direction and not the details of day-to-day management.



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CUNA

Supervisory Committee & Internal Audit

CONFERENCE

Credit union supervisory committee members and internal auditors will discover new ideas at CUNA Supervisory Committee & Internal Audit Conference.

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Training matters. Do it right with CPD Online.

CUNA

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CPD Online is the premier web-based training service for the credit union industry.

- Increases efficiency – online access for remote training
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At-home advocacy tips

Get the most benefit from meetings with legislators during the August recess.

August provides the opportunity for credit union board members to meet with members of Congress without having to travel to the nation's capital.

Known as the August recess, senators and representatives use the time to leave Washington and return to their home districts.

It's a chance for legislators to meet with constituents and learn firsthand how policies passed in Washington affect the communities they represent.

Credit union advocates can use this time to carry out advocacy efforts and advance the credit union movement.

George Agurkis and Abby Gunderson-Schwarz, both senior directors of advocacy at CUNA, work year-round with lawmakers on Capitol Hill to advocate on the movement's behalf.

“

It's essential to tell your story and share how your credit union's people-helping-people philosophy is making a difference.

George Agurkis

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Q: Why should board members take part in advocacy?

Gunderson-Schwarz: Board members bring a “back home” view from the district/state that members of Congress value and find extremely helpful in their deliberations.

Connecting federal policy and its impact on local credit unions is something board volunteers can do better than other advocates.

Q: What are the benefits of meeting with members of Congress in the

credit union or community?

Gunderson-Schwarz: Members of Congress largely prefer to be home with their neighbors and local community partners than in Washington, D.C. You'll find a more casual environment where the member is more relaxed. Also, their schedules usually are less busy, allowing them to give you more time.

Q: What should board members address during these meetings?

Agurkis: It's essential to tell your story and share how your credit union's people-helping-people philosophy makes a difference in that member's congressional district or state. Share not only anecdotal stories, but also have data ready.

Q: What requests can advocates make during these meetings?

Agurkis: One significant issue Congress is working on now is ensuring financial access to underserved or unbanked people, businesses, and communities.

Encourage your member of Congress to support the Expanding Financial Access for Underserved Communities Act. This bill will enable and encourage credit unions to serve underserved and abandoned communities and promote financial inclusion for all.

Q: What tips do you have for a successful meeting?

Gunderson-Schwarz: Be concise. Members of Congress have dozens of policy issues on their plate at any given time and don't often have the bandwidth to get into the policy weeds.

If an issue is complex and requires more time and detail, discuss it with the lawmaker's financial services policy staffer or legislative director at another time.

Agurkis: Always follow up with that member of Congress' staff after your meeting.

Congressional staff play a vital role in tracking and advising members of Congress on legislation and key issues. Follow up via email not only to send a note of thanks, but also to provide any documents or data that were discussed during the meeting.

Resources



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



▶ **CUNA Credit Union Finance for Boards & Committees eSchool:**
cuna.org/cufeschool



▶ **CUNA small credit union resources:**
cuna.org/smallcu



▶ **CUNA Board of Directors Community:**
community.cuna.org

Elevate members' financial well-being

Accelerate ways to meet members wherever they are in their financial journey.

The coronavirus (COVID-19) pandemic has tested everyone's resilience and capacity to adapt, including credit unions that are accelerating their responses to the sweeping changes shaped by the pandemic.

As members strive to make decisions objectively, recognize that they operate emotionally. Reinforcing that you're their trusted financial partner by making meaningful protection available provides peace of mind.

More than a transactional hub, you are guiding members so they make financial decisions that work for them no matter what the future holds.

Delivering value for life

Life insurance offers a unique opportunity for credit unions to leverage their brand by offering protection that strengthens long-term relationships with members and improves their financial future.

According to the 2021 LIMRA Insurance Barometer Study, 31% of consumers report they were more likely to buy life insurance because of COVID-19. In addition, millennials (45%) were even more interested in making this purchase.

As we enter the post-pandemic digital banking era, credit unions can do more to accelerate efforts to meet members where they are in their financial journeys. A good starting point is recognizing what members need, how they interact and conduct research, where they buy, and what they value.

Other factors to consider:

► **Ensure members have the right information at the right time.** Peace of mind regarding final expenses is an important piece of financial planning, but life insurance owners and non-owners may not be aware of other protections your credit union offers.

Provide information on a wide variety of insurance and finance topics members can explore without sales pressure or complicated jargon to help them plan and decide how to protect their families and manage their finances.

► **Deliver access to insurance with the right tools and calculators.** "Too expensive" and "other financial priorities" are the top reasons for having a life insurance needs gap, according to the LIMRA study. By offering an adjustable quoting tool, members can easily experiment with protection price points. This increases the likelihood they'll choose life insurance coverage they can budget for and maintain over the long haul.

Life insurance is an emotional purchase. Include the beneficiary name onscreen at every step of the application process. This provides an ongoing reminder of what matters most.

► **Ensure members have access to the right solutions when they need it most.** The convenience and simplicity of 100% automated underwriting of life product offerings give an experience consistent with the needs and expectations of today's life insurance buyers. By answering a few questions within the online application, members have nearly instant access to simple, easy-to-understand coverage. Not requiring a medical exam increases the likelihood of purchase.

Members who face job loss, illness, or unexpected expenses want insurance they can count on in case they lose their household's primary source of income. Accelerating efforts to protect members against life's unforeseen challenges can deepen their connection to and trust in your brand every step of the way.

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