Credit Union Directors NEWSLETTER

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Diversity across the board

Two ways to boost diversity, equity, and inclusion on the board.

Serving as the backbone of the credit union, the board of directors provides governance and sets policy, but it also can act as a catalyst for diversity. Today's credit union directors strive to bring more diversity to their boards.

"Diversity is critically important for a number of reasons," says David Reed, partner at Reed & Jolly PLLC. "Credit unions exist to serve their defined membership, which often is their community. How can you serve a community unless you understand its specific needs?"

One of the best ways to achieve this goal, Reed says, is to have a board that mirrors the community.

One way to incorporate diversity is to tweak the board's size, which is laid out in credit unions' bylaws but can be changed through board vote.

"The board's ability to expand its size increases the opportunity to achieve diversity," Reed says. "This could be adding younger board members or adding more technical professionals, small business owners, or other representations they feel would better enable them to serve their community."

Clean Energy Credit Union in Centennial, Colo., increased board diversity through voluntary resignations.

"I realized our credit union's diversity, equity, and inclusion efforts needed to start with the board," says Blake Jones, board chair at the $25 million asset credit union. "In hindsight, this helped set a positive example and tone for the entire organization."

When the board began discussing ways to diversify, Jones says directors were "primarily white and male." Four white male directors volunteered to step down to make room for diverse directors to succeed them.

> "I realized our credit union's **DIVERSITY, EQUITY, AND INCLUSION** efforts needed to start with the **BOARD.**"
>
> Blake JONES

"We were fortunate that our board understood the benefits and importance of diversifying and that we were committed to the effort, even if it required some of us to give up our board seats," Jones says.

Over the following year, Clean Energy added three people of color to the board and one to the supervisory committee, and three of the new governance team members are women.

"Ultimately, the process was collaborative, constructive, and healthy, and the results have been fantastic," Jones says.

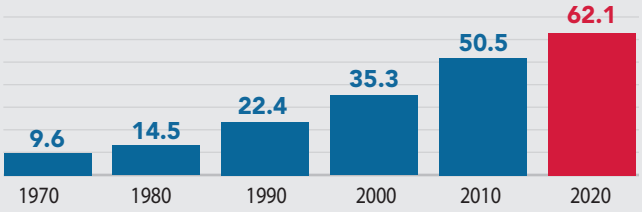
Volunteers can serve the credit union without serving on the board, Reed says. Consider implementing an associate board program or using the supervisory committee or other board committees to both educate candidates about the credit union and board service and

QUICK TAKE for your next board meeting

U.S. Hispanic population grows

The U.S. Hispanic population reached 62.1 million in 2020, a 23% increase from 50.5 million in 2010. This is faster than the nation's growth rate (7%). Hispanics make up 19% of the U.S. population, up from 16% in 2010, according to Pew Research Center.

U.S. Hispanic population growth (in millions)



Source: Pew Research Center

allow the board to observe potential directors when considering future vacancies.

Reed encourages credit unions to take a broad look at diversity and not focus singularly on age, sex, or race, adding "there are many tools available that allow boards to identify and onboard effective volunteers as soon as possible."

Lessons from the pandemic

Safety, security, and digital savviness remain top priorities for consumers.

Nearly 90% of U.S. adults say there is some lesson or set of lessons we can learn from the coronavirus outbreak, according to Pew Research Center.

Credit Union Awareness conducted consumer consideration research and gathered consumer insights to uncover those lessons learned.

Our goal was to determine the consumer mindset and landscape coming through the pandemic and into 2021. The research places an emphasis on millennials, as that is our target demographic.

Some key findings from our most recent round of research:

Safety and security are more important to consumers than ever. Google Trends search data reveals breakout search topics related to "credit unions" feature questions about safety, including "are credit unions safer than banks?" and "are credit unions FDIC-insured?"

Lesson learned: Credit unions need to elevate consumers' awareness that their funds are insured.

Digital first remains a priority. A perception gap still exists, since millennials view credit unions as friendly but not tech-savvy.

45.3% Of millennials view credit unions as **"more human, less digital"**

30.9% View credit unions as **"small banks with limited offerings"**

Credit unions should underscore digital savviness as potential members struggle to determine credit union eligibility online and prioritize online applications.

Consumer consideration for credit unions—the campaign's goal—grew from 13% in 2019 to 19% in Q2 2021. States with the biggest increases in consumer consideration from 2020 to 2021 are Wisconsin (14%), Arizona (13%), and Idaho (12%).

Average membership increases for campaign contributors is 5.5%. The top five states for membership gains since launch are Indiana, North Carolina, South Carolina, Idaho, and Minnesota.

The Credit Union Awareness initiative launched in January 2019 in one state (Minnesota) and as of Q2 2021 has launched in 26 states.

Credit union ad recall increased from 25% in 2018 to 34% in Q2 2021. States with the greatest increase in ad recall from 2020 to Q2 2021 are Wisconsin (5%) and Kansas (3%).

Credit unions continue to get the highest ratings from members in these areas: "A credit union is more likely than a bank to treat you as an individual," "money deposited at a credit union is federally insured," and "credit unions are suited for people like me."

In states where the campaign is active, contributors on average gained nearly 1% more members than non-contributors in the state.

Our digital-first strategy efficiently delivers ads that align best with the persona or life stage of the consumer on the other side of the screen. Our research informs our messaging, creative materials, and positioning so we can continue to effectively market to our target audience—meeting consumers where they are.

The effectiveness of Credit Union Awareness depends on credit unions activating the campaign locally. Digital advertising informs consumers about credit unions, but the credit unions bring the brand to actualization in their local markets.

It's crucial for credit union contributors to activate the campaign and tie the participation to goals and objectives the credit union plans to measure.

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"Credit unions should underscore digital savviness as potential members struggle to determine credit union eligibility online."

Credit Union National Association
CUNA

CUNA
Credit Union Board
ROUNDTABLE

CUNA
Supervisory Committee & Internal Audit
CONFERENCE

DEC 6-8, 2021
LAS VEGAS

Board & Committee events happening in Las Vegas

Connect with board and supervisory committee members this December in Las Vegas.

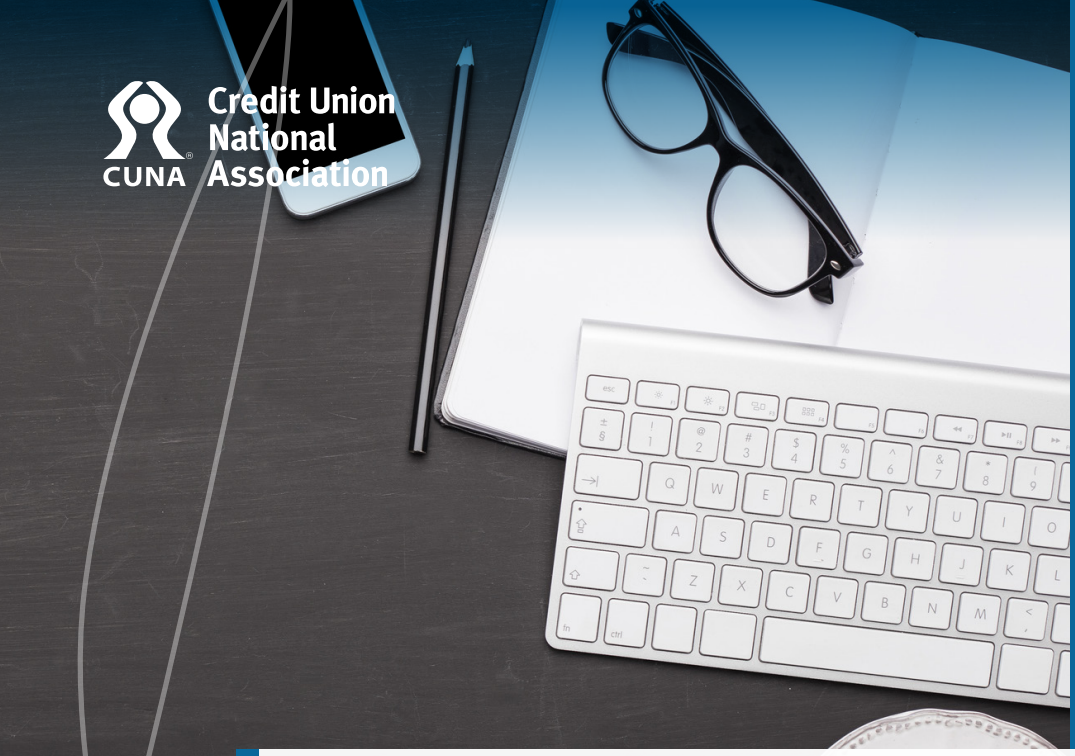
CUNA Credit Union Board Roundtable: Insightful discussions with members of other boards, CEOs and industry leaders will provide credit union board members with critical information about the current business environment.

Register at cuna.org/cubrt

CUNA Supervisory Committee & Internal Audit Conference: Fundamentals on the role of being on the supervisory committees and information on hot topics in the credit union industry offer essential background for leaders serving in these roles.

Register at cuna.org/sciac

Credit Union National Association
CUNA



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Add leverage to your credit union's strategic giving program

Demonstrate commitment to your community with a charitable donation account.

Seventy-percent of U.S. consumers said they expect companies they do business with to support social and environmental issues, according to a survey by Markstein/Certus Insights.

This attitude, combined with a distressed economy, makes this a perfect time to publicly emphasize and build on your credit union's strategic giving program.

The credit union industry's reputation for community service provides a great platform to build on. Build that platform even higher with a funding strategy that includes non-703/704 funding instruments approved by NCUA.

Is your credit union leveraging opportunities to actively support your community while broadening the base of investments supporting your executive benefits program?

> "Directing funds to a charitable cause can help manage excess liquidity in a way that supports community development."

The extended pandemic, social unrest, and turbulent times have shed light on critical gaps that call for community support.

Credit unions are also facing economic realities.

The past year has brought declines in lending and fee income, an environment with interest rates and investment returns at all-time lows matched with rising liquidity.

Directing funds to a charitable cause can help manage the credit union's excess liquidity in a way that supports community development and motivates credit union staff, leaders, and board members.

A charitable donation account can provide a win-win-win scenario for your credit union to demonstrate commitment to your community. Consider contributing by:

1. Investing up to 5% of your net worth in non-703/704 investments that dually support charitable giving as well as your executive benefits program. Funding options include annuities, investments, business-owned life insurance, and combinations thereof.

2. Donating your earnings and capital gains to 501(c)(3) charities.

3. Putting excess liquidity to good work by providing financial support to an important community cause.

Credit unions have used non-703/704 investments to fund strategic charity initiatives since the early 2000s.

NCUA approved the use of non-703/704 investments to fund employee benefits in 2003. Adoption started slowly, following the tech bubble, and then declined after the economic downturn of 2008.

As the economy recovered, credit unions started investing again, making use of the expanded investment options available to them.

NCUA established §721.3(b)(2) for federally chartered credit unions in December 2013, which determines that gains for charitable funding accounts need to be tied to charitable donations.

This funding strategy is now widely used across the credit union industry, and adoption continues to grow.

ANDY ROQUET *is an executive benefits specalist at CUNA Mutual Group.*

Resources

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

Credit Union Awareness: *cuna.org/awareness*

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

CUNA Mutual Group: *cunamutual.com*

Removing barriers for Hispanic consumers

Juntos Avanzamos program improves access to affordable financial services.

Illiana Financial Credit Union began to notice changes in the population across its service area in the Southern Chicago suburbs in 2013. Three of its four branches were in areas with a high concentration of people with Individual Taxpayer Identification Numbers (ITINs), meaning they did not have a Social Security number but they had an alternative form of identification issued by the IRS.

They were also almost completely unbanked.

"Demographics are changing, and we have to change with them," says Marisela Zambrano, director of business development for the $291 million asset credit union in Calumet City, Ill.

That effort began a process of transformation that led to Illiana Financial earning the Juntos Avanzamos ("Together We Advance") designation, which is awarded to credit unions who show a commitment to serving and empowering Hispanic consumers.

The Cornerstone League developed the program nearly 20 years ago as a Hispanic outreach program in Texas. In 2015, Inclusiv began expanding the program nationally.

Since then, the program has grown to 115 credit unions in 26 states, plus Washington, D.C., and Puerto Rico.

To receive the designation, credit unions must show they're working to eliminate barriers that keep Hispanic consumers and immigrants outside the mainstream financial system. This includes employing bilingual staff and accepting alternative forms of identification and proof of income.

It's not about just checking a box with a product that caters to Hispanic consumers, says Pablo DeFilippi, Inclusiv's senior vice president of membership and network engagement.

"The Hispanic community needs what everyone else needs," DeFilippi says. "It's not about remittances or quinceañera loans. It's about the whole package—mortgages, business lending, college loans, the whole gamut."

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I certify the above statements are true and complete—Michelle Willits, publisher, 10/1/2021

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B1. Paid/requested outside-county	1,254	1,095
B2. Paid in-county	0	0
B3. Sales through dealers, vendors and counter sales	0	0
B4. Other classes mailed	0	0
C. Total paid distribution	1,254	1,095
D1. Free outside-county	30	30
D2. Free in-county	0	0
D3. Other classes mailed	0	0
D4. Free outside the mail	0	0
E. Total free distribution	30	30
F. Total distribution	1,284	1,125
G. Copies not distributed	0	0
H. TOTAL	1,284	1,125
I. Percent paid	97.%	97.3%
a. Paid electronic copies	126	132
b. Total paid print + paid electronic	1,380	1,227
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d. Percent paid (print & electronic)	97.8%	97.6%

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