

2023 CUNA GAC highlights financial well-being for all

Successful advocacy requires showing the data about how credit unions benefit members.

Credit unions should always strive to promote financial well-being for all and advance the communities they serve, CUNA President/CEO Jim Nussle told attendees at the 2023 CUNA Governmental Affairs Conference in Washington, D.C.

“Banks are abandoning communities, and the ones that are left aren’t locally owned anymore. Bank deserts are all over the place,” Nussle says. “Fintechs and payday and online lenders can’t do what we do, and they certainly aren’t improving financial well-being.”

Stories of financial well-being are critical to advocacy, says CUNA Deputy Chief Advocacy Officer Jason Stverak. Advocacy means telling policymakers what you’re doing, showing the data, and asking for their help, he says.

“Most of the major changes we seek require updates to the Federal Credit Union Act or other statutes, meaning an act of Congress,” Stverak says. “We need legislators’ help—their vote—to continue to do bigger and better for our members and communities. We also need their trust that we’ll reward legislators’ support by continuing to look out for the best interests of their constituents.”

The credit union system remains on solid footing, NCUA Chairman Todd Harper told attendees. Total loans, assets, and insured shares all increased in 2022, while capital levels remained strong.

He outlined several areas of focus during credit union examinations in 2023, including the ability to

manage interest rate risk, which he says will be a “crucial factor” in 2023 performance.

House Majority Leader Steve Scalise, R-La., thanked credit unions for supporting communities in Louisiana and across the country, especially over the past three years. He says the House “hit the ground running for credit unions” by passing the Credit Union Board Modernization Act.

The Senate introduced its version of this legislation during GAC. The bill would update the Federal Credit Union Act by modifying the requirement that credit union boards meet once a month to a minimum of six times per year.

“Advocacy means **TELLING POLICYMAKERS WHAT YOU’RE DOING**, showing the data, and **ASKING FOR THEIR HELP.**”

Jason STVERAK

Consumer Financial Protection Bureau Director Rohit Chopra joined Nussle on stage just hours after the U.S. Supreme Court agreed to hear a lawsuit challenging the agency’s funding mechanism. “We’re pleased the Supreme Court is reviewing the 5th Circuit’s decision. We want there to be certainty about rules that were written 10 years ago and safe harbors put into place,” Chopra says.

He praised credit unions’ style of relationship banking and urged them to highlight their uniqueness to policymakers.

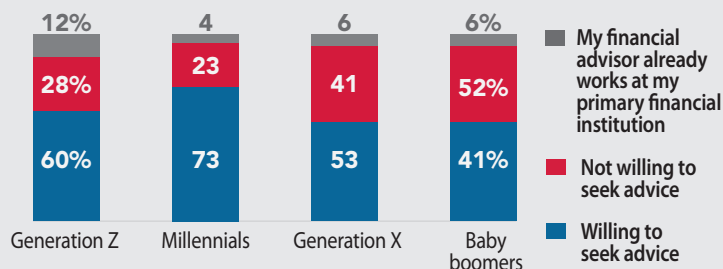
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QUICK TAKE for your next board meeting

Willingness to seek financial guidance

About three-quarters of millennials and 60% of Generation Z are willing to consult a financial adviser or other professional to discuss retirement and investments, according to Raddon. Many consumers look to their primary financial institution for answers to their financial questions.

Younger members and financial advice



Because of rounding some of the numbers may not add up to 100%
Source: Raddon Research Insights, 2022

During her keynote presentation, former U.S. Secretary of State Condoleezza Rice said she believes the country is best “when we lead not just with power but also with principle.”

NCUA Vice Chairman Kyle Hauptman and Board Member Rodney Hood shared updates from the agency. The credit union system and National Credit Union Share Insurance Fund “are in pretty good shape,” Hauptman says. Hood adds that the agency will announce a refund from the share insurance fund of around \$281 million.

CUNA economists predict a recession will occur in 2023, but it will be modest, relatively short, and not one that causes credit union leaders to hit the panic button. “We think the operating environment is going to become more challenging,” says CUNA Chief Economist Mike Schenk. “Don’t run for your lives. Run for your members’ lives. As financial first responders, we run toward problems and solve them. We use our

capital to get members through the tough times.”

PSCU Vice President of Innovation Vladimir Jovanovic says the digital evolution has moved some physical experiences online, citing the metaverse. The goal of the metaverse is to seamlessly merge people’s digital and physical lives to create a virtual community that has the “potential to reinvent how we work, play, relax, transact, and socialize,” he says.

World Council of Credit Unions President/CEO Elissa McCarter LaBorde highlighted what U.S. credit unions can learn from the global movement to improve their operations, such as open banking.

“Credit unions in Canada, Australia, and Brazil have already thrived in open banking,” she says. “Credit unions in Kenya are rolling out neobanking for credit unions, leapfrogging many of the legacy tech systems that hold us back in a lot of places.”

Visit news.cuna.org/gac for more conference highlights.

‘I’m still learning my responsibilities’

Veteran director continually seeks development opportunities.

Stephen Burgess, board chairman at \$50 million asset Somerville (Mass.) Municipal Credit Union, shares his depth of volunteer experience and offers advice for new directors.

Credit Union Directors Newsletter: What’s most rewarding about board service?

Stephen Burgess: I enjoy helping my fellow members with financial challenges and working with management to do the same. I enjoy meeting with politicians, advocating for credit unions’ tax status, and explaining what credit unions are about.

Q: What are your credit union’s top strategic imperatives?

A: We’re developing a more inclusive brand and logo. We seek to penetrate existing membership to more deeply engage with and increase product use, especially digital banking services, and increase awareness of shared branching.

Q: What are your credit union’s greatest challenges?

A: Increasing membership growth, attracting and retaining entry- to mid-level employees, and succession planning.

Q: When advocating for your credit union, what do you convey as the greatest benefit of membership?

A: That we’re a cooperative. Our members are the

owners. We give back to our members with better rates, services, and products. We don’t have enormous fees as encountered in some banking institutions. Our staff and management put members first. We don’t say no, but instead look for solutions for our members.

Q: What’s one innovative board practice at your credit union?

A: I always ask the directors before the close of a meeting if there are other topics they want to discuss. We’re a policy-directed credit union. It gives management a path to travel. Our CEO and management team have great communication with all directors, both verbal and written. Subsequently, we always go to meetings well informed. No surprises.

Q: What advice do you have for new board members?

A: The election of new directors is sometimes a popularity contest, so new board members rarely come into the job fully understanding their duties. I’m still learning my responsibilities. I encourage new directors to ask questions immediately.

It’s important to listen and work closely with management. If you want management to have confidence in you, you must have confidence in them. At the same time, you can’t micromanage; you have to let management do their job.

Also, attend conferences when you can. Interaction with directors from other credit unions is very beneficial.

Above all, stay focused on members. That’s why we’re here.

Read the full interview at news.cuna.org/directors.



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JUNE 12-14, 2023
SAVANNAH, GA**

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NCUA's 2023 supervisory priorities

Agency will establish an extended exam cycle for some credit unions.

NCUA issued a letter to credit unions (23-CU-01) outlining the agency's supervisory priorities for 2023.

"Our focus will be on the areas posing the highest risk to credit union members, the credit union industry, and the National Credit Union Share Insurance Fund," the letter reads.

The letter also notes NCUA's exam flexibility initiative will continue in 2023, establishing an extended exam cycle for certain credit unions. The agency will also continue its Small Credit Union Exam Program in most federal credit unions with assets of less than \$50 million.

NCUA's primary areas of supervisory focus in 2023:

»**Interest rate risk (IRR).** Interest rates rose across the yield curve during 2022, elevating IRR and the related exposure to earnings and capital. This sharp rise in rates has amplified market risk because assets and liabilities don't reprice equally, potentially impacting net economic values and credit unions' projected earnings.

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»**Liquidity risk.** Higher interest rates have caused a slowdown in prepayments for some loans and investment holdings, resulting in reduced cash flows. Large

increases in share balances from 2020 to 2022 may result in a higher level of share sensitivity.

»**Credit risk.** High inflation and rising interest rates are putting financial pressure on credit union members. Inflation and the growing likelihood of rising unemployment could negatively impact borrowers' ability to repay outstanding debt.

»**Fraud prevention and detection.** Fraud risks remain elevated, and NCUA will continue efforts to review internal controls and separation of duties.

»**Information security.** Credit union technology-related operating environments are increasing in complexity. Credit unions can protect themselves with a cybersecurity program that evolves and adapts to the changing threat environment.

»**Consumer financial protection.** NCUA will continue to review compliance with applicable consumer financial protection laws and regulations under its supervision authority.

The letter also provides updates on:

»**Current expected credit loss (CECL) implementation.** Credit unions are required to implement the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, known as CECL, for financial reporting years starting after Dec. 15, 2022.

»**Succession planning.** Inadequate succession planning is often a reason for credit union consolidation, especially in smaller credit unions.

»**Support for small credit unions and Minority Depository Institutions (MDIs).** NCUA will continue its small credit union and MDI support programs, which the agency implemented in 2022 to support and preserve these credit unions. They're uniquely positioned to improve the financial well-being of underserved communities by offering members access to safe, fair, and affordable credit and other financial services and products.

»**Post-examination survey.** NCUA will update the post-examination survey to continue obtaining feedback on examinations.

Resources



► **CUNA Credit Union Board School, Savannah, Ga., June 12-16:** cuna.org/bsic



► **CUNA Professional Development Online:** cuna.org/cpdonline



► **CUNA economics and statistics:** cuna.org/economics



► **Certified Credit Union Board Member designation:** cuna.org/ccub

How to predict the future—and be right

Examine trends and look for opportunities to make a difference, says futurist Daniel Burrus.

The pace of change is fast and accelerating at speeds that make it difficult to react. But if credit union boards adjust their mindset, they can anticipate changes and discover solutions that transform their organizations into the future.

“What if you could predict the future and be right?” asks Daniel Burrus, technology forecaster, disruptive innovation expert, and bestselling author. “The answer is, you can.”

Board members can develop an anticipatory mindset that will enable them to anticipate disruptions, identify problems before they exist, and discover opportunities before competitors do.

“There are more opportunities to change and transform every process or service than we have ever had before,” Burrus says. “We’re doing things today that were impossible two years ago, and we’ll be doing things in two years that we consider impossible today.”

While the future is uncertain, it’s “amazing how much we can be certain about,” Burrus says.

There are cyclical trends, such as weather patterns and the rise and fall of the stock market. But the opportunity lies in the trends that experience linear or exponential change.

Trends fall into two categories, he says. Hard trends are based on future facts that will happen and can’t be changed, while soft trends are based on assumptions and can be changed if people don’t like the trend.

Three hard trends are:

1. Demographics. For example, baby boomers will continue to age, and society can predict the resulting problems and opportunities this will present.

Therefore, lenders should look at different generations and develop strategies to serve and communicate with them. Ask them what they need.

2. Regulations. Look for opportunities that exist with regulations instead of focusing solely on the negatives.

3. Technology. This is the most predictable hard trend, Burrus says. Datafication, embedded artificial intelligence and machine learning, blockchain as a service, augmented streaming analytics, and automation are a few examples that have the potential to cause disruption.

People need to be positive disruptors and create transformation to elevate relevance and accelerate growth.

Burrus encourages leaders to spend one hour each week “unplugging from the present and plugging into the future” by making lists of hard and soft trends. They should know how hard trends will impact their credit union and members, and examine the opportunities related to those trends.

From these trends, identify a “must-do” list and focus on one item. Burrus recommends picking low-hanging fruit—a trend or opportunity that’s low-cost or easy to achieve—and putting in the work to accomplish it.

“Be anticipatory,” he says. “Listen with your opportunity antennas up high.”

“There are more opportunities to change and transform every process or service than we have ever had before.”

Daniel Burrus

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