

10 cybersecurity predictions for 2024

'Ignorance is risk' with cybersecurity, says consultant Cy Sturdivant.

When it comes to cybersecurity, if you're reachable, you're breachable, says Cy Sturdivant, director of cybersecurity consulting at Forvis.

"You're at risk regardless of your size, location, or other factors," says Sturdivant, who addressed the 2023 Supervisory Committee & Internal Audit Conference in Las Vegas. "If you're on the internet, you're reachable."

All industries have become more breachable in recent years: Reported losses from online fraud grew from \$2.7 billion in 2018 to \$10.3 billion in 2022, according to the FBI's Internet Crime Complaint Center.

The financial industry is among the hardest hit. The average cost of a data breach for financial institutions was \$5.97 million in 2022, according to IBM's 2023 Cost of a Data Breach Report.

"Criminals don't have to breach your firewall, just trick your members or employees," Sturdivant says. "Most criminals just log in to your system because we make it so easy for them."

The most common cybersecurity threats are social engineering attacks via phishing, business email compromise, supply chain attacks, malware (e.g., ransomware, remote access, and keyloggers), cloud applications, and attacks via artificial intelligence (AI).

"The root causes of cyberattacks are ineffective

patch management, weak privileged access controls, unmonitored detection systems, and inadequate training," he says. "Ignorance is risk."

Sturdivant offers 10 cybersecurity predictions for 2024:

1. Ransomware becomes weaponized. This crime, in which malicious software blocks access to data until the organization pays a sum, will become a tool for cyberwarfare by nation states and cybercriminals.

2. Supply chain attacks increase. Attacks on software providers will grow as hackers find this to be an effective way to compromise multiple targets.

"Criminals don't have to
BREACH YOUR WALL just trick
your members or employees."

Cy STURDIVANT

3. Cloud security failures. Misconfigurations and vulnerabilities in cloud infrastructure will lead to major data breaches.

4. AI-powered hacking. Hackers will use AI to automate attacks, avoid detection, and craft convincing phishing emails.

5. Internet of Things (IoT) botnets surge. Unsecured IoT devices increasingly will be hijacked into botnets to launch denial-of-service attacks.

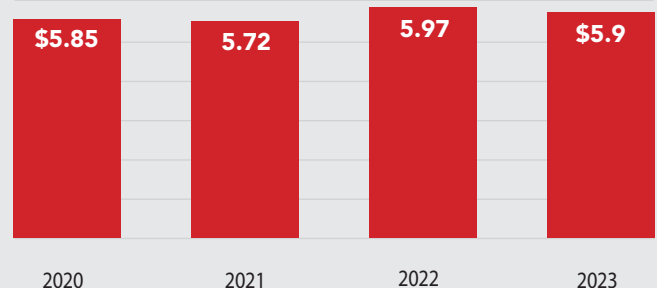
6. Quantum computing threats emerge. Quantum

QUICK TAKE for your next board meeting

Cost of a data breach rises

The average cost of a data breach continues to rise, according to IBM's 2023 Cost of a Data Breach Report. In the U.S., the average cost of a data breach checked in at \$9.48 million in 2023, up from \$9.44 million in 2022, the highest cost in the world. Broken down by industry, only health care (\$10.93 million in 2023) has higher costs for a data breach compared to financial services. In 2023, the average cost of a data breach in financial services was \$5.9 million, a slight decline from \$5.97 million in 2022.

Total cost of a data breach in financial services industry (\$ millions)



Source: IBM, 2023

computers will be able to crack current encryption methods and undermine blockchain security.

7. Credential stuffing attacks proliferate.

Automated credential stuffing attacks, in which credentials obtained from a data breach on one service are used to log in to another unrelated service, will grow as criminals leverage billions of stolen passwords.

8. Application programming interface (API) vulnerabilities will be exploited. API security failures will lead to data breaches as hackers target back-end systems.

9. Critical infrastructure hacking. State-sponsored hackers increasingly target critical national infrastructure such as power grids.

10. Deepfakes for social engineering. Realistic deepfake videos will be used for more convincing phishing and social engineering.

Sturdivant says credit unions can prepare for cyber-security threats with these best practices:

» **Backup and recovery.** It's critical to maintain offline, encrypted data backups, and to test the backups regularly.

» **Configuration hardening.** This includes restricting user permissions for installing and running software, configuring firewalls to block known malicious internet protocol addresses, and implementing software restriction policies and application whitelisting.

» **Incident response plan.** Create, maintain, and exercise a basic cyberincident response plan and an associated communications plan that includes response and notification procedures for an incident.

» **Email security and awareness.** Scan incoming and outgoing emails to detect and filter threats such as phishing and spooking emails, as well as executable files. Implement training and awareness programs, including regular phishing simulation exercises.

Managing cyber risk is how credit union leaders protect member data, employees, the institution, and the industry overall, Sturdivant says.

'A hallmark of membership'

Improving members' financial health provides strong and defensible market position.

Credit unions prioritize financial well-being for all because it's the right thing to do, the smart thing to do, and the relevant thing to do, according to a white paper from the Councils.

"Financial well-being for all appears to be a hallmark of membership in a credit union," the white paper reads, noting that credit unions were founded to build financially healthy communities. "By prioritizing consumers' financial well-being, credit unions make their promise bigger, deeper, and more powerful. The words 'for all' remind us that every person deserves financial well-being. Everyone should have the opportunity to thrive financially."

While credit unions provide these opportunities, financial well-being isn't universal. All people have variables affecting their idea of financial health, requiring credit unions to deepen member relationships to determine what members need to improve their well-being.

In general, financially healthy individuals tend to have the:

» **Confidence** to manage day-to-day finances.

» **Capacity** to absorb financial shock.

» **Partner** to meet financial goals.

» **Financial freedom** to make choices in life.

Many Americans aren't hitting these marks. The Financial Health Network's Financial Health Pulse 2022 U.S. Trends Report found that Americans' financial health declined for the first time in five years. The percentage of financially healthy adults fell from 34% in 2021 to 31% in 2022, while 55% were financially coping and 15% were financially vulnerable.

Improving consumers' financial well-being doesn't just benefit people and communities. Doing so boosts credit unions' bottom line.

A quick start guide from the Filene Research Institute and the National Credit Union Foundation provides an action plan for how credit unions can put financial well-being for all into practice:

» **Commit** to improving the financial lives of people within your field of membership.

» **Assess** your starting point and learn the demographics of your members and their financial challenges.

» **Plan** how to serve members' needs by examining everything through members' eyes and evaluating near- and long-term solutions for member financial health.

» **Act**, implement strategies, connect with the community, tell the financial well-being for all story, and continually listen, learn, adjust, and improve.

“

By prioritizing consumers' financial well-being, credit unions make their promise bigger, deeper, and more powerful.

”



America's
Credit Unions

GAC 2024

MAR 3 – 7

**The largest
credit union
advocacy
event of the
year.**

It's our chance to demonstrate the credit union difference to lawmakers. Join us in Washington, D.C., or online for the 2024 Governmental Affairs Conference.

 cuna.org/gac



America's
Credit Unions



“ Definitely a must-do when building your competency as a credit union board member.”

Marianne McBride
Board Member
Community First Credit Union

MAY 6-10, 2024
NEW ORLEANS

*Association Members save \$200
through March 6, 2024*



Master your role as a board member

Credit Union Board

SCHOOL: INTRODUCTION & DESIGNATION

Whether you're new or seasoned, this is your gateway to enriched learning for mastering your credit union board role. Every board member will benefit from attending this event.

The Introduction track helps newer board members learn more about the fundamentals of their role.

The Designation track is for more experienced board members, who have a chance to earn their Certified Credit Union Board Member (CCUB) designation.

Economic outlook: What's in store for 2024

Economy will continue to expand, but prepare for a potential liquidity crunch.

Recent economic and market data tells us 2024 will bring slow but steady economic growth and possible interest-rate reductions. The Federal Reserve will continue to battle inflation with a balanced approach to interest rates in hopes of staving off a recession and bringing inflation rates to an acceptable standard.

Economic predictions

The effective federal funds rate presently stands at 5.35%, with projections suggesting a marginal drop in the summer of 2024. Despite this modest decrease, caution is advised regarding the Fed's approach to lowering the fed funds rate given the persistent nature of inflation. At 4%, the core inflation rate is still slightly above the Federal Reserve's 2% target.

“

Leaders need to be prepared for a liquidity crisis that could hit in 2024.

”

During its Dec. 13, 2023, meeting, the Federal Open Market Committee unanimously decided to maintain the key federal funds rate in a target range between 5.25% and 5.50%.

The consumer price index (CPI) has risen 3.2% over the past 12 months. Projections indicate a decrease to 3% in 2024, approaching the Fed's target of a 2% CPI rate. This is a positive trend considering the previous year's peak of 9% year-over-year (YoY) inflation rate.

Gross domestic product (GDP) growth is expected to be 1.5% this year, a slight decline from the 2.5% growth in 2023. Relatively high interest rates throughout 2024 are anticipated to keep real GDP growth at a lower but reasonable level.

Depending on the state, current 30-year, fixed mortgage rates range from 6.75% to 7.25%. The expectation for 2024 is a one-percentage-point decrease, influenced by the drop in the 10-year Treasury rate from 4.7% in November to 3.9% in

December.

The primary concern is the liquidity risk of deposit runoff. Credit unions may face challenges in retaining deposits, with a significant decrease in assets allocated to cash and investments over the past year.

The decline in the surplus funds-to-asset ratio, from 36% one year ago to 24% today, signals a potential liquidity squeeze.

Leaders need to be prepared for a liquidity crisis that could hit in 2024 by performing routine assessments while monitoring the economic landscape. Practicing these preventive behaviors could help you respond proactively to market changes.

Credit unions are particularly vulnerable to a liquidity shortage, attributed to weak deposit growth and stronger loan growth. Forecasts suggest 3% deposit growth in 2024 due to a decrease in the money supply by nearly 5% YoY.

Supporting members

Despite these challenges, credit unions remain a bright spot for members. Credit unions continue to offer competitive loan rates, outperforming traditional banks.

Last year's market share surge was attributed to the strategic advantage gained during the Fed's interest-rate hikes, where credit unions implemented gradual rate adjustments. This will continue in 2024, with credit unions maintaining lower loan rates to stay competitive.

The U.S. economy is expected to continue its slow but steady expansion, supported by incremental growth in key areas. However, credit union leaders should prepare for a potential liquidity crunch in 2024 with historically low deposit growth.

Expect the Federal Reserve to be cautious with interest rate-adjustments, but be ready for an anticipated drop in the latter half of the year.

STEVE RICK is the chief economist at *TruStage*.

Resources



▶ **Governmental Affairs Conference, March 3-7, Washington, D.C.**



▶ **Board of Directors & Supervisory Committee Conference, April 15-18, Newport, R.I.**



▶ **Credit Union Board School, May 6-10, New Orleans**



▶ **Congressional Caucus, Sept. 8-11, Washington, D.C.**

3 traits of a champion mindset

'Complacency is the enemy of success,' says author and former sports agent Molly Fletcher.

Talent might take you to the top, but it won't keep you there.

Staying on top requires drive and desire, says Molly Fletcher, speaker, author, and a former agent who's represented some of the most successful people in sports.

"Those who stay at the top have an internal drive and desire to get better every day," says Fletcher, who addressed the 2023 Lending Council Conference. "In sports, there's no room for complacency. Complacency is the enemy of success.

"Those who get a little complacent and rely solely on their talent lose their jobs," she continues. "I've seen that model repeated with athletes, coaches, newscasters, and others. Drive is a mindset successful athletes embrace every day."

The same holds true in the business world, she says, offering three traits of a champion mindset:

1. Belief

One athlete Fletcher represented, baseball Hall of Famer John Smoltz, was a starting pitcher for the Atlanta Braves when the team asked him to be a closer instead.

He didn't hesitate to accept the new assignment. Despite being a starter for his whole career, Smoltz believed he could succeed in the new role, and put in the necessary work.

During his first year as a closer, Smoltz led the

National League with 55 saves. He's the first pitcher in major league history to record both 200 wins and 150 saves.

"Change is constant today—and it's not slowing down," Fletcher says. "The best athletes step right into change. They view obstacles as an opportunity. We've got to believe in our ability to evolve and grow."

2. Discovery

"Leaders need to be intentional about getting in the heads and hearts of the people we serve and those we lead," Fletcher says. "We need to behave in a way that demonstrates the relationship really matters. When we anticipate the gaps in the relationships that matter most to us, we can do amazing things. It's a powerful way to lead, sell, and grow."

3. Clarity

Fletcher recalled a coach who'd tell players, "You'd better be better than your problems—so good that you're worth all of the drama off the court."

This requires clarity about where you put your time and effort. Asking the tough questions ensures you're making the right decisions for your clients and yourself.

"Good business leaders ask themselves where they spend their time," she says. "But the best of the best ask, where do I spend my energy? Athletes are great at this so they have energy in the moments that matter the most. But too many business leaders run their lives by the calendar. Managing our energy might be more important than managing our time."

"Leaders need to be intentional about getting in the heads and hearts of the people we serve and those we lead."

Molly Fletcher

CREDIT UNION DIRECTORS NEWSLETTER

(ISSN 1058-1561) is published monthly for \$100 per year by America's Credit Unions, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-4454. (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of \$773. Periodical postage paid at Madison, Wis.

POSTMASTER

Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, P.O. Box 431, Madison, WI 53701-0431. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or America's Credit Unions.

© 2024 America's Credit Unions All rights reserved.

EDITORIAL STAFF

MICHELLE WILLITS // publisher, mwillits@americascreditunions.org

BILL MERRICK // deputy editor, bmerrick@americascreditunions.org

JENNIFER PLAGER // managing editor, jplager@americascreditunions.org

DESIGN AND PRODUCTION STAFF

CARRIE DOYLE // senior publications & digital design specialist, cdoyle@americascreditunions.org

CONTACT INFORMATION

EDITORIAL // 608-231-4290