

Notes from the 2014 CEO Roundtable

At the Frederik Meijer Gardens, November 5, 2014

Compiled From Notes Taken By the "Table Scribes"
Revised November 14, 2014

Topic 1: 2015 Business Plans

Apple Pay

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Discuss with your group what you are thinking about when it comes to Apple Pay and 2015

- Is Apple Pay on your credit union's radar to research in 2015? Go active with in 2015? Or simply ignore in 2015?
- What is different about Apple Pay compared to Google Wallet? What are you thinking about Google Wallet these days?
- As new payments solutions come out, how are you deciding on what to pay attention to and what to ignore? What influences your decision to prioritize the research?

RK says, "Not addressing Apple Pay in 2015 might be difficult for most CEOs. Apple's current tactics seem extreme, but we all need to track along and keep each other in the know."

RK says, "I can't really say. We've had no real project here at CU*Answers for either Google Wallet or Apple Pay. We're watching for what CUs will prioritize and for what they think about us getting involved."

RK says, "CU Wallet cannot figure out how CU*Answers can make a group deal for their subscription service. CU*Answers can't figure out why we would want to buy into CU Wallet as a company. Does Padient make sense for CUs?"

Participants

Grp	Scribe	CEO Participants	Grp	Scribe	CEO Participants
1	Barb Cooper	Leo Vaulin, CU*South Donna Bullard, Clarkston Brandon Chris Ison, Tahquamenon Martin Carter, Parkside Terri Meloney, Catholic United Bob McDonald, CU*South	6	Karen Sorensen	Scott Harriman, Cumberland County CU Steve Kelly, Metro Comm CU Corrine Coyle, Advantage CU Randy Gailey, Horizon Utah David Wright, Services Center Jennifer Oliver, South Bay CU
2	Starla Honea	Donald Mills, Alpena Alcona Area CU Ernie Jackson, CommStar CU Sara Redeker, Tri-Cities CU Jason Matley, Washentaw FCU Phillip Heinlen, Northwest Consumers CU Linda Bodie, Element FCU	7	Julie Gessner	Barbara Mathey, IBEW Kim Burdo, Service 1 William Burke, Day Air Eric Jones, Kansas City CU Val Mindak, Park City Jim Miles, Mid USA
3	Janelle Krupa	Barbara Mills, Calcite CU Jordan Modell, Internet Archive CU Kim Kniola, First Trust Jeff Jorgensen, Sioux Empire FCU Greg Hilbert, Fox Communities CU Janelle Franke, River Valley	8	LizWinninger	Greg Smith – CU*South Mike Williams – Colorado CU Rudy Callen – Kalsee CU Sally Dischler – Heartland CU Mark Richter – First United CU Walter Swanson – Superior Choice CU

Grp	Scribe	CEO Participants	Grp	Scribe	CEO Participants
4	Pete Meyers	Cathy Ellis, Meijer CU Chris Butler, Community Dennis Degenhardt, Glacier Hills CU Scott Pauly, Awakon FCU Kevin Ralofsky, CitizensFirst Steven Janssen, Brewery CU	9	Laura Zazakis	Vickie Schmitzer, Frankenmuth CU Scott McFarland, Honor CU Susan Fisher, Tongass CU Tracy Miller, Kellogg Comm FCU Christy Leslie, Bridge CU Janet Borer, Members 1st Comm CU Sheila Schinke, Prospera CU
5	Annalyn Hawkes	John Rupert, Muskegon Co-Op FCU Barbara Bean, Cal Poly FCU Dean Wilson, FOCUS CU Chuck Papenfus, Inland Valley CU Andy Fogle, Des Moines Police Officers CU Scott Collins, Xtend			

Let's discuss what everyone is prioritizing for 2015, and see what we can learn

The following notes are included exactly as taken by table scribes. Scribes were instructed to jot down everything that was discussed at the table, with the idea that reading the notes would be a little bit like eavesdropping on the conversations.

Every CEO should list 3 initiatives you have for 2015, then report the 3 most common initiatives from within your group

Table 1

Terri –

1. Looking to start a Credit Card program tied to charities for member donations
2. Growing membership in North Dakota (new branch opening)
3. Growing loans; starting an online application (Donna thought she could share how she provides a pseudo app for their members.)

Donna –

1. Managing the cost of technology – is starting to move forward with Apple Pay and EMV recognizing these will be standard product demands.

Chris –

1. Changing the culture of my credit union to look at the benefits (rather than risks) of new technology (online banking, mobile, Apple Pay, - now the focus is on the risk, so they don't act.)
2. Changing the employee culture from being an 'order taker' to more of a soft sales team effort. He expects this will have a high turnover rate, so he is preparing for that as well.
3. Diversify focus away from Mortgage Lending for more rounded income channels.

Martin –

1. He serves a union mentality - challenging his board to move forward with new fees. He used Tiered Services for ways not to pay the fees first, then moved forward with the fee increases. Rewards points for lower loan rates, refunds for fees.
2. Increase participation of current members to satisfy the credit union mission.
3. Also changing his employee culture to become more 'sales' than order takers.
4. Need to improve focus on IT (staffing, policy, etc.) 3rd Party network services and CU*BASE for core. Get everything into compliance.
5. Handling Images through E-Doc.

Top 3 from the Group:

1. Improve focus on IT and managing the cost
2. Change employee culture to 'sales' rather than 'order takers'
3. ?

Table 2

A

1. lending growth new opps social media - new loan products - flash
2. low loan to share ratio - building assets with financial advisory
3. Online security - update policies on all security aspects - member info and cyber security

B.

1. DR - replacing entire network - access to board members- tablets. Staff - cell phone access
2. Business lending Small business - need partner for funds when needed
3. New Services - Mobile App, promote more of RDC (using Coop currently)
4. Mergers up to 3

C.

1. Further Charter expansion (more counties) using shared branching
2. 60 yr anniversary - promote CU history in community
3. Grow Loans

D.

1. Loan Growth - indirect lending start up, add payday lending
2. Name Change recently - get more Gen X & Y - Colleges around
3. Show more of the Financials to members. How their members fees are being used to fund the CU costs. Cost accounting.

E.

1. Educate members and staff more on what the CU offers. Sell the CU, not just the products.
2. Community involvement
- 3.

F.

1. making it more emotional - Charity involvement (custom debit cards for each charity) using the card donates money to that charity
2. SEG offering expansion. Officially become a place for information
3. Products have their own website (zombies) Microsites. Apps. Partner with local merchants to create a Coupon app for the area (they don't have one).
4. Levels of membership when you join. Could pay \$10 a month and remove fees, better rates on loans, etc...

**Membership Growth - Apps, Youth
Loan Growth
DR**

Table 3

Janelle Franke

1. Growing loans
(Didn't list her any other top 3)

Greg Hilbert

1. Apple Pay
2. Loan App. Working with Randy to enhance mobile loan application
3. Consumer loan processing cut in half, more factory streamlining

Jordan Modell

1. More bilingual brochures for Hispanic market
2. More contests. Going to do a movie night at new branch, sneaker contests, contests on facebook, website etc.,
3. Get more student loans 19-24 year olds

Barbara Mills

1. Define new channels for market loans
2. Invest in advising services

3. Credit score analysis
4. Data mining
5. Member security and safeguard
6. Concentration risk

Kim Kniola

1. Increase number of loans – develop plan and work through strategic planning
2. Branding, re-doing website.
3. Board wants business lending
4. Staying under radar of examiners

Jeff Jorgensen

1. Name change organization, branding changes, getting professional ad agency
2. More loan participations, grow loans
3. Getting into member business lending, looking at call center
4. E-doc, going paperless
5. Appease examiner, audit and cyber security. Making examiners happy
6. Expanding CUSO partnerships. Forming a holding company. Credit CU's in community

TOP 3 GOALS

1. Growing Loans
2. Marketing/branding – cross sales
3. Mobile payments

Table 4

Mobile Remote Deposit Capture

Multiple funding options.

Hiring a sales oriented mortgage taker.

- Mortgage servicing in-house to lower costs.
- Unfortunate that members receive a separate mortgage statement from NMS.

Find ways to collaborate on business lending-growth opportunity.

How to work together to make lending cuso better.

Moving Visa & Credit Card program in-house.

Digital Presence - streamlined approach. Strategically bundle services - gather or push data to member to logically act/react on that data. -develop relationships in the community to collect data.

Cultural Health - cultural health is the key. Make it a push instead of a pull. -Going beyond employee satisfaction & days off. What are the factors that drive engagement? How do you drive and support it? How it get the right people on and the wrong people off. We should have great people. How to incentivize? What are the factors that get everyone engaged? Benefits? Respect? Salary? Support? Opportunity for Promotion?

CEO Transition

Expanding Reach

Self-service products - p2p, remote deposit - and market it

Insurance Products

Facilities, Building Branch

- traditional vs pods
- remote face to face

- what is a branch?

Business Lending

Regulation Challenges

Digital Presence

Cultural Health

Moving credit card in-house

Table 5

1. Increase current membership activity/productivity with the credit union (encouraging members with other PFIs to make the credit union their PFI) Member active/productive
 - There needs to be a better way to keep in touch with younger members (especially students) who we talk to when they first open their account, but then never again until they pay off their loan years later. There needs to be something drawing them back in and keeping them engaged during that time
2. Increase loan portfolio overall, but primarily with credit cards
 - When measuring success with this, it will be important to account for those cardholders who do not carry balances.
3. Decrease average member age
 - DMPOCU already has a Youth Initiative Council in place which pulls in young members for feedback and ideas

Table 6

Advantage CU

1. Mobile deposit
2. Make ownership real
3. Expand on e-signature

Cumberland County

1. Branch of the future – size, location
2. Expand e-signature

South Bay CU

1. Branch transformation (corporate to hub environment)
2. Increasing reach, better internet retailer
3. Build a loan factory that is more process oriented, through an ownership route (“we own it”)

Metro Comm CU

1. Collaborative DP search, funnel our member activity
2. Keep up cooperative for business vendors
3. Conversion of back office (Xtend business model)

Horizon Utah FCU

1. Modernizing branches
2. Centralized call center
3. NCR’s (remote technology)

Services Center

1. Add another ATM machine

3 most common – branch transformation, ownership/cooperative, internet retailer

Table 7

Barb -Increase loan growth by 20%, better job with assets liability for planning, creating an action plan, create a new and effective succession plan

Kim -Loans increase by 20%, get back to basics for making the cu a great place to work, IT Issues for new electronic services,

William- Loans 100% lent out by end of year-sell and market the pool using Xtend then continue to keep the machinery going, Merchant Lending using Retailer Direct or TCI to compete with the finance companies. Give back to members using patronage dividends to get them to believe they are owners

Eric- Complete conversion to CUA, Loans increase using auto loan recapture, buy million in loans from someone else, brand analysis-social media and website

Val- capital planning strategy-growth of earnings, of the organization, will also have a tactical business plan for leaders to establish goals based on the CU overall business plan. Making decisions on real estate. Continue to work on our brand to assure we are relevant and valuable

Jim- 2015 learn how to acquire shares and deposits, 3D telepresence-100 member appointments, 1 disruptive idea within the marketplace we think this is what cu's are about- could be individually or collaboratively

MOST COMMON

- LENDING
- ACTION and EXECUTION PLANS
- DISRUPTION

Table 8

- The top for the table is loan growth.
- Heartland CU is working with their local Farm Co-op to finance. The Farm Co-Op came to Heartland. The idea is to move to a CUSO once they get this off the ground. They are working to figure out how to make this happen, as currently they are having difficulty getting it through the state.
- Heartland CU is looking to open a lending branch – “lending center”, without the ATM. They are hoping for this to be disruptive by offering retail hours, later into the evening and weekends.
- Kalsee CU is creating a financial consulting function. They are looking to bring in a financial counselor. This delegate will work with lenders, court appointed bankruptcy delegates. They are looking to then transfer loans from other institutions to Kalsee and work with the member to learn budgeting, learn financial education. This may bring in other opportunities, such as Good Will. There was discussion around how they will structure the program. The member would be recommended through their employer HR department. The member would then work with the financial advisor and the credit union on the loans.
- Superior Choice Credit Union has a goal to canvas the market, find the technology being used in the market and getting in front of it.
- First United Credit Union is working to grow capital. Their focus is on where they will go with Risk Base Capital. This grows a concern as they grow, and work to stay in compliance.
- CU*Northwest is working with their credit unions on loan sharing. Since they have the tools to share loans, their focus is to create connections between credit unions within the network to share loans. They are also focused on helping their credit union and education. CU*Northwest is participating in an employee share program with credit unions. Another focus, which ties into all of the other initiatives, is to use the technology to make cooperative initiatives a reality, CU*Northwest sees themselves as a conduit to make that happen.
- Discussion around loan sharing across the country, versus locally, specifically regarding regulatory concern. Greg spoke to the importance of creating the compliance, audit and software to innovate ways to share.

- Heartland CU is looking for ways to be disruptive in her market, in an effort to do so they are working with co-op to offer 24/7 lending. They would love to see the asterisk create a product to rival. Additionally, how do we get retail modelling to get some type of offering for those business offerings? Mark pointed out that you can currently do this using CU*Base, Sally is looking for purchasing a large business loan through credit unions. Retailer direct is a good product for several different types of loan opportunities.

Table 9

Susan – Initiative has to be getting efficient. Need to automate to stay ahead of the game. Can't just throw more bodies at something and expect a different result. How can we be better and stay nimble? Unique challenges due to members on different islands. Reaching the underserved.

Scott – Theme for Business Plan. Generate a lot of ideas through events at CU*Answers like this. Efficiency, Opportunity and Execution

Efficiency – How can we use the tools we have. Cost factor? But better efficiencies may save costs from hiring additional staff.

Mergers – figuring out how to collaborate throughout organization. Similarities with different mergers in both UP and SW MI.

Empower people to make decisions. Better to ask forgiveness than permission.

Data Diving - 2 people at Frankenmuth full time data diving.

Susan – engage staff by letting them be part of making decisions.

Janet – Great Peanut Butter Sandwich Factory – took elements of manufacturing and tried to implement into business plan. How do make it more efficient, better, tastier, how do you package so it jumps off the shelf. How do you improve the sandwich? Used as a tool at staff level to generate discussion.

Need to standardize – figure how to do and save money.

Group consensus:

1. Process Improvement
2. Efficiency
3. Execute – Go do something! Useless unless you execute
4. R & D – Rip off and Duplicate. A lot of power in sharing information.

How are we raising our teams to get better?

How are we breaking down the business?

Can't do today what you did yesterday and expect a different result.

How do you get more out of a current vendor? Shake up your business relationships. Need to be able to respond and move

Vickie - Teller supervisor at every branch. Then 1 person in charge of all the supervisors so all branches are consistent. You get the same cheeseburger at every branch.

Scott – considering a micro website for each branch – personalizes.

Budget for each branch – community standpoint – sponsorships.

What did the community get out of it, what did the member get out of it? Look at enhancements from a corporate standpoint.

Need to do things that make you a little uncomfortable

Which initiative from your group would you nominate as the most far-out and unique?

Table 2

1. membership Levels - Linda
2. Zombie lovers outreach

Table 3

Targeting 18-24 year old is most unique or bilingual brochures.

Table 6

Branch/business transformation (What is a branch for? Discussed single service branches, deposit taking ATMs, branch sharing, making branch unique to the community)

Table 7

BUZZ POINTS- Val <http://www.parkcitycu.org/heard-the-buzz.html>

Table 9

Cheeseburger and PB & J sandwich
Visit each other's shops.
Make sure the examiner reads the plan.
Video business plan on website
Peer analysis – visit each other's shops

List 3 things you put into your business plan, hoping your examiner will read and take note of

Table 2

1. DR
2. sharing cost accounting with members

Table 6

This item was not discussed other than South Bay tries not to run operation by the examiner.

Table 7

1. Controlling Cost, Succession Plan,
2. How are we considering how liquidity/contingency funding plan will make an impact, Examiners want to see this,
3. Board Training want the examiner to know the importance in a documented clear plan- ALM

Table 9

Tracy – what if scenarios

List 3 things you put into your business plan that you hope inspire your stakeholders and create some excitement

Table 2

1. Charity involvement
2. New loan products (payday lending/indirect)

Table 5

- Youth Initiative Councils (Andy), and in general more input from younger members.

- Initiatives to increase both member and employee engagement in the community.
 - Increase community presence through sponsoring events

Table 9

Christy -
Review It
Update It
Do It