

Scribe Notes



Thursday, November 9
9:00 a.m. – 3:00 p.m.
WaterMark Country Club

Group 1

Scribe Name

Barb Cooper

Name	Credit Union
Richard Preble	New Generations FCU (new client next month)
Kim Kniola	First Trust FCU
Vin Cerasuolo	Century Heritage
David Jezewski	CommStar
Carma Peters	Michigan Legacy
Randy Gailey	Horizon Utah
Vickie Schmitzer	Frankenmuth
Jami Weems	Serve CU

Group 2

Scribe Name

Esteban Camargo

Name	Credit Union
Don Mills	Alpena Alcona Area CU
Bill Daehn	Building Trades CU
Greg Smith	CU*NorthWest
Tracy Miller	Kellogg Community CU
Bill Burke	Day Air CU

Group 3

Scribe Name

Keegan Daniel

Name	Credit Union
Janelle Franke	River Valley Credit Union
Scott McFarland	Honor
Dave Keim	Western Districts Members CU
Barb Page	Kent County
Mary Matheson	Wakota
Thomas Flowers	Calhoun Liberty
James Phetteplace	My Pensacola

Group 4

Scribe Name

Kristian Daniel

Name	Credit Union
Christy Leslie	Bridge Credit Union
Barb Mills	Calcite Credit Union
Dean Wilson	FOCUS Credit Union
Peter Barnard	rkGoBig
Grant Johnson	TORO Credit Union
Matthew Selke	Pinnacle Credit Union
Carolyn Chevrier	Lakes Community Credit Union

Group 5

Scribe Name

Starla Honea (CU*South)

Name	Credit Union
Stephanie Sievers	ANECA FCU
Mark Richter	First United FCU
Jennifer Oliver	South Bay CU
Tom Gryp	Notre Dame FCU
Bret Weekes	eDOC
Kim Bourdo	Service 1 FCU

Group 6

Scribe Name

Annalyn Hawkes

Name	Credit Union
Paul Obermeyer	AAA FCU
Janet Borer	Members1 st Community CU
Jacci Pothoof	North Central Area CU
Terri Maloney	Catholic United Financial CU
Kim Hall	Tri-Cities
Debie Keesee	Spokane Media CU
Jeff Jorgensen	Sioux Empire FCU
Scott Shelton	Members Source CU

Group 7

Scribe Name

Peter Meyers

Name	Credit Union
Linda Bodie	Element
Fran Godfrey	Blue Ox
Corrine Coyle	Advantage
Kris Lewis	Allegan Community
Adam Johnson	Safe Harbor CU
Bo Pittman	MUNA
Liz Winner	Xtend
Pete Meyers	CU*Answers

Group 8

Scribe Name

Julie Gessner

Name	Credit Union
JoAn Sanders	Cheney FCU
Steve Kelly	Metrum Community CU
Leo Vaulin	CU*South
Philip Heinlen	Services Center
Chuck Papenfus	Inland Valley FCU
Andy Fogel	Affinity CU
Karen Browne	TBA Credit Union

4) Interest Rate Mindsets

Discuss how your stakeholders will react to new market norms (*Car loans above 9%...home loans at 6%... expecting CDs to pay 3%*)

- What percentage of your employees can even remember a different interest rate marketplace – how will they reconcile the new norm?
- What percentage of your members are waiting for the good ol' days to return? Will you be able to afford it if young people (25-40) don't show up to borrow?
- What does it mean to you to survive the gap between higher savings rates and a re-pricing loan portfolio?

Group 1 Notes

- Although the group thought they had employees who would remember a different rate marketplace, they thought this would not have an impact on reconciling a future rising rate environment.
- Members will react to current rate offerings and are not *waiting* for the good ole days to return.
- In a rising interest rate marketplace, it is a symptom that share rates will have quicker response to higher rates than does a repricing loan portfolio. So, to survive this gap, the following tactics were discussed:
 - Pay the CD penalty to other financial institutions to get those funds on deposit to lock them in a lower rate as rates rise.
 - Lend to some of the lower credit bureau scoring members, charge a rate to assume a higher risk and build in a higher delinquency/charge off rate to the budget
 - Ultra-rate sensitive members/shoppers are not core depositors and will move. Non-rate sensitive members will have a value or loyalty to your product offerings.
 - Develop new share products to handle a higher dividend rate so they all don't reprice at the same time.
 - Focus on the *new money* concept for funds coming in and transfers from short term products to long term products.
 - Recognize that rising rates can be emotional. Credit unions should evaluate the cost in dollars and loyalty to hold on to existing members compares to the dollars to open accounts for new members.
- Randy also commented that increased rates will lower the marketplace value of homes/cars/boats etc. for the total loan to be affordable and provide the ability to buy. Example: Ford is currently offering a truck at \$96,000. The loan at 1.75% is very different than a loan at 4.00%.
- Consider offering a Qualified Dividend Product so members will use other services/products to get the higher rate.
- The group also considered how the greenhouse effort (smaller less expensive electric cars, use of bikes, walking etc.) with rising interest rates will affect the auto market (hence the volume of auto loans).

Group 2 Notes

- Bill D – not really concerned about any of these issues. If somebody says my rates are too high, it's probably too high across the street too.
- How do you react to the SoFi's and Fintechs that can offer lower rates online?
- Bill B - We can't concern ourselves with them. We're relying on our relationship with the member to guarantee that they'll lend with us regardless of whether they think our rate is high.
- Tracy – that's why it's important that we improve our digital experiences. To make us more appealing to the people who are rate shopping. If we can provide a similarly easy experience, but we have the relationship, we can probably still close the loan.

- Bill D – as CD rates kept dropping, unions kept putting money in 12-month CDs expecting rates to eventually go up. They don't seem to care as much about the rate itself as the flexibility and the liquidity to move that money, but they still just keep buying 12-month CDs.
- Tracy – we're flexible with our promotional CD rates and will extend that promotional rate to a member who's threatening to move that CD to another FI.
- Tracy – when we rate match, we also have to remind staff to not give the other discounts.
- Table doesn't believe rates will be going back to 9% car loans and 3% savings any time soon
- Tracy offers 4% checking up to \$15k

Group 3 Notes

- Half of my staff is millennials and they do not know of anything different
- What changes about the concept of buying a new car to replace their existing car, there will be a change in how member behavior changes
- There is a certain percentage of members and consumers that do not care
- There is a group of cash-flush members/consumers that are rate-sensitive
- There is a fear of CD balances running out when interest rates begin rising
- The mindset of "locking" money up in a certificate has changed
- There is a population of consumers/members that never have re-financed
- Is there a population that does not know any different? How can we market to this group or educate this group?
- My members are used to variable rate loans
- People want service and people they can deal with
 - There is a group of consumers that are not millennials, and we service to this population
- The trust within the relationships my members are creating with staff are my competitive advantage.
- The economy is going to be shot if we move into a double-digit rate market
- Will the fed seat changes that are upcoming influence our conversations?
- The rates will not move quickly
- The stock market is over inflated.
- 401K statements have shown increases, and there are rumblings within all industries that will have an influence on where our rates go
- What is a long time? Has the definition of being around a "long time" changed?
- Credit union have always targeted the 19 – 30 age range.
 - This population will be very surprised and will learn that as a first-time buyer that the rules have changed.
- The first-time cars of the younger generation now are completely different than the first-time cars of yesterday
 - Is this the fault of the generation? Or the fault of our interest rate environment?
- What marketing/education will we provide to our members and the consumers we market to when rates change?
- With the effect on prices of homes, cars, etc. there will be changes.
- Will there be shoppers that have potentially never shopped before?
- Many banks have focused on the commercial business, is there an opportunity for credit unions who pursue a different direction.
- If you do not meet this credit score at the bank down the street, they are sending the customers to become my members.
- We all like convenience, there is going to be a population that becomes upset
- Can we afford better pricing to members to provide cost-savings to the cooperative?

Group 4 Notes

- This will truly be an educational piece for the younger generation (millennials), and maybe the younger generation won't need certain items.
- Credit unions need to determine what kind of financing will be in the future (student, Uber financing, different mortgage types, etc.).
- Roughly 30% of our members remember a different interest rate marketplace, and millennials do not truly thing about interest rates, they what things right away.

Group 5 Notes

In the past year:

- Stephanie: raised loan rates, but not CD rate – watching the community rates.
- Tom: Raised loan rates
- Mark raised all rates
- Kim raised her CD rates
- Stephanie is looking at doing a promotional variable rate car loan for refinance business, attracting members with a low rate for a time period. Her credit cards are fixed rate right now, but she's planning on moving them to variable next year. She has a low 6.99 best rate CD, but it doesn't have any rewards points system. She is about to start offering a Pre-Approved Car Refinance loan where she mails the member a pre-approved letter, with a check already made out to them for the payoff amount of their vehicle (check has all of the legal on it, like a loan note).
- Tom has two new product types really kicking butt that no one else is doing. Ultimate Credit Line and a HELOC with a low start variable rate that converts to fixed after a term.
- Tom's take on the problems in the industry is that CEO's need to be focusing on Increasing Revenue by hiring the right kind of motivated people to drive business, not looking at where you can Reduce Cost.

Group 6 Notes

What percentage of your employees can even remember a different interest rate marketplace – how will they reconcile the new norm?

What percentage of your members are waiting for the good ol' days to return? Will you be able to afford it if young people (25-40) don't show up to borrow?

What does it mean to you to survive the gap between higher savings rates and a re-pricing loan portfolio?

- We've been slowly increasing our rates, but building up loans first. (Kim)

Offer variable loan rates at all?

- HELOC only (Kim)
- All credit cards should be variable, no brainer (Jeff) Variable and risk-based approach to this is best. Can't get a fixed rate credit card anywhere in the world, except credit unions. (group)
- Also, switch signature loans and open-end LOCs to variable. Even if offering high rate.
- Anybody doing variable rate car loans? No, consumers not very responsive (Jeff)

Savings Rates

- We've started bringing ours up a little bit because starting to see money move out (Janet)
- Too many people with \$300k in a checking account and they just don't want to move it. (Kim)

- We told our board we're not going to raise interest on savings accounts ever (Jeff) That's what we're doing too – and we're finding they keep money there even though they can get better rate somewhere else (Terri)
- If that member behavior changes, then plan is to create new “interest-bearing” product so the members who care can choose rather than adjusting the product that literally everybody has so that you end up paying to people who don't care one way or another. (Jeff)

ALM Analysis

- We just moved to profitstar (Kim). Still early stages but transition was much tougher than promised.
- Examiners are watching liquidity now – Tide has turned on that topic. What's your liquidity plan? Do you have participation policies in place? Etc. Be able to prove to your examiner your plan.
- We use McQueen (Terri) They're great to work with. We used to do it every quarter and they suggested to us that we don't need that so often. They came to us and said that we're so small we don't need it
- Balance Sheet Solutions through Alloya Corporate (Jeff)
- It is a CUSO of Alloya corporate and they do a quarterly report PLUS analysis. Examiners love them in our experience. They run free “what-if” scenarios and 160-page report is very engaging with Executive Summary in front and great presentation graphs.
- We use Brick (Janet) – their model is more figure-based and not much graphing. Too much difficulty in reading at some points.

Group 7 Notes

- Kris is not worried about rates
 - people don't care
- Watching money markets so members don't pull their CDs and put it back into the market
- the rates are fluid collectively
 - when one moves, we all move
- what about customers who have 3 different credit unions?
- pricing strategy is
 - get it now vs. credit report pulled
 - I want easy, fast, and don't care what I have to pay
- if you want to capture attention do something crazy
 - then limit your exposure
 - the product doesn't have to be real
 - be outrageous (and be in compliance)
- financial literacy programs
 - go into schools
 - once a quarter do a seminar program
 - budgeting, etc.
 - 1 hour
 - orientation for new college students
 - hour and half
 - credit card offers
 - when visiting a new segment
 - talk about products
 - how to choose an FI
 - students ask why should I choose you?
 - the answer is you're probably going to tell you to go where they go
 - how much time and effort do you want to spend?

Group 8 Notes

- Less than 2% of employees remember a different interest rate market.
- Most people aren't worried about rate. Most are concerned about payment.
- Most loans don't come from the 'traditional means'.
- Must consider how to do things quicker to adjust.
 - Changing Risk Based Models – adjust based on market
 - Are my rules preventing us from giving loans?
- Survive the Gap – Live to Adjust
 - Take strategies to shrink the GAP
 - Raise CD Rates
 - Remember that it's about the member
 - Don't be afraid to push back on the examiner
 - Using strategy to attract – Tiered Services, Marketing Clubs