

2019

# CEO Strategies Week



## CEO Roundtable: Scribe Notes

### Scribe Name

Esteban Camargo

### Group #1

Name	Credit Union
Bill Burke	Day Air CU
Mark Richter	First United CU
April Tompkins	Services Center FCU
Nelson Tavares	Taunton FCU
Ken Acker	TruChoice FCU
Tracy Miller	Kellogg Community CU

### Scribe Name

Julie Gessner

### Group #2

Name	Credit Union
Greg Gurka	Forest Area
Bill Bikolauk	1 <sup>st</sup> Community
Steve Cobb	BlueOx
Justin Bamford	HarborLight
Jodi Ritthaler	H.P.C

### Scribe Name

Barb Cooper

### Group #3

Name	Credit Union
John Rupert	Muskegon Co-Op FCU
Barb Page	Kent County CU
Dean Wilson	Focus CU
Kris Lewis	Allegan Community FCU
Peter Bernard	RKgoBig CUSO
Corinne Coyle	Advantage CU

## Scribe Name

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Emily Claus

## Group #4

Name	Credit Union
Vickie Schmitzer	Frankenmuth Credit Union
Scott Harriman	Cumberland County Credit Union
Chuck Papenfus	Inland Valley Credit Union
Leo Vaulin	CU*South

## Scribe Name

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Annalyn Hawkes

## Group #5

Name	Credit Union
Janet Borer	MEMBERS1st Community Credit Union
Kent Hartzler	Everence Federal Credit Union
Scott McFarland	Honor Credit Union
Carma Peters	Michigan Legacy Credit Union
Cathy Ellis	Meijer Credit Union

## Scribe Name

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Jalyn Lindeman

## Group #6

Name	Credit Union
Jim Miles	MidUSA CU
Linda Bodie	Element FCU
Rick Preble	RVA Financial
Carolyn Mikesell	Public Service CU
Robert Shane	ATL FCU

## Scribe Name

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Kristian Daniel

## Group #7

Name	Credit Union
Kim Hall	Tri-Cities Credit Union
Karen Browne	TBA Credit Union
Connie Taylor	First General Credit Union
Adam Johnson	Safe Harbor Credit Union

## Scribe Name

Danielle Caliendo

## Group #8

Name	Credit Union
Kim Bourdo	Service 1 Federal Credit Union
Tom Gryp	Notre Dame Federal Credit Union
Thomas Flowers	Calhoun-Liberty Employees Credit Union
Scott Shelton	Members Source Credit Union
Liz Winner	Xtend
Patty Preuss	Filer Credit Union

## Scribe Name

Peter Meyers

## Group #9

Name	Credit Union
Janelle Franke	River Valley
Page Bennett	Horizon Utah
Jeff Jorgensen	Sioux Empire
Chris Ison	Tahquamenon Area

## Topic #3

### The Next 5, 15, or 50 Years



- Of the current trends debated in the industry today, which one of them do you want to **count on for your future**?
  
- Which one of them do you think **will be a bust** for your CU looking forward?
  
- Which one seems to be a “group-think loser” and you **want nothing to do with it**?
  - Go counter to the flow!

**Topic #3**

Thought leaders love to list key success factors, best practices, and the trends you can't ignore

But the truth is, it's all up to you – what would you have the CUSO pay attention to, given today's CU headlines and marketplace ideas?

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## Of the current trends debated in the industry today, which one of them do you want to count on for your future?

### Group #1

- Cannabis and business lending, but we're waiting on the government to get it together. New businesses like these and the gig economy create an opportunity for credit unions to get in at the ground floor before other financial industries have wrested control.
- Local presence – we're all small and we're all local and we have to differentiate. The pendulum has swung out to be a little bit everywhere. But will the pendulum swing back towards the importance of local and the community you live in?
- Data – it feeds into all these other trends. Data may seem trendy, but what it boils down to is understanding your members and better being able to cater to them.
- Gig economy and the individual business owner; does it need to be developed or will it just develop itself under your existing business lending structure?

### Group #2

- Consolidation.
  - Is the industry going to consolidate or not?
  - Small credit unions will not be able to serve members – I have to grow or I will get merged.
  - The fear of compliance – CECL.
  - SEG's are a thing of the past.
- Regulation.
  - Are we going to lose our tax status?
- Technology.
  - That's the one thing that will be here in the future. We won't be here. Technology will. Artificial Intelligence. If we don't buy into that, we're done.
- Community financial institution relevancy.
- Centralized lending.
- Virtual currency.
- Brick and mortar.

- Store Front is not going away, it's changing – smaller storefronts and creative use of space.
- A.I. & Big Data – they go hand in hand.
  - Data Analytics.

### **Group #3**

- That organizations that do the right thing is important.
- Alternative currency (virtual).
- Social justice that will carry us to the future.
- Consolidation for a better business structure.
- Add new delivery channels: smart phone apps.

### **Group #4**

- Chuck starts the conversation off by commenting on a trend he does not like: little pods and Capital One cafes focusing on making credit unions a relaxation and zen place. He says that will never be his credit union, "I serve a low-income Hispanic community. They want to come into a financial institution and talk with a teller. They don't want to work with machines. They don't trust the government, even if they are full U.S. citizens. The trust they get is from seeing something old school and traditional. If you try to introduce them to ITMs they will leave."
- Leo agrees and discusses how he once interviewed someone who worked for such a credit union and they admitted that they had no idea how the concept made money. While Vickie says her CU has couches and coffee, but it's members talking to members. No stragglers.
- They ask if people who come in want to talk in an office or in the lobby. She argues that there are people who want this and those who don't. Each credit union can't be everything to everyone, but the pods help.
- The group then debates ITM and other teller machines, claiming members don't like them and want to talk to an actual person. They have seen it as a tactic to help clear out lobby traffic.
- Chuck comments that his CU has a two-lane drive thru, but no one uses the second lane because they want to see someone through the window. Vickie suggests that he put a screen at the second window so people can see someone helping them on the screen. It worked at her CU.

### **Group #5**

- Automation - Use automation (software/coding) on routine/procedural task. Automate operations so the people can have the human touch.
- We think this will keep member experiences looking similar, but fast.
- Real Estate Solutions – Consider it a must. People will continue to need these solutions and for some, empowerment for their first purchase.

### **Group #6**

- Courtesy pay: going against the trend to keep it around for the future but with more regulations – lower the fee or change the automation of such (ATL, RVA).
- Relationship banking vs. indirect/customers.
- Identity/document verification – block chain (RVA).
- Moving away from paper (MidUSA).
- Cannabis banking will stay relevant and develop further in the future.
- Technology trends, fin-tech, A.I.
- From other groups:
  - Social justice.
  - Advances in delivery/communications.
  - GIG Economy.

### Group #7

- More and more members are going to move towards mobile/online banking instead of coming into branch. This is a trend, how will we make this happen as we see teller and ATM transactions are going down? Improving our online capabilities, and offering new products/services.
- Rewards checking – what do we think this will evolve into? Cash back could be more significant in the future.
- One room with tellers, where do we communicate via ITM?

### Group #8

- What are current trends:
  - Fintech (lacks relationship with members).
  - Microbranches.
  - Member experience (maybe not trend, just good business).
  - Noncash transactions.
  - Marijuana banking.
  - Diversity/Inclusion.
- Focusing on convenience and being able to do it all.

### Group #9

- Trends:
  - Mergers.
  - Bank Consolidations.
  - Mobile Trends.
  - Peer to peer, p2p lending.
  - Crypto currency.
  - Globalization.
  - Artificial Intelligence.
  - Home ownership, vehicle ownership.
  - Compliance – government intervention.
  - Erosion of membership value – do they know?
  - Ownership – is it a differentiator?
  - Ownership – is a given and maybe doesn't matter that much.
  - Trying to please specific demographics (Millennials, Gen X, Baby Boomers).
  - Field of membership - everyone's expectations are different, depending on geographic location and age/life stages.
- The one to count on is fintech – technology.

## **Which one of them do you think will be a bust for your CU looking forward?**

### Group #1

- Cannabis! It's just the exciting thing right now. But eventually they'll become as liquor stores. Just another industry that needs services, but not necessarily different from others like it.
- Autonomous vehicles.

### Group #2

- Centralized lending.
- ITM's – video banking.

#### **Group #4**

- Scott thinks that CUs are losing the ability to lend directly. It's easier to buy government backs and then get direct loans from members. It's becoming more common. The group agrees and thinks it's a cheap and easy way, but doesn't serve the core members.

#### **Group #5**

- Voicebots – I think people will want to talk to people. I don't think we'll be able to get away with removing people.
- ITMs – 10 ITMs was going to be \$2.5 million expense. But video platform was \$38,000 (10 yrs = \$380,000) and it's the same technology but different avenue.
- We kept asking if it does certain things, and kept getting answers "well, it doesn't do that one."
- With the difference in cost, I am comfortable spending more to expand this area with and integration into our mobile app as well.
- Fee Income – a highly political topic right now.

#### **Group #6**

- Indirect Lending: increasing/higher paid fees (CU to dealer) vs. low interest rates for members (RVA).
- Younger generation moving away from financing loans.

#### **Group #7**

- RDC is potentially a bust moving forward.
- ITMs and no tellers at all.

#### **Group #8**

- CECL.
- Cash apps (not a bust, but could lose popularity).
- Branchless banking.

#### **Group #9**

- Home ownership and car ownership.
  - But members will be borrowing (it will be for experiences, not assets).

### **Which one seems to be a "group-think loser" and you want nothing to do with it?**

#### **Group #1**

- The "next greatest tech that will change everything" – talk to me when we've hit 1% penetration.
- That millennials are going to break the industry. There's a strong stereotype about how they want to bank, but they also seem to have a strong connection with community involvement.

#### **Group #2**

- Virtual Currency.

#### **Group #3**

- Investing in more branch brick and mortar.

#### **Group #4**

- Chuck brings up marijuana banking. But Vickie argues that the procedures to do such banking are incredibly difficult, and if done incorrectly could shut the credit union down. “It will be mainstream, but you have to do it the right way.”
- Chuck references a credit union that went from 35 million credit union to 85 million with about 17 accounts and four dedicated employees to service these marijuana accounts. They doubled those employees.

#### **Group #5**

- Removal of People – those that are saying they’re going “all tech” are not going the right way. People are a valuable resource.

#### **Group #6**

- Demise of smaller credit unions, or support of mergers (MidUSA).
- Video tellers (RVA) – members don’t want to be on camera. Support them via chat.
- Crypto currency: what does it mean to CUs (Element).
- Brick and mortar branches.

#### **Group #7**

- Checks, and RDC; members paying items via check.
- ATM Cards.

#### **Group #8**

- A.I. will have its place but will not be trendsetter or alter everything.

#### **Group #9**

- CECL.
- Cryptocurrency.

### **Additional comments**

#### **Group #5**

- Artificial Intelligence.
  - Not good (bust) for human/relational work.
  - Good when using with software for routine/procedural work.
- Scott: automate operations so the people can have the human touch.
- Janet: the amount of information a person needs to know to provide value to the member is enormous these days. I think my staff focuses too much on process than I’d like to them. They are asking me, “can we take some of the processes and get something to do this for us?” So we are asking ourselves if there is a place we can target to do this, get some code, and get these things done for us automatically.
- Cathy: Yes, my board has challenged me to think of ways to use A.I. I’m considering, can some of our more routine processes be covered somehow so our staff can evolve into more relational work?

#### **Group #6**

- As an industry, we keep trying to save credit unions – why not start one?
  - How do you build the capital and the resources to start one?
  - What is the cost associated? Overhead, technology/software, employee expenses.



- Can CUs create credit unions within themselves (i.e. – segmentation of members with higher needs and focuses)?
- Asking for price relief – how can CUSOs support credit unions as they try to rebuild; or invest, fail, need assistance in recovering?