Insights for Credit Unions to Thrive in 2020

Digging Up Opportunities to Serve, Lend and Grow

SEEK THE LIGHT

As the world revives from the turmoil of the coronavirus and social unrest, credit unions and their business partners are playing an essential, positive role. This is our new reality and the credit union community has served as a critical piece of the solution to the current problems in American society, offering emergency loans, facilitating Payroll Protection Program loans from the Small Business Administration, keeping consumers employed and reworking mortgages for those most in need.

We also recognize the difficult work ahead that lays at the feet of our financial frontline heroes. A strategy of caring is really quite simple and the basis of credit unions' very existence – for employees, members and community. Credit unions can address member and employee needs taking a holistic approach. The Mitchell Stankovic Underground Community, of which Ser Tech is a proud founding sponsor, advocates for the application of Maslow's Hierarchy to credit union service, fulfilling needs for basic safety and esteem are just a couple of the critical areas in which credit unions can help uplift members through the stages to self-actualization.

We understand that credit union leaders are feeling just as beat up by 2020 as their members – concerned for their family and friends' well-being, wondering if they're doing enough to help those they can and ensuring their teams feel appreciated and motivated. But this year of coronavirus and social unrest will not crush the credit union spirit. The economy was humming along before the coronavirus hit and then the social unrest bubbled up across the nation, sending the economy into a rapid descent. Still, credit union leaders pivoted, dug in and did what needed to be done to continue serving their communities as needs changed. The economic fallout has affected everyone and certainly some are more vulnerable than others.

Credit unions took the situation up as a challenge and an opportunity to help their members. Our research found more opportunities abound in different areas of lending, risk mitigation and communications to cooperatively tackle the needs of both society and your credit unions. Ser Tech, a credit data-driven marketing, credit education and risk management technology firm, hosted its first LIVE event in July and this research grew from that event, because we want to help the credit union community. While doing this research, we discovered that only 16% of U.S. consumers consider a credit union as their primary financial institution, according to Kasasa. As we work to help members through 2020, we can demonstrate credit unions' differentiation and grow. We are truly all in this together, seeking the light at the end of the tunnel.

OPPORTUNITY NO. 1:
FINANCIAL & CREDIT COACHING

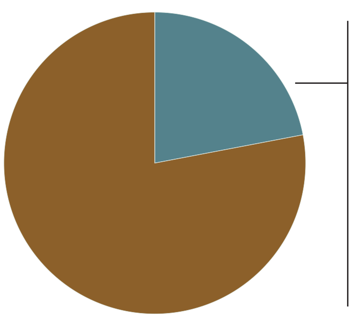
40% OF AMERICANS FEEL THEY HAVE TOO MUCH DEBT

The debt collection rates were particularly high among those with unpaid medical bills **(55%)**, those who use non-bank borrowing **(41%)**, those who have a student loan **(31%)**, African-Americans **(31%)** and people with incomes less than $25,000 **(25%)**

CREDIT CARD DEBT

- Of those Americans with credit card debt, **1 in 3** only pay the monthly minimum
- The average credit card debt for Americans who have them is **$4,717**
- **Nearly 40%** of consumers engage in high-cost credit-card behaviors, such as making only the minimum payment, late fees, over-the-limit fees or taking cash advances

Source: InCharge



22% of those responding to a nationwide survey say they have dipped into their retirement savings due to COVID

Source:Boston Herald

Cynthia Campbell, who is the chief experience officer at BALANCE, a financial wellness nonprofit that works with banks and credit unions, suggested credit unions keep in mind that consumers currently have some protections due to the government's response to the coronavirus' economic impact, like mortgage and student loan forbearance or temporary rental forgiveness to be able to postpone problems. Many creditors, including credit unions, are also making concessions, so right now is a good time to double down on financial education and coaching to help protect the investments credit unions have made in their members' loans by helping guide them through financial hardship.

Financial counseling can help borrows avoid bankruptcy, which can follow them around for several years. Bankruptcies are well below their peak from mid-2010 following the housing crisis, according to the American Bankruptcy Institute, however, the percentage of the Chapter 7 filings is higher. Counseling, including the use of credit management and borrowing tools like Ser Tech's Flitter Credit Network, can provide alternatives.

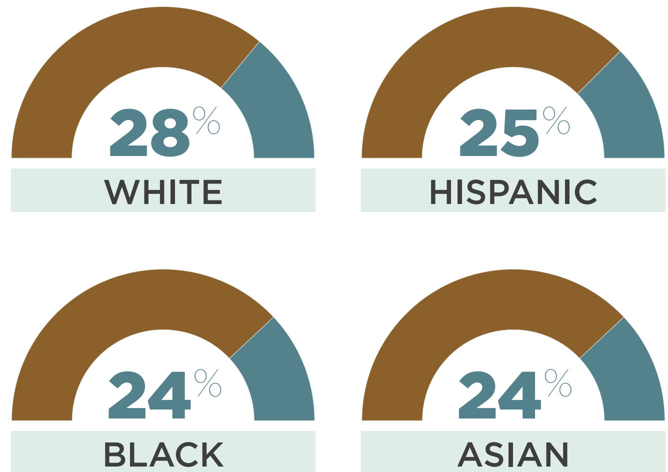
Making financial coaching a part of your credit union's culture and placing at the core of all the credit union does – not just relegating it to a department – is an excellent way to show members your credit union cares about the members' well-being and really differentiate the credit union purpose.

"Take it out of a financial education department and really operationalize it," Campbell recommended. "Weave it through your lending and collections. Ask yourselves, 'How can we make our member more financially healthy in the way we lend in the way we collect and the way we speak with them and member services and really know them?' Credit unions need to become a member-centered financial home, and that has to be built on more than transactions. That's built on relationship."

Review members' credit reports with them – the entire report, Campbell suggested. "When you have their eyes on their credit

DEBT & MINORITIES

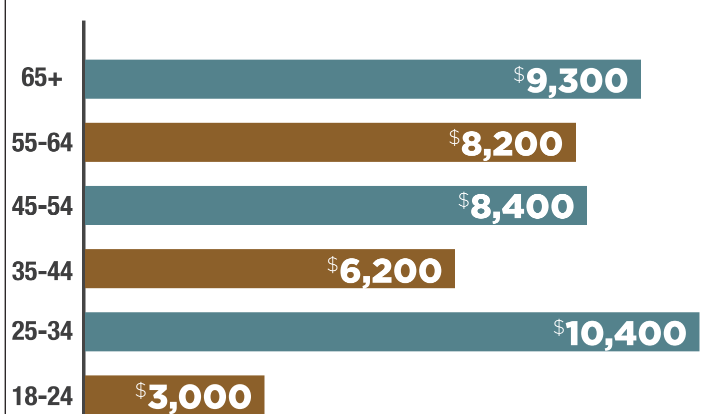
A 2001 survey by the Journal of Finance and Accountancy found that 27% of the 7,579 respondents carried credit card balances. The survey found only minor differences between races.



Source:Debt.org

DEBT & AGE

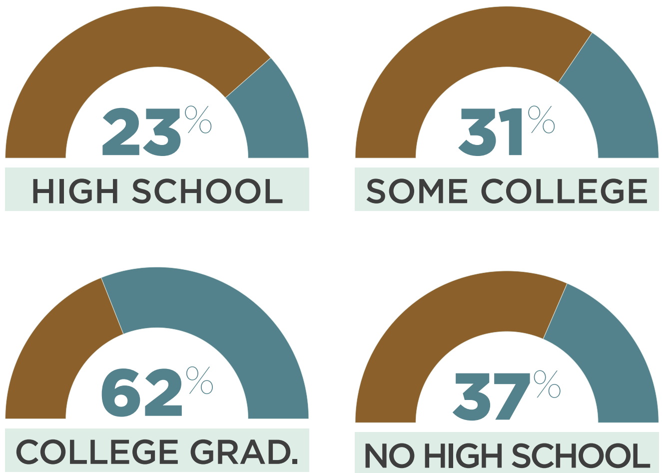
The 2012 Demos study also found changes from 2008 to 2012 regarding age groups with credit card debt.



Source:Debt.org

DEBT & EDUCATION

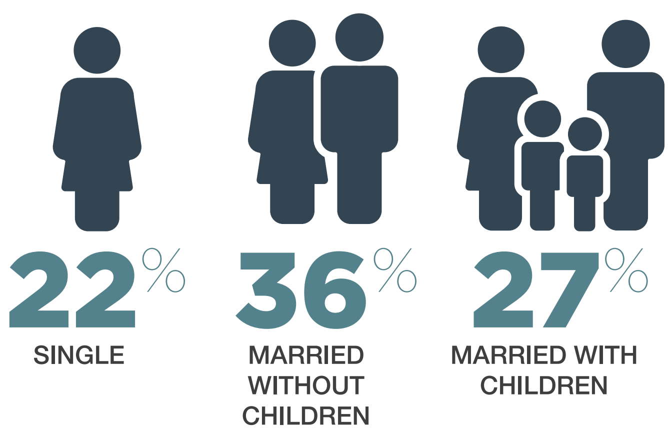
Education also plays a role in how much debt people are willing to take on. As education level increases, so does one's likelihood of taking on credit card debt. This could be because of the strain of student loans or because people with more education tend to earn more and can therefore afford more debt.



Source:Debt.org

DEBT & FAMILY TYPE

The 2001 survey in the Journal of Finance and Accountancy found significant and predictable differences in debt based on family type.



Source:Debt.org

report, you have their whole world," she explained. "You can, not only give them that loan that gives you new money, and you can save them money by consolidating or giving them a better rate. Serve the holistic person and be that member-centered financial home. How could you help them in ways they're not even asking for, to save time and money?"

Credit unions are often so busy and focused on serving their members, they should take a break and look around the people who work with them every day. Start financial coaching at home with your employees. The Cornerstone Credit Union Foundation recently made good on this concept by offering credit counseling and coaching through BALANCE for all of the employees of its member credit unions at no charge to them. Campbell reminded credit unions that just because your people are still employed doesn't mean their significant other is currently working, which can cause stress that affects job performance and personal well-being. Allowing them an outlet to air their financial concerns, which they don't want to discuss with their financial institution and employer, will make the organization stronger all the way around, she said.

Additionally, Campbell noted, requests for financial education have increased at BALANCE, particularly as it pertains to home purchases. Some consumers who can afford to will be taking advantage of the historically low rates, so be prepared to help them, not only with getting a loan, but preparing for it and investing wisely in most peoples' largest wealth-building asset.

OPPORTUNITY NO. 2: **MORTGAGES**

Despite the economic downturn, home prices are holding up through the first half of 2020, according to BankRate.com. Even areas that rely heavily on entertainment and have been hit hardest, such as Las Vegas, are holding their values. Inventory is limited, so bidding wars have been erupting, keeping pricing up.

At the same time, rates are at historic lows, boosting demand. Credit unions have been seeking out creative ways to handle the loan demand, particularly in areas and industries where employment markets are tight. Credit Union Times recently reported on how the $4 billion Gesa Credit Union implemented automation tools to streamline its mortgage process when the credit union could not find qualified mortgage processors to help the credit union keep up with the workload.

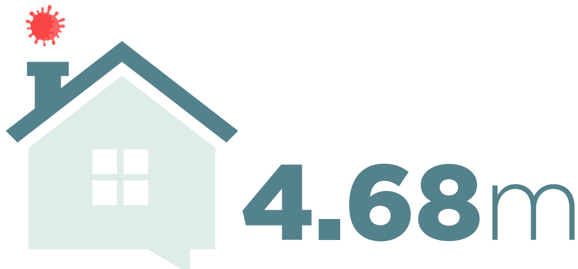
"Refinance activity decreased – despite the decline in rates – but the current pace remains more than 80% higher than a year ago when rates were over 4%."

"We're handling the highest mortgage volumes ever in the history of Gesa, and we're not adding staff," Gesa Credit Union CIO Raj Bandaru highlighted. Gesa Credit Union is up to $70 million a month and growing, including a 300% increase in mortgage applications by increasing its processing speed by 200%. That streamlining has allowed the credit union to bring in more revenue by processing quickly, improved the member mortgage process and created more time for the staff to build relationships with members.

As rates plummeted, refinancing skyrocketed. Even before the coronavirus hit the U.S., mortgage rates were low. Then the Fed dropped rates 150 basis points, and consumers found great opportunities. "Mortgage rates dropped to another record low last week, falling below the previous record set three weeks ago to 3.14%," Joel Kan, Mortgage Bankers Association Associate Vice President of Economic and Industry Forecasting, said on Aug. 5, 2020. "Refinance activity decreased (from the previous week) – despite the decline in rates – but the current pace remains more than 80% higher than a year ago when rates were over 4%. MBA's forecast calls for rates to remain at these low levels, which will continue to spur strong refinance activity and offer homeowners relief in the form of lower monthly mortgage payments during these uncertain economic times.

"Purchase applications also fell slightly but were still 20% higher than a year ago and have now risen year-over-year for 11 straight weeks. Purchase loan balances continued to climb, which is perhaps a sign that the still-weak job market and tighter credit for government loans are constraining some first-time homebuyers."

Home equity loans and lines of credit are also a hot commodity right now as people look to consolidate and pay down other, higher-interest rate debt. A separate study from the MBA on HELOCs



CORONAVIRUS IMPACT ON MORTGAGES

As of mid-June, 4.68 million homeowners were in forbearance plans, allowing them to delay their mortgage payments for at least three months, representing 8.8% of all active mortgages.

showed that lenders expect these to bounce back in 2021, and, just as important, implement ambitious plans for digital enhancement to improve the borrowers' experience to be more competitive. "Lenders anticipate annual HELOC originations to drop 2.9% in 2020 before growing 10.8% in 2021," MBA wrote. "Annual originations of HE loans are forecasted to increase by 0.5 percent in 2020 and 9.0 percent in 2021." At the same time, HELOC debt outstanding is forecast to decline 3.0% this year and 2.8% in 2021.

Regarding home equity loans, MBA said lenders expect annual originations to remain flat in 2020 but grow 9.0% in 2021. Home equity loan debt outstanding is expected to remain flat in 2020 and decrease 5.4% in 2021, so credit unions should grab those loans now.

In line with Gesa's experience and Campbell's observations at BALANCE, homeowners are looking to move to the suburbs to escape higher tax rates, population density amid the coronavirus pandemic and more. And, with coronavirus as an impetus for working from home, many can now move out of the city, farther from their workplace. At the same time, millennials are hitting their peak homebuying age, which could serve as a shot in the arm to mortgages for years to come.

"We're seeing credit unions come back to the table and really become more aggressive with outbound lending campaigns," Ser Tech CEO Shana Richardson said. "Having strong credit data insight is what's helping our credit unions to better understand their members' complete financial lives and peer around the corner so to speak, which could in turn allow for more diverse and inclusive lending as we go forward."


Shana Richardson

Credit unions are leveraging credit pre-screens and a multitude of the more than 1,800 credit attributes that can be bundled for various loan types, including mortgages. Credit unions can also use technology to identify those who are actually in the market and reach out to them automatically, when they need your products and services, such as a home equity loan to pay off credit card debt, most.

"It's about having data insights to help credit unions understand what is impacting your members financial lives, not just with your credit union, but across all of the loan accounts they may hold with other lenders," Richardson said. "Analysts and marketers are using these aggregated data sets to differentiate households based on credit availability needs and usage for all consumer loan types."

OPPORTUNITY NO. 3: **AUTO LENDING**

The economy was off to a great start at the beginning of the year, and auto lending has long been credit union's bread and butter. While auto lending did experience a dip early in the year following the recognition of COVID's impact, credit unions less so. According to Open Lending Vice President Channel Partnerships Julie Nielsen said the company's credit union clients have returned to pre-coronavirus levels of auto lending volume.

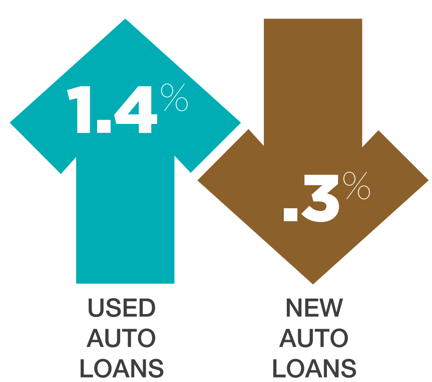
"We're really encouraged to see how quickly everyone has jumped back in with both feet," Nielsen said. "I think some of that is due to both activity in the refinance as well as purchase channels. Our priorities in operating under the current economic environment as well as political environment is to support our lenders that are getting back out there and making loans to consumers."


Julie Nielsen

Open Lending, a business partner for community financial institutions that provides alternative credit scoring and default insurance for auto loans, has certainly adjusted some of its underwriting factors and recommends credit unions be smart about that, too. "We want to make sure that credit unions are making loans that are appropriate for each borrower and adjusting debt-to-income levels that make sense, and that it's not too heavy of a load, while also keeping the spigot open as wide as possible so that as many applications can proceed to closing as possible," Nielsen said. While auto loan defaults have remained low, some of that could be due to government assistance programs in response to the coronavirus, as many remain out of work or with reduced hours, particularly the travel and entertainment sectors.

CREDIT UNION AUTO LENDING

May to June 2020



Source: CUNA Monthly Estimates

ENTIRE AUTO LENDING MARKET 2020

	Q1 v Q2	YOY	Total
Auto Loan Debt	$3B	$46B	$1.34T
	Q1	**Q2**	
Auto Loan Delinquencies	2.37%	2.26%	

Source: New York Federal Reserve

It's also critical for credit unions to be as responsive as possible to the consumers they serve. Credit unions can do this in house, but it may be more efficient to outsource technology to experts, so the credit union can increase its membership and loan volumes faster.

Overall volumes will remain slow. According to Statista, U.S. car sales could range between 14.5 and 16.4 million units in 2020, and where it actually lands will depend upon the continued impact of the coronavirus. As some states began opening up businesses and events in mid-2020, cases spiked leading to backing down from lifting stay-at-home orders.

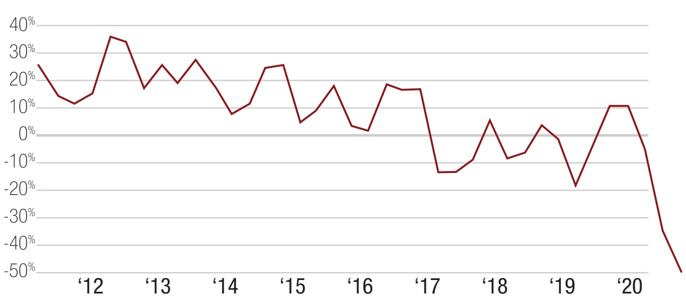
In 2019, sales had slowed slightly from the previous few years already, and many people – particularly those with strong credit – are unlikely to replace their newer vehicles anytime soon. Statista reported that the average price of a new light vehicle was about $36,400, which is more than half of the median U.S. household income, and 86% financed them. Such a large investment is unlikely during an economic slowdown.

Look for your credit union's opportunities in used sales, but be mindful of the age, make and model of the vehicle, which are all contributing factors in the loan-to-value and repayment should it break down or be in an accident.

But people are looking to get out of their homes. They want to drive their cars and go shopping and eat in restaurants. And, likely, they don't want to take mass transit or ride share options in the era of COVID.

"The data do not support that we're looking for extravagant change, but we are tired of being at home. We want to get out, we want to drive in our cars. We want to go shopping. You know, there is an element of financial health and wellness that remained somewhat strong and we're eager to get out and participate and support the economy again." So I think it's going to be something that comes back quickly in areas as cities are able to safely reopen and it's starting to happen in some places and, you know, just figuring out the right way to do that and the right pacing in different places

NET PERCENTAGE OF DOMESTIC BANKS STRONGER DEMAND FOR AUTO LOANS



Source: St. Louis Federal Reserve

across the country.

"Where we used to look at ride share options as a great benefit for a lot of reasons, now there is an element of health and safety that feels very different," Nielsen pointed out. Tourism and work commutes are way down and unlikely to return anytime soon for companies like Uber and Lyft. "A lot more households are going to be looking at buying vehicles," she continued. So credit unions, along with companies like BALANCE, are going to be able to help consumers find room in their household budget to make an appropriate purchase the consumers may not have been expecting to make."

Contactless car sales got a boost this year amid the coronavirus pandemic, as dealerships and lenders worked to continue serving customers and borrowers. Dealerships' eCommerce capabilities got ramped up to speed. Credit unions worked on eSignatures and digital funding. But consumers remained skeptical around contactless delivery and purchase opportunities.

"I think contactless car shopping and finance has a place," Nielsen commented. "It's very easy to move from point A to Z, if you know what vehicle you want to finance, and if you know what you want to pick out. If you aren't sure, and if you actually do want to do some car shopping, the car dealership lot is still playing a critical role.

CONTACTLESS CAR SALES

61%

OF PEOPLE SHOPPING FOR CARS WERE OPEN TO BUYING ONLINE COMPARED WITH 32% BEFORE THE PANDEMIC

Source: Reuters

There's a tangible element of shopping for a vehicle and receiving advice from a service professional. There's a tangible element of seeing a vehicle, comparing it to something else, sitting in it, literally trying it on for size. That is still an important element in the consumer process."

She added, "We noticed that purchase finance numbers through our program went up dramatically as states and dealerships were ready to reopen. So I think consumers do still look for a hands-on environment at times as well."

Nielsen also pointed to the personal safety element of contactless delivery of vehicles many hadn't considered. When dealerships offered to bring a purchased vehicle for home delivery, consumers got uncomfortable with it, according to one of Open Lending's dealer partners. "The industry responded by offering to take the vehicle to an airport cell phone lot, where it's a public space. It's well lit. There are other people around and you can have a chance to physically examine a vehicle."

The pandemic, however, may have also pushed more car buyers to banks. According to Automotive News, predictions were that captives would increase market share due to their relationships with the manufacturers, but banks gained market share. At the same time, credit unions' declined from 19.9% in the first quarter of 2019

DEALERSHIPS READY FOR CONTACTLESS

to 19.5% in the first quarter of 2020, even before COVID hit the U.S. Last year was the first year for auto loan market decline since 2011. The analysis suggested the steep drop in rates leveled the playing field for for-profit lenders to be more competitive.

Credit unions can lean on their industry partners to help them right the auto lending market share decline, according to Richardson. Partners like Open Lending, CU Direct and Ser Tech are constantly investing in their technology platforms to help credit unions reach more consumers the way they want to be reached, whether it's in the dealership, mobile or online, she added.

"I'll give you an example of a new CU Direct partnership we have created: They are running our evergreen pre-screen through the CUDL platform. That allows their 1,100 credit unions and 14,000 dealerships, when a member is applying for a loan to get instantly approved and secure funding through their credit union quickly. That wasn't happening in the past, so there's a real opportunity there."

"Ser Tech has certainly seen an increase in pre-screen loan marketing campaigns," Richardson observed. "Credit unions are actively pre-approving members for both new acquisition and refinance loans. They're waiving application fees. They're expediting the loan process so that members are getting funding quickly. And it's truly times like these, when I think the value of credit unions shine through and other lenders can't compete like we do with relationships."

OPPORTUNITY NO. 4: **CARDS**

Consumers are already scared about leaving their homes because of the coronavirus, and the last thing they want to do is touch something everyone else in the grocery store has touched: the point-of-sale terminal. Members want to feel that they can still conduct their business in a secure and safe fashion, but members need to know that they still have access to their funds. Members still want to transact in a different way.

PSCU Vice President of Innovation Scott Young said contactless payments are key. "You need to have a digital strategy to retain a preferred PFI status," he said. "I think some of the great data I saw was when branches were closed or limiting hours (due to coronavirus), that behavior moving to the digital technology. I saw a stat in JD Powers that said after the pandemic struck, 46% of members were going to go back to branches or their old behavior. That's a pretty large number. The other side of that is more than half are saying they're going to stick to a digital solution. So I think that's something we really need to take focus on: Digital is here to stay."

Credit unions have been forced to shut down thousands of branches, as this map that appeared in Credit Union Times illustrates. Some may never re-open. Secure digital delivery methods that don't require contact by others during a pandemic could really take off – if anyone knew what they were. According to CompareCards by LendingTree, 51% of consumers don't even know what the contactless payment capability symbol means. Still, the card brands are putting them out and behavior and awareness is evolving.

Contactless cards got a public relations boost from coronavirus. If there's any silver lining here, it's that consumers are adapting quickly to mobile payments and contactless cards, sometimes credit unions less so.

"I feel that the behavior of the consumer has really shifted," Young remarked. "I really don't want to touch anything, so when I go to a merchant that isn't offering contactless, I draw comparisons to those that are offering contactless. I think, 'Will that change my behavior if I have competition in the same space?' And personally, I think so."

Young only joined PSCU early in 2020 and prior to that, he was running the cards program at a credit union. He admitted he was hesitant to jump to contactless at his credit union, primarily because his credit union – like thousands of others – had just made the shift to EMV a few years back.

"Thankfully, I had a very opinionated CEO that talked me into this," Young recalled. "We had a very international field of membership, and they were actually traveling abroad where contactless was more prevalent. So as a credit union, hopefully you're talking to your members and understanding what their needs and wants are."

More than contactless delivery, rewards have always been a big driver of consumers' credit card choice for the top of their wallet.

46%
OF MEMBERS ARE GOING TO GO BACK TO BRANCHES

54%
ARE SAYING THEY'RE GOING TO STICK TO A DIGITAL SOLUTION

Source: Scott Young

- Of those Americans with credit card debt, **1 in 3** only pay the monthly minimum
- **51%** of consumers are using contactless
- **33%** of US consumers have switched their top-of-wallet card to contactless
- **45%** of US consumers prefer to shop at stores that have contactless POS
- **56%** of US consumers will continue using contactless post-COVID
- **31 million** Americans tapped a Visa contactless card in March, up from 25 million in November.
- Contactless usage has **grown 150%** since March 2019.

Source: PaymentsJournal

CONTACTLESS DEMAND

PSCU ISSUED MORE THAN
500,000
CONTACTLESS CARDS IN 2019 ON PACE TO ISSUE 3,MILLION IN 2020

Cash is always king – so to speak – when it comes to rewards, even if members don't actually get nor want to touch it physically right now. "Portfolios that have reward travel-based rewards are probably struggling a little bit right now, given that we're all at home or reducing travel," Young explained. "So, right now we're seeing in rewards redemption, people are reverting to liquidating their points for gift cards and cash-like products right now." Credit unions should definitely be working to optimize their rewards programs right now.

OPPORTUNITY NO. 5: **DIVERSITY, EQUITY & INCLUSION**

Necessity, like the coronavirus, has been a great driver of innovation. The recent social unrest in the U.S. is also a driver for real change in diversity, equity and inclusion. And DEI can help drive innovation by understanding and reaching new markets, developing new products and cultivating a more authentic workplace with happier employees.

"If you're not being inclusive, you're keeping out different viewpoints, different opinions, different backgrounds, and you may be developing products and services in a silo," Young, PSCU's vice president of innovation, said.

"I want an individual to be able to bring their true self to work. And when employees can bring their true self to work and not have to worry about navigating delicate conversations or situations, then they contribute. It's a higher level. And when that happens, innovation wins.

PSCU has been an industry leader with its DEI initiatives. Andrea Rusnak, vice president of industry engagement for PSCU, explained that DEI can't just be a program, but something that's integrated across your entire organization. "You want to build around what it is, what it means, build operational strategies around it and begin to put that in play in your organization," she said.

One of the things PSCU has done to operationalize DEI is to establish a steering committee that oversees the CUSO's Employee Resource Groups, including women leaders, Hispanics, emerging leaders and the LGBTQ community. More than 600 of PSCU's 2,300 employees participate in the committees. According to Rusnak, "We really think it gives us an opportunity and a voice to talk about underrepresented areas, maybe diversity topics that come up or biases and how we can address this as a team and also within our organization."

All of PSCU's recruiters are certified diversity inclusion specialists as well. So that when they're looking at the questions that they ask potential applicants it's really to focus on: Are they ready to be part of an inclusive culture that lives and breathes that every day? "It isn't just part of a program," Rusnak added, "It's who we are, what we do and what we represent."

DEI is not just talk and thought leadership but also action. For example, PSCU has removed any mention of salary history from its job applications. Rusnak said, "We have removed from any job applications, actually a couple of years ago, any reference to asking an applicant what's their current salary, because that commits also to kind of the pay inequality. We want to get away from that. We want to pay applicants or prospective employees based on their years of experience and based on the best person for the job."

She concluded, "That's very similar to our credit unions because they have multiple markets and communities that they serve, and we want to emulate that as a credit union service organization as well."

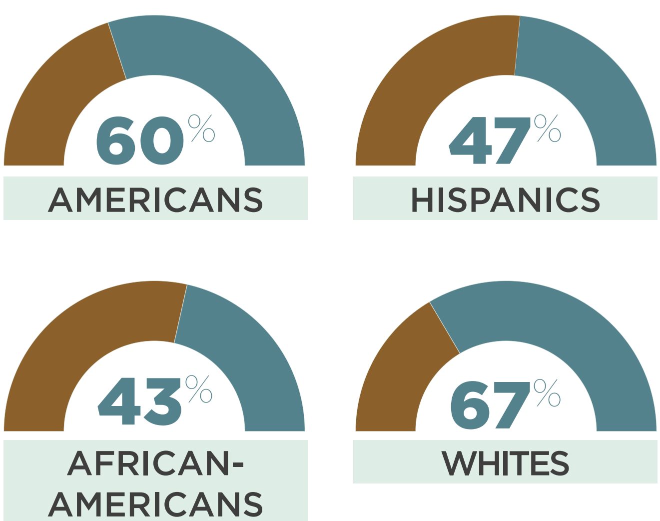
Credit unions can drive real change in social injustice and push those homeownership statistics to be more equitable with real, intentional commitment to diversity, equity and inclusion. Some credit unions and credit union partners, like PSCU, have developed models and programs, including CUNA, Filene Research Institute, Mitchell Stankovic & Associates, CU Strategic Planning, CUES, the DEI Collective, the African-American Credit Union Coalition and more.

"From a services standpoint, inclusion is definitely top of mind," Richardson said, "like how do we get more members into the credit life cycle? Automated underwriting has served a strong purpose in terms of digital delivery, but if you look at it realistically, it also represents to a large degree why more members don't get through the pipeline. And so Ser Tech is actively looking at ways to increase approval rates through expanded data and credit attributes, varying score models and certainly delivery channels."

Ser Tech itself is a diverse company, and above and beyond that, Richardson has been working through WOCCU and the Global Women's Leadership Network to help bring female entrepreneurs along by sharing her knowledge and experience. Richardson has traveled to the rural parts of the Philippines and Thailand to work with the Asian Confederation of Credit Unions to establish business development centers and help women build sustainable businesses and models. "It's really heartening to see small steps that make a huge impact," she said.

Open Lending's Lenders Protection program, which uses alternative data to re-score car loan borrowers and provides default insurance, was founded to help credit unions and other lenders make auto loans safely in lower credit buckets. "The whole program exists because our founders 20 years ago took a good, hard look at subprime auto finance and turned it on its head. They wanted to know how

DIVERSITY IN HOMEOWNERSHIP



Source: InCharge

WE FETCH LOANS FOR YOU

- How can we adopt principles of diversity across the organization?
- How can we operationalize it?
- Who's on your frontline? What is the composition of the executive and board?
- What languages do you speak on your member service line?
- Is there technology that can help?

do we help more borrowers get approved for auto loans? So, the data-driven decisioning model and the machine underwriting take any personal bias out of the equation when you're looking at the risk attributes on a loan application. Thus, credit unions can approve a wider array of borrowers and setting them up for success with an auto loan purchase."

Regarding BALANCE, a financial education nonprofit that works through community financial institutions and directly with consumers on housing issues, Campbell explained that 95% of the people in its Smart Money financial coaching program are racial or ethnic minorities, so the company recently looked inward. The organization wanted to know if the board, leadership and entire team were representative of their clientele, and the answer was yes.

"We think it's because we're so diverse, we've been really successful in our programs because people want to be helped by people that look and sound like them when they're talking about their money," Campbell hypothesized. "And, when folks are looking to borrow money and to have somebody be their financial adviser, their member-centered financial home, they want to see more people who look like them."

OPPORTUNITY NO. 6: **COMMUNICATIONS**

As every human on the planet has been touched by the coronavirus in some way, nerves are frayed and stress is peaking to an all-time high – among our colleagues, our family and our members. Genuine communications and connection are paramount.

Marketing messaging has always required thought and diverse sets of eyes on it to ensure it hit the mark, but in 2020, the right messaging couldn't be more important. It must demonstrate empathy, be culturally sensitive as well as inclusive, and should not be a straight sales pitch. "We've run 350 different prescreen campaigns for our credit union clients, mostly auto refinancings between March and May, and a good percentage of those credit unions in their messaging, it really boiled down to empathy," Richardson said. "The messaging around it was we are here for you, whether you're interested in refinancing your auto loan today or in six months from now, we're your credit union. Come talk to us about your financial needs."

Rusnak pointed out, "Whether you're communicating about a new auto lending program or anything that's going out to touch members, we just need to be empathetic and realize that everyone's going through something different. Right now there's a lot of social unrest, so make sure your marketing messages are tailored to what you want to present to your market and your membership." She continued that it must be authentic to your credit union's brand and that it's truly in service of your communities.

And when communicating with members, offer useful, actionable advice. Good content marketing provides educational materials aligned with your business purpose, so offering financial education materials is a must. Whether online, in print or – hopefully soon – in person, offer guidance on car buying, provide information on saving for retirement and give young adult members tips for creating a budget they can stick to. Giving your members information that will help them improve their lives will help your credit union earn the position of their trusted financial adviser.

Not-for-profit credit unions have a real opportunity to lean on that status to reach more consumers and convert them to members. While credit unions have existed more than 100 years, a disconnect remains about what credit unions are and what they do and who's eligible to 'join' which one. According to Kasasa, only 16% of consumers consider a credit union their primary financial institution, so the industry must clear up the confusion. Consistent messaging that reaches members where they are is critical for continued relevancy.

OPPORTUNITY NO. 7: **RISK MITIGATION**

Collecting and having clear access to the right data is critical in risk mitigation, particularly in times of economic uncertainty.

Ser Tech offers end-to-end credit data decision-making tools. Its Fetch Marketing uses credit data to fine tune target marketing to borrowers that meet each credit union's underwriting criteria, then reaches out to consumers with electronic communications or direct mail. Its Flitter Credit Network offers real FICO credit scores and education to consumers through a credit union's online banking and mobile app, as well as appropriate offers of credit. Finally, Account Review allows credit unions to view its portfolio to determine additional offers of credit or credit line adjustments down to the account level.

Open Lending pairs alternative data with credit scores to provide a more accurate visual of a car loan borrower's financial position. Lenders Protection predicts default rates with 99.2% accuracy, and then the loans run through the company are backed by two A-rated insurance carriers. This combination allows credit unions and other lenders to offer loans to consumers who might not qualify elsewhere or to receive a better rate, while still providing the lender with a targeted income margin.

PSCU's Advisors Plus implements predictive analytics and modeling based on a member's spending and behavioral patterns. These patterns can indicate a significant life change that could affect their finances, such as a job change or loss, divorce and other risk factors. Using predictive modeling, credit union can be proactive to help members and offer financial wellness solutions to mitigate the lender's risk

PSCU also helps credit unions mitigate fraud risk through education and alerts for members on contactless and mobile payments. This way cardholders can check immediately if their account has been compromised or simply turn the card off when it's not in use.

BALANCE offers financial coaching to help consumers improve their financial stability, including budgeting, savings and credit builder programs. The organization helps credit unions guide members through paying down debt, prudent use of credit and contingency planning, as well as walking them through their credit report, what it means and how it affects credit pricing.

"Credit unions and banks at this point really need to understand the 360-degree view of a consumer's financial profile," Richardson said. "Account reviews can also help with collections in terms of getting in front of early delinquencies. That's going to be pretty critical for the next 24 months."

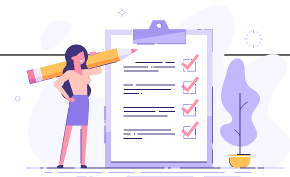
CONCLUSION & TAKEAWAYS

The research points to our need to adapt and not expect the world to conform around us. We must harness the wonderful efficiencies that technologies provide in a strategic way and without fear. We have a duty to care for everyone and make them feel like they belong working with us or as members and clients.

Consumer behavior will be conservative with discretionary spending as they rebuild their savings and as their protections from COVID-support programs run out. But they will need homes and cars and help saving for and on the financing of those purchases. The luxury items, things consumers use revolving credit for, will remain slow. Unfortunately credit unions must keep a close watch over delinquencies creeping up as government programs expire as well.

However, Richardson points out, financial markets have been almost unfazed by the protests, but you counterbalance that with a lot of big city and state budgets have already been negatively affected by COVID, the recent protesting and job losses, "I think that's going to be an interesting thing for us all to watch. I'm cautiously optimistic about credit unions' performance. This is when the industry shines. This is why credit unions were created in the first place. There are some unknowns around how long the tail of this pandemic will last, and that'll make for an interesting 18 months or so. But again, I'm cautiously optimistic."

KEY TAKEAWAYS



1. Don't freeze. Keep taking action and making decisions, even if the decision or timing is forced to evolve due to outside forces, such as a global pandemic like coronavirus.

2. Reach as many consumers as quickly as possible as efficiently as possible to make the most of the opportunities for credit union lending.

3. Lending and income opportunities exist in mortgage refinancing, home equity loans and lines of credit, auto loan refinancing and used auto loans, and contactless credit cards and other loan programs.

4. Diversity, equity and inclusion serves to drive innovation, which is simply creativity that generates income.

5. Accelerate your credit union's digital transformation to grow membership, revenue and efficiencies, as well as keep employees happier and safer.

6. Spread financial coaching across your entire credit union, from lending to collections, to your website and call centers, and beyond. It serves as helpful, actionable information for your members and is at the core of building trust.

ABOUT AUTHORS

Shannon Richardson is passionate about the positive role community financial institutions play in consumer finance around the world. Delivering socially responsible financial services is her life's mission, which led her to found Ser Tech, a credit data-driven marketing, credit education and risk management firm, with her business partner and co-owner, Chairman Mike Covert, more than 25 years ago. Ser Tech has worked with thousands of institutions and collaborates with partners and strategic alliances to continually deliver value to its clients. During Shana's tenure, the company has grown from a startup to supporting more than $1 billion in loan growth per year for community financial institutions.

Shana has co-chaired the Southern California Global Women's Leadership Network Sister Society since 2019, with a primary initiative to end human trafficking. She was honored with the 2017 Athena Award from GWLN, presented to individuals who make outstanding contributions to women's leadership in the international credit union movement. As a part of that, she mentored a group of talented, rising stars in Thailand to achieve their CUDE certification in 2017 in partnership with GWLN and helped launch four GWLN Sister Societies in the Philippines and initiated the opening of the Business Development Center with Empowerment Grants, enabling hundreds of female entrepreneurs living in rural communities.

Sarah Snell Cooke is principal at Cooke Consulting Solutions, a communications strategy and business development firm serving business partners in the community financial institutions market. She has more than 20 years of experience in communications and credit unions. Her belief in the power of credit unions led Sarah to form Cooke Consulting Solutions to use her leadership and skills to help connect credit unions with excellent business partners to help them grow and serve more consumers. She is currently also the secretary of the board at $500M APL FCU, volunteering there since 2011, and co-chair of the DC Sister Society of WOCCU's Global Women's Leadership Network since 2014.

Sarah served as publisher and editor-in-chief of Credit Union Times, leading the No. 1 industry publication to two consecutive years of record readership, revenue and profitability. She was named to the 2015 Folio Top Women in Media and ALM Media's 2015 Manager of the Year.

Cooke holds an MBA and a Bachelor of Arts in political science with a minor in journalism.

We believe in responsible consumer credit services. People should have access to fairly priced credit, whether personal, credit card, vehicle, student or mortgage loans. Fair credit helps families and their communities to thrive and grow. That is why Ser Tech is uniquely focused on developing financial technology services to help lending institutions empower lives.

—Ser Tech Founder/CEO Shana Richardson

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CONTACT SER TECH TODAY!

Ser Tech is a financial technology services company that leverages credit data to help clients target consumers to generate new loans, provide FICO® Scores and credit education for consumers, and identify, measure and manage portfolio risk and opportunity through comprehensive loan management. Ser Tech is headquartered in Dallas, serving more than 3,000 credit unions since 1994.