

10 How long can CUs' hot streak last?

11 Tackling the growing fraud threat

12 Is there a lending bubble on the horizon?

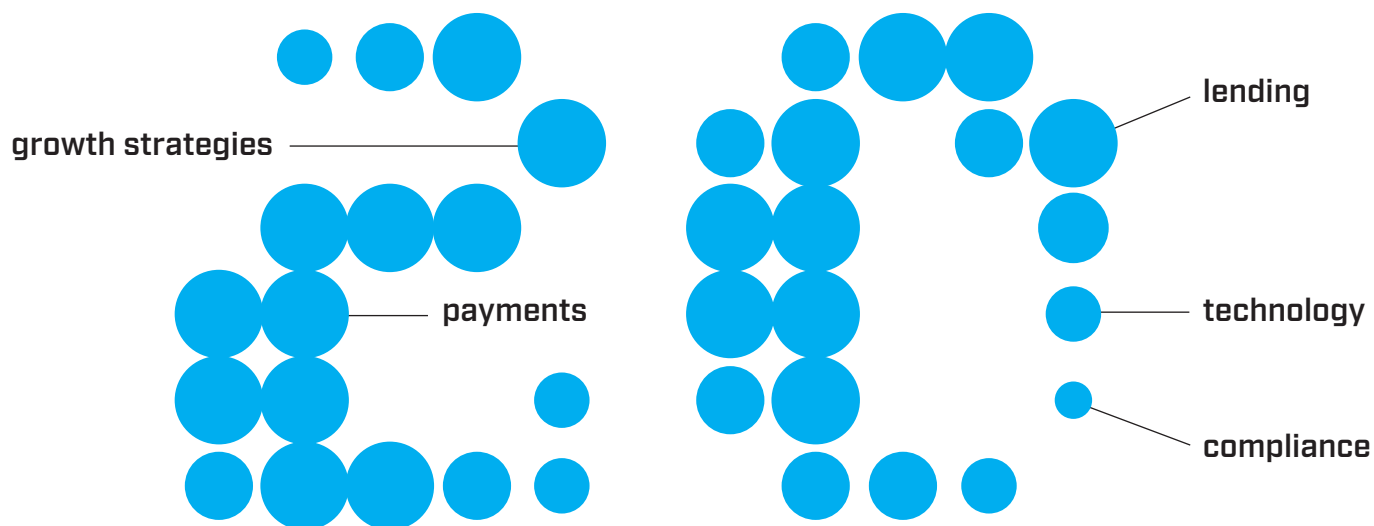
14 Using technology to leverage new FOM rule

CREDIT UNION JOURNAL

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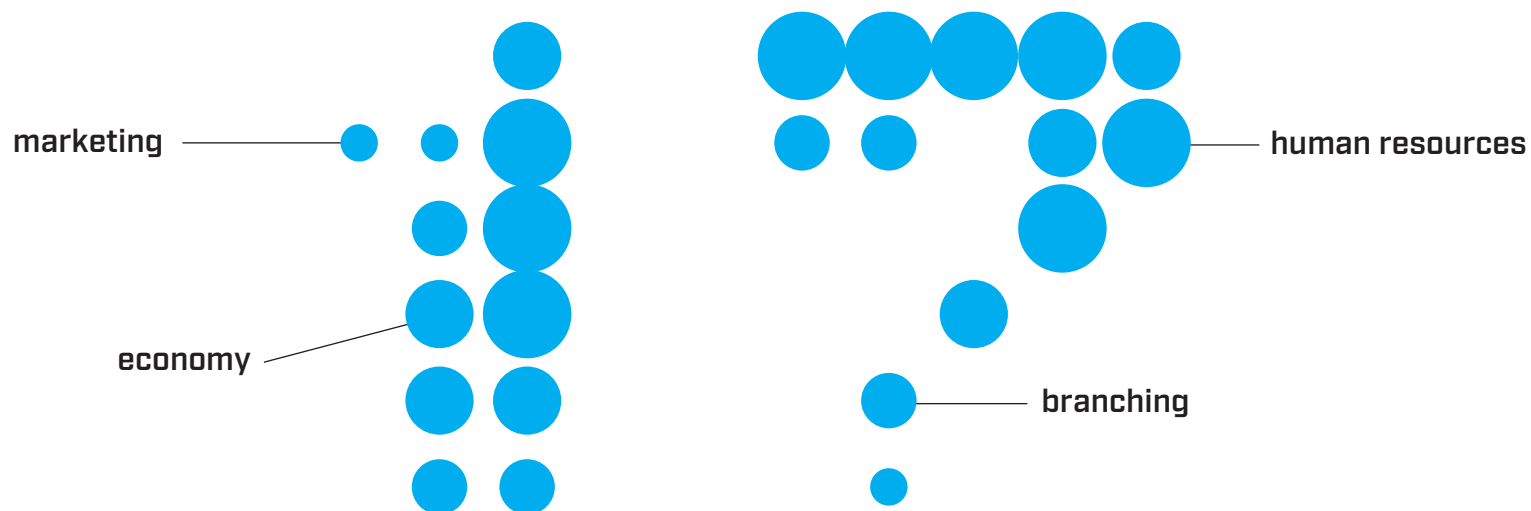
THE RESOURCE FOR GROWTH-ORIENTED CREDIT UNIONS

VOL. 21 | NO. 1 | JANUARY 2017



THE YEAR AHEAD

Credit unions have enjoyed a multiyear run of solid growth in membership and originations. Rising rates and the potential for regulatory overhaul could mean new competition — just as refi volumes are set to fall



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08 : 57: 00 PM

I forgot to stop by the credit union.

08 : 58 : 00 PM

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A Very Good Year

CUs saw double-digit loan growth in the 12-month period that ended in Q3 2016, including more than \$847 billion in total loans. Here are some highlights:

Overall loan growth	10.1%
New auto loans	15.8%
MBLs	14%
New student loans	10%
Total real estate loans	8.2%

Source: NCUA

10



Compliance

09 HOUSE BANKING PANEL SHAKES UP LEADERSHIP
The House Financial Services Committee will see a shuffling of deck chairs among the leadership of its subcommittees in the new Congress as it also welcomes ten new Republican members. But some things predictably stay the same.

Opinion

07 WHY BANKS AREN'T LINING UP TO CONVERT
It's one of credit union advocates' favorite arguments: if the tax exemption is so great, why don't more banks change charters? Here to answer that question is Keith Leggett, a former American Banker Association lobbyist.

Technology

11 TARGETED ATTACKS COULD BE BIGGER RISK
Massive data breaches grab the headlines—and have happened so often that consumers, bleary-eyed from breach fatigue, hardly notice them anymore—but the smaller, more strategic hacks may take a greater toll on credit unions and other organizations in 2017.

14 GROWTH IS GOOD, BUT IT COMES AT A COST
The potential for growth as a result of the National Credit Union Administration's revised field-of-membership rule could be dwarfed by the costs of the technology upgrades needed to leverage this opportunity—as well as to deal with the kind of stuff CUs don't want to see grow, such as collections and complaints

Lending

12 WILL LONG-AWAITED BUBBLE MATERIALIZE IN 2017?
The data shows an increase in delinquency rates for consumers with poor credit, but the bulk of troubled subprime loans aren't coming from credit unions—for now, at least. Experts share a mixed bag of data that suggests CUs can't ignore the potential danger.

Growth Strategies

16 CREDIT UNIONS ON FOREFRONT OF WAGE WAR
Call it the \$15 question: will more states raise their minimum wage levels, and will the federal government jump in? A number of credit unions have already joined the cause—here's why.

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EDITOR'S NOTE

Lisa Freeman
Editor in Chief

Resolve to check out the new Credit Union Journal

WELCOME TO THE NEW CREDIT UNION JOURNAL.

After much thought, research and preparation, we are starting off the new year with a newly inspired monthly magazine, as well as a totally reimagined website all designed with our deep commitment to the credit union community in mind.

Our goal: bring you even more of the in-depth analysis, intelligence and commentary you've come to depend on Credit Union Journal for in a crisp, compelling format, both online and in print.

In each issue of the print publication, you can expect to see beneath-the-surface insight into the things that matter most to credit unions: lending, technology, growth strategies, compliance issues and more, teamed up with visuals that not only grab the eye but inform.

Moreover, longer-form stories offer the opportunity to dig deeper. We don't just report what happened—we examine what it means and how credit

unions can leverage the hidden opportunities and mitigate the challenges that abound in the market today.

On the digital side, the new CreditUnionJournal.com offers a fully responsive site that delivers an enhanced cross-platform user experience with a modern design offering easier navigation, stronger graphics and better overall access to content, such as the continuous scrolling page load functionality.

What hasn't changed? Our dedication to the credit union community. Building on our 20 years of covering this cooperative industry, our goal is to provide you with the intelligence and resources you need to continue thriving in an increasingly competitive marketplace.

Editor in Chief Lisa Freeman can be reached at lisa.freeman@sourcemedia.com.

CALENDAR 2017

JANUARY**JANUARY 15-18**

CUNA Volunteer Conference, Montego Bay, Jamaica. Venue: TBA

FOR INFO: www.cuna.org**JANUARY 29-FEBRUARY 2**

CUES Symposium: A CEO/Chairman Exchange, Frenchman's Reef and Morning Star Marriott Beach Resort, St. Thomas, VI.

FOR INFO: www.cues.org**FEBRUARY****FEBRUARY 7-8**

CUNA Business Lending Roundtable, Tempe, Ariz. Venue: TBA.

FOR INFO: www.cuna.org**FEBRUARY 21-23**

NAFCU Strategic Growth Conference, Francis Marion Hotel, Charleston, S.C.

FOR INFO: <http://www.nafcu.org/conferences/>**FEBRUARY 26-MARCH 2**

CUNA Government Affairs Conference, Washington Convention Center, Washington.

FOR INFO: 800-356-9655, Ext. 5700**MARCH****MARCH 27-30**

CUNA & Association of Credit Union Internal Auditors Internal Audit Certification School, Orlando, Fla. Venue: TBA.

FOR INFO: www.cuna.org**APRIL****APRIL 6-8**

Hawaii Credit Union League Annual Meeting, Grand Hyatt Kauai Resort & Spa, Kauai.

FOR INFO: (808) 941-0556**APRIL 6-8**

Illinois CU League Annual Meeting, Renaissance Schaumburg Hotel & Convention Center

FOR INFO: Melanie J. Murphy 800-942-7124**APRIL 10-14**

NAFCU CEOs and Senior Executives Conference, Fontainebleau Miami Beach, Miami, Fla.

FOR INFO: <http://www.nafcu.org/conferences/>**APRIL 11-13**

Cornerstone CU League Annual Meeting, Omni Hotel, Fort Worth, Texas.

FOR INFO: Tamra Fairbrother, 800-442-5762, X 6632**APRIL 12-14**

Mountain West 2017 Annual Convention, Fairmont, Scottsdale, Ariz.

FOR INFO: Nicole Brusewitz, 720-479-3200**APRIL 17-19**

Ohio Credit Union League and Affiliates Annual Meeting, Hilton Downtown, Columbus, Ohio.

FOR INFO: (800) 486-2917, ext. 2447**APRIL 20-21**

Michigan Credit Union League Annual Meeting, Amway Grand Plaza Hotel, Grand Rapids, Mich.

FOR INFO: (800) 262-6285, ext. 231

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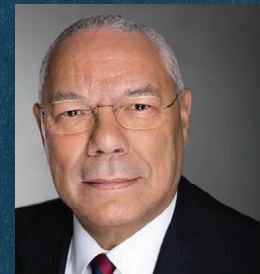


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KEYNOTE SPEAKERS



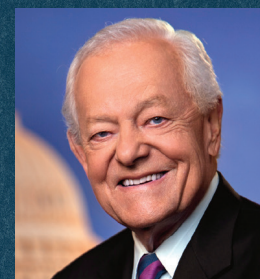
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New year, new name, same mission as NAFCU marks 50th anniversary

As the new Congress and administration are beginning to take shape, the credit union trade association is ramping up lobbying efforts even as it celebrates a major milestone.

BY RICHARD L. HARRIS



IN 2017, NAFCU marks its 50th – golden – anniversary, and we are kicking it off in high gear!

As a new Congress and administration take shape, NAFCU has hit the ground running, urging the newly elected as well as returning lawmakers for critical regulatory relief for our industry. The association also has been front and center working with the incoming administration and continuing its efforts with our regulators to improve the business environment for credit unions' growth and future prosperity.

NAFCU seamlessly adopted its name change to more accurately reflect a membership that welcomes all federally insured credit unions. The association maintains its focus on issues affecting credit unions at the federal level. Our mission is unwavering: To provide the best in federal advocacy, education and compliance assistance to our members, and to advance our goals for advocacy. Specifically, NAFCU intends to leverage 2016's legislative successes especially those improvements related to the Dodd-Frank Act to help alleviate the unnecessary burden placed on credit unions.

Going forward, NAFCU will keep the protection of credit unions' tax-exempt status as its top priority. We will urge the CFPB to use its statutory authority to exempt credit unions from regulations de-

signed to address bad actors on Wall Street. Housing finance reform will also be a major focus. Reform that guarantees access to the secondary mortgage market for credit unions and ensures fair pricing based on loan quality, not just volume. NAFCU will also continue to advance the adoption of national data security standards for all that hold consumers' personal financial data (similar to the Gramm-Leach-Bliley Act standards credit unions already adhere to). Another top priority is the interchange issue; NAFCU will continue to push to repeal the failed Durbin amendment and fight against any efforts to expand interchange price caps to credit cards. It will also continue to press the Federal Reserve to lessen the negative burden of the Durbin price caps.

The association has also actively engaged with NCUA as the agency continues to develop its cybersecurity examinations. NAFCU has joined with CUNA to defend credit unions' interests against the pending bankers' lawsuit over NCUA's member business lending rule. NAFCU has been particularly vocal in its concerns about potential NCUSIF premium charges and in urging the NCUA to work to ensure a TCCUSF refund for credit unions as soon as possible. In fact, NAFCU launched a new NCUA Money Watch page to analyze NCUA's budget and finances. NAFCU is also in constant contact with CFPB regarding its anticipated rulemakings on overdraft programs and first-par-



As NAFCU celebrates its 50th anniversary, the trade group is also gearing up to lobby a new Congress and administration. Above, U.S. Rep. Paul Ryan is sworn in as Speaker of the House for the 115th Congress.

ty debt collection.

Undoubtedly, the new year will have its share of challenges. Top among them will be the new regulations pertaining to prepaid accounts, mortgage servicing, the Home Mortgage Disclosure Act (HMDA), and the credit card element of the Military Lending Act (MLA). I am confident, with NAFCU's exceptional staff and services, we will have an outstanding array of resources available to help credit unions deftly navigate these new regulations.

Ultimately, as part of their dedicated advocacy efforts, NAFCU staff has laid critical groundwork for us. But as they say, all politics is local. To leverage the true value of credit unions among lawmakers, it is incumbent on us to make sure

they know us, their constituents. We should invite lawmakers to visit our credit unions or we should visit them in their district offices as well as Washington. Our first 50 years of success have been built on a solid foundation of advocacy at the federal and grassroots level. Today, with so many competing interests on the regulatory and legislative front, we must redouble our efforts to advance the credit union difference to ensure a prosperous future for our industry. With all of us working together, we are sure to make our golden year an outstanding triumph!

Richard L. Harris is president and CEO of Caltech Employees FCU and chairman of the National Association of Federally-Insured Credit Unions.

OPINIONS

Why banks aren't lining up to convert to credit unions

BY KEITH LEGGETT



CREDIT union advocates argue that if the credit union charter

and its tax exemption offer such a big competitive advantage, why aren't banks lining up to convert?

Let me begin by saying I believe in charter choice. A financial institution should have the freedom to select the charter that best aligns with its business model.

However, a conversion of a bank to a credit union is extremely rare.

I know of only two instances where such a conversion took place in the last two decades - ESL Federal Credit Union and Thrivent Federal Credit Union. In both instances, the banks that converted to credit unions were mutual banks, which are similar to credit unions in structure.

The rarity of a bank converting to a credit union points out the difficulty - if not impossibility - of this event, especially for a stock-owned bank.

First of all, credit unions are financial cooperatives owned by their members, while most banks are owned by stockholders (my following comments will be focused on banks owned by shareholders).

A stock banking organization converting to a credit union would have to first compensate its shareholders for their ownership interests. This could effectively wipe out the capital of the entity that is converting to a credit union. Thus, the proposed credit union convert would not have enough capital to operate safely. So,

this could make it difficult to convert from a stock entity to a credit union.

On top of that, bank balance sheets are in general fundamentally different from

credit unions. Most banks are commercial lenders, while most credit unions are con-

sumer lenders. A bank converting to a credit union would
CONTINUED ON PAGE 17



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¹ TruStage Insurance Policyholder Analysis, July 2015

² TruStage Insurance Program Analysis of 2015 non-interest income median growth rates for credit unions with >\$1B in assets

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Senate banking panel takes shape

BY IAN MCKENDRY

WASHINGTON – THE SENATE BANKING Committee will have six fresh faces in the new Congress as Republicans grapple with a slimmer majority.

The panel roster includes Sens. David Perdue, R-Ga., Thom Tillis, R-N.C., and John Kennedy, R-La.

In a statement, Perdue said he will carry the GOP torch to reduce regulations on financial institutions. “We need to dismantle the regulatory regime of Dodd-Frank, encourage entrepreneurial innovation, and unleash economic growth to get Americans working again,” said Perdue.

Democrats, meanwhile, benefit from an additional seat on the panel. They now have 11 seats, compared to Republicans’ 12.

Joining the ranks are Sens. Brian Schatz, D-Hawaii, Chris Van Hollen, D-Md., and Catherine Cortez Masto, D-Nev.

But Washington observers said the dynamics will likely be similar to that of the previous Congress, with policymaking likely up to Sen. Mike Crapo, R-Idaho, who is chairing the committee, and Sen. Sherrod Brown, D-Ohio, the top panel Democrat.

However, there are high hopes for a better working relationship between Brown and Crapo. The committee may also be more active under Crapo.

Of note is that Nevada will now have both its Senators on the panel while New York – the financial center of the U.S. – will have none. Still, in his role as Senate Dem-



Bloomberg News

“We need to dismantle the regulatory regime of Dodd-Frank, encourage entrepreneurial innovation, and unleash economic growth to get Americans working again,” said Sen. David Perdue, R-Ga., one of the new members of the Senate Banking Committee.

ocratic leader, Sen. Charles Schumer will carry significant weight, observers said.

But the Nevada senators could prove

to be active in any debate over housing finance reform, given that the Silver State was ground zero for the mortgage crisis. ■

PEOPLE

Direct Federal Credit Union, Needham, Mass., has named **Brian Medeiros** as VP-information technology.

Financial Center First Credit Union, Indianapolis, has hired **Mickey Kinder** as VP of operations.

Michigan State University Federal Credit Union, East Lansing, Mich., promoted **Jim Hunsanger** to chief risk officer and **Rob Johnson** to chief internal auditor.

Vantage West Credit Union, Tucson, Ariz., has named **William Tong** as senior relationship manager.

Misty McQuaid, member contact center supervisor at **Catholic Federal Credit Union**, Saginaw, Mich., was chosen as the 2016 Deborah L. Frisch Employee of the Year.

First New York Federal Credit Union, Albany, N.Y. named **Sayla Eisner-Mix** as its school banking program and marketing coordinator.

Firefly Credit Union, Burnsville,



BRIAN MEDEIROS
Direct FCU



MICKEY KINDER
Financial Center First



JIM HUNSANGER
MSUFCU



ROB JOHNSON
MSUFCU



WILLIAM TONG
Vantage West CU



MISTY MCQUAID
Catholic FCU



SAYLA EISNER-MIX
First New York FCU



GEOFF BULLOCK
Firefly CU



TY MATLOCK
United FCU



SARAH SOMMERS
United FCU



PAULA WYGONIK
United FCU



CATHY VACANTI ALM
Veridian CU

Minn., hired **Geoff Bullock** as its financial education specialist.

United Federal Credit Union, St. Joseph, Mich., has named **Ty Matlock** as an associate director on its board of directors.

United Federal Credit Union, St. Joseph, Mich., has named **Sarah**

Sommers as an associate director on its board of directors.

United Federal Credit Union, St. Joseph, Mich., has named **Paula Wygonik** as an associate director on its board of directors.

Veridian Credit Union, Waterloo, Iowa, hired **Cathy Vacanti Alm** as

branch manager of its upcoming location in Papillion, Neb.

IBM Southeast Employees' Credit Union, Delray Beach, Fla., said its president/CEO **Michael Miller** was named to the South Florida Business Journal's Top 100 Power Leaders in Banking & Finance.

House banking panel sees shuffle

BY IAN MCKENDRY

WASHINGTON – THE HOUSE FINANCIAL Services Committee will see a shuffling of the leadership of its subcommittees in the new Congress as it welcomes 10 new Republican members.

The shake-up on the GOP side is largely due to eight committee members from the previous Congress either retiring or losing elections.

Rep. Bill Huizenga, R-Mich., will succeed Garrett as chairman of the capital markets subcommittee, but oversight of the government-sponsored enterprises, which had previously been with that panel, will now shift to the subcommittee on housing and insurance, which will be overseen by Rep. Sean Duffy, R-Wis.

“I actually think in some ways this re-designation of the GSEs to the housing and insurance subcommittees is a back to the future move. It probably puts them back where they belong,” said Rep. French Hill, R-Ark., in an interview. Hill will serve as the Republican committee whip. “I do believe the priorities of the committee will start with a review of the Financial Choice Act.”

Rep. Blaine Luetkemeyer, R-Mo., will be chairman of the financial institutions and consumer credit subcommittee.

The monetary policy and trade subcommittee, previously chaired by Huizenga, will be led by Rep. Andy Barr, R-Ky., and the task force to investigate terrorism financing will be a separate subcommittee



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U.S. Rep. Jeb Hensarling, R-Texas, begins his final two years as House Financial Services Committee chairman, due to term limits on such leadership posts.

chaired by Rep. Steve Pearce, R-N.M. Rep. Ann Wagner, R-Mo., will chair the oversight and investigation subcommittee.

The top three spots remained the same

with Rep. Jeb Hensarling, R-Texas, as chairman of the committee. Rep. Maxine Waters, D-Calif., top Democrat and Rep. Patrick McHenry, R-N.C., as vice chairman. ■

PEOPLE

Beach Municipal Federal Credit Union, Virginia Beach, Va., elected **Nianza E. Wallace II**, **Robert W. Hall**, **Beach** and **Joelle Talbot** to its board of directors.

Crane Credit Union, Odon, Ind., promoted **Lori Lundy**, to asset recovery manager, named **Danielle Combs** as AVP-risk management officer and promoted **Tim Lukomski** to senior vice president and chief financial officer

DeLeon & Stang Certified Public Accountants promoted **Eddie Heppes** to supervisor.

Credit Union of America, Wichita, Kan., hired **Ariel Rivera** as branch manager.

First Tech Federal Credit Union, Mountain View, Calif., promoted **Brad Calhoun** to chief retail and marketing officer.

CorePlus Federal Credit Union, Norwich, Conn., appointed **Kenneth P. Levy** to its supervisory committee.



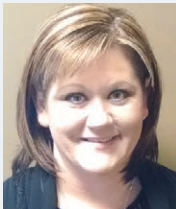
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Beach Municipal FCU



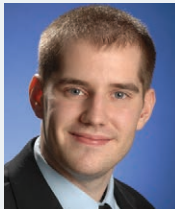
ROBERT W. HALL
Beach Municipal FCU



JOELLE TALBOT
Beach Municipal FCU



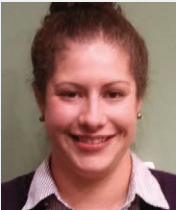
LORI LUNDY
Crane CU



EDDIE HEPPES
DeLeon & Stang



ARIEL RIVERA
CU of America



DANIELLE COMBS
Crane CU



BRAD CALHOUN
First Tech FCU



KENNETH P. LEVY
CorePlus FCU



JAMES CARROLL
Suffolk FCU



GEORGE NAHODIL
Members 1st FCU



CHUCK PURVIS
Coastal FCU

Suffolk Federal Credit Union, Medford, N.Y., promoted **James Carroll** to VP of facilities and services.

George Nahodil, EVP of retail delivery, public relations and marketing at **Members 1st Federal Credit Union**, Mechanicsburg, Pa., was named a winner of the Central Penn Business Journal's

2016 Executive Management Awards.

Chuck Purvis, president and CEO of **Coastal Federal Credit Union**, Raleigh, N.C., was named 2016 Businessperson of the Year by the Triangle Business Journal.

Marcela Navarrete, a board member of **evolve Federal Credit Union**, El

Paso, Texas, was selected as one of the six "Women of Impact" by El Paso Inc.

Local Government Federal Credit Union, Raleigh, N.C., said **Dayatra Matthews**, senior vice president-legal and compliance, was named to the Consumer Financial Protection Bureau's Credit Union Advisory Council.

After several strong years, how long can credit unions' hot streak last?

2016 was another year of record growth for credit unions, but with several interest rate increases expected next year and inflation on the rise, will the good times keep rolling?

BY PALASH GHOSH

2016 WAS A GOOD YEAR FOR CREDIT unions, continuing a run that has lasted for several years. But just how long can the industry's hot streak last?

According to data from the National Credit Union Administration, total loans outstanding at federally insured credit unions reached \$847.1 billion at the end of the third quarter of 2016, a 10.1% jump from one year earlier. On a year-over-year basis, loans climbed in every major category, including a 15.8% lift for new auto loans, a 14% rise in net member business loan balances, more than 10% growth in new student loans and an 8.2% increase in total real estate lending. Credit union membership also surpassed the 106.2 million-member mark during Q3, equating to approximately one-third of the entire U.S. population.

Still, large CUs continue to post the biggest gains, outpacing their smaller peers. Indeed, some smaller institutions (below \$100 million in assets) actually lost membership.

DARK CLOUDS AHEAD?

In spite of this year's solid results, the normally sanguine NCUA Chairman Rick Metsger warned of some headwinds ahead. "Credit unions must guard against risks on the horizon like rising interest rates and regional economic downturns, particularly in [the] energy-producing states," he cautioned.

Ironically, growth has been so strong for credit unions over the

past few years that it makes it harder and harder to keep up such powerful momentum from an ever-elevating base.

"Our biggest challenges for loan growth over the next year will be whether we can sustain the origination volumes we have seen over the past [two to three] years as rates start to rise and competition for loan volume from both traditional and non-traditional lenders increases," suggested Bob Stroup, consumer loan product strategy director at the \$15.7 billion Boeing Employees Credit Union (BECU) of Tukwila, Wash.

Kam Wong, president and CEO of the \$2.4 billion Municipal Credit Union of New York City, noted that while he anticipates continued growth in Municipal's membership and loan portfolios in 2017, the impending Fed rate hike may limit loan growth, particularly compared to 2016. But higher interest rates could also help.

"The macro-economic changes predicted in 2017 will undoubtedly bring new members through our doors due to the fact that big banks will likely make more immediate and broader adjustments to the rate change, which could 'price out' many individuals from banking with them," he explained.

Wong predicted that the greatest challenge for credit unions as a whole next year will be facing the "challenge of change"—even when the change could be positive.

A Very Good Year

CUs saw double-digit loan growth in the 12-month period that ended in Q3 2016, including more than \$847 billion in total loans. Here are some highlights:

Overall loan growth	10.1%
New auto loans	15.8%
MBLs	14%
New student loans	10%
Total real estate loans	8.2%

Source: NCUA

"We must be cognizant of the fact that we will not only experience a change in rates next year...but also a change in the regulatory environment that we have learned to work with since Dodd-Frank became law," he explained.

In addition, market and consumer conditions may become more volatile in 2017, Wong warned, which could lead to lower levels of consumer spending and the need for credit union members to have access to financing or credit.

HOMES, CARS AND DEPOSITS

For the industry as a whole, Curt Long, chief economist at the National Association of Federal Credit Unions, expects membership and loan growth to remain strong. "As interest rates rise, more people will

look into credit union membership in order to take advantage of their superior rates," he said. "Loan growth will depend largely on economic and financial conditions - we may see slowing in some important areas as the auto market looks to have plateaued and refinances will likely taper in 2017 if mortgage rates continue to rise."

Perc Pineda, senior economist at the Credit Union National Association, believes loan growth and membership growth at credit unions will remain positive in 2017, as household balance sheets continue to improve and the housing market stays in "recovery mode." In particular, Pineda said that auto lending at credit unions will continue to grow, but at a weaker pace than in recent years. ■

Massive data breaches make news, but targeted attacks are bigger issue

The number of headline-making hacks may have led consumers to stop taking notice, but credit unions need to remain vigilant as some warn of still more attacks ahead.

BY W.B. KING

NEWS OF MASSIVE DATA BREACHES ARE so common now it's easy for consumers to stop noticing, but credit unions cannot afford to take such an approach, as some experts are expecting an increase in 2017.

According to a 2015 Deposit Account Fraud Survey, there was a 74% increase in fraud attempts over 2014, and news headlines reflect this trend. Throughout the year, many CUs experienced high levels of debit card fraud due to malware that was designed to extract member card data.

According to Michelle Shoop, director of payments at Cornerstone Advisors, retailer data breaches can be on a grand scale like Target or Home Depot, or be targeted strikes at the local convenience store. CU executives, she added, should be on the lookout for "common-point-of-purchase" fraud and "card-not-present" fraud, both of which she thinks will increase in 2017.

"Standard fraud solutions look at an individual card holder and the way that they spend, and try to identify an anomaly, but they don't do is necessarily identify which merchant it is coming from or the location of that merchant or the device," said Shoop. "Sometimes these alerts are a little too little and little too late."

To protect against fraud, she said, CUs must have risk management processes consolidated across all product lines. "There should be a formal or informal information sharing forum so that the people who handle check fraud and the people who handle account opening fraud and card fraud are all talking to each other," she said.

While there are plenty of fraud solutions on the market, there is not yet a silver bullet. But that can't stop CUs from always refining their approach to fraud prevention

and detection.

Shoop noted that examples of popular vendors include FICO Falcon Fraud Manager and Verafin. The latter's FRAMLx is a cloud-based fraud detection and anti-money laundering software that reports in real-time and is utilized by \$3.7 billion-asset University of Iowa Community CU.

For UICCU, which supports 146,000 members at 15 branches, the lack of a substantial fraud solution hindered the CU's ability to track fraudulent trends.

"We had no BSA or fraud software, so we were extremely limited in what information we could access easily," said Bank Secrecy Act (BSA) Officer Kris Ockenfels, adding that the CU was unaware of potential ATM and debit card fraud risks until after deposits were returned via the Fed.

"We now have ready access to transactions data in ways we never dreamed of before. I can find and tag high-risk accounts based on multiple criteria," said Ockenfels. "Now, instead of thousands of dollars of new account ATM fraud losses, we can often pinpoint accounts at the highest risk for that type of fraud and drastically reduce our losses, sometimes even to zero."

Logix FCU in Burbank, Calif. has also adopted Verafin's solution, and Matt Overin, manager of fraud risk management, said that the credit union avoided more than \$10,000 in fraud losses within just a few weeks of launching FRAMLx.

Overin explained that he was hired in 2013 after Lockheed Federal Credit Union was rebranded as Logix FCU. As a result of the name change and open membership enrollment, the CU realized an uptick in fraud attacks. "In 2013, the Fraud Risk Management department was founded



and was split from the security side of operations," he said. "We were seeing a lot so new account fraud through the online channel, check fraud and a little bit of card fraud at the time."

Due to increasing fraud attacks, the department today has four analysts, an investigator and Overin. Card fraud has grown significantly in the last year, so now one employee is assigned specifically to those cases, he noted. On average, there are five card fraud reports each week.

Overin said the manual data reports became cumbersome and costly, especially with the number of false positives, which led the credit union to implement a fraud solution. "The reports were doing a good job and keeping losses down, but it was taking a lot of our day going through these false positives," said Overin about the need of Verafin. "We couldn't always follow up with real fraud reports with law enforcement." He estimated that prior to

adopting the solution there was eight to 10 hours per day of work per investigator on these reports. "We needed to reduce the false positives and put a behavioral piece behind it," said Overin.

When looking for fraud solutions, Ockenfels, who said the CU vetted three vendors before selecting Verafin, said executives shouldn't look at costs alone, but rather at the potential savings. "We are now proactive rather than simply reactive and the solution is a raging success," said Ockenfels.

Shoop said organizations that can't afford a fraud/risk department should still have one point person who can work with the vendor on fraud-based issues and concerns. "Not every credit union needs to write their own rules and many vendors don't let credit unions have access to these systems," said Shoop. "But credit unions need to know what is going on so that they have oversight over these vendors." ■

Could the dreaded subprime auto lending bubble materialize in 2017?

The data shows an increase in delinquency rates for consumers with poor credit, but the bulk of troubled subprime loans aren't coming from credit unions – for now, at least.

BY PALASH GHOSH

THROUGHOUT 2016, ECONOMISTS warned of a catastrophic bubble developing in the nation's \$1 trillion-plus subprime auto loan market that didn't materialize – but what does 2017 hold?

Experian's State of the Automotive Finance Market report suggests while auto loans are flourishing, financial institutions have offered fewer loans to subprime consumers. Indeed, the credit bureau said loans offered to subprime consumers (those with credit scores below 620) fell by 4.5% from the prior year, and loans to deep-subprime consumers (credit scores between 300 and 500) declined by 2.8% to their lowest level since 2011.

Meanwhile, newly originated loans to prime borrowers increased by 2% to account for almost 60% of all auto loans financed in the third quarter of 2016.

"For anyone making doomsday predictions about a subprime bubble in the auto industry, [the third quarter of 2016] provides a stark reality check," said Melinda Zabritski, Experian's senior director of automotive finance. "This quarter's report shows lenders are reducing the percentage of loans to the subprime and deep-subprime risk tiers while increasing the percentage to consumers with good credit."

Moreover, credit unions have made some gains in market share. "Credit unions typically have the most competitive interest rates, so any time rates jump overall, it's a natural reaction for credit unions to see a rise in their market share," Zabritski added. However, a recent quarterly report on household debt and credit from the Federal Reserve Bank of New York raises some potential alarms about

the health of the overall subprime auto loan market.

"Subprime and overall auto loan originations remained strong and auto loan delinquency rates were low and relatively flat," the NY Fed wrote. "Yet disaggregating results by credit score revealed significantly higher, and rising, delinquency rates among subprime auto loans."

AN INCREASE, BUT NO SPIKE

Jason Laky, Senior Vice President-Automotive & Consumer Lending Business at TransUnion, said while the subprime auto loan market has witnessed an increase in delinquencies, he would not characterize it as a spike, rejecting the notion that the market finds itself on the cusp of a bubble.

"First, the economy is in pretty good shape," he said. "GDP is growing moderately and we continue to see healthy increases in employment each month. It is hard to see a scenario of mass defaults as long as this is the case." Secondly, he asserted, autos are a necessity for most Americans; without a car, it is difficult to get to work. "As a result, people prioritize their auto payments," he stated. "TransUnion has performed a number of studies on this subject, and we found that, even during the last recession, auto delinquency remained low relative to other credit products."

However, Brian Turner, president and chief economist at Meridian Economics LLC, warns that defaults and delinquencies among subprime loans have escalated throughout 2016.

"Much of the increase is attributable to [the] collapse in oil prices from last No-

Bubble Trouble?

Financial institutions overall have tapped the brakes on subprime auto loans.

4.5% how much the number of loans offered to subprime consumers fell from prior year

2.8% how much the number of loans offered to deep-subprime consumers fell from prior year

Source: Experian

vember to early May this year when average prices fell as low as \$24 per barrel," he said, which led to a brief period of layoffs that had an impact on consumer wages for about nine months. This was further complicated, he said, by the rising volume of sub-B paper [loans] that [were] issued in 2014 and 2015 by many [financial institutions]—including credit unions—thirsting for loan demand.

In fact, Turner noted, between the third quarter of 2015 and the second quarter of 2016, nearly 60% of newly originated subprime vehicle loans turned delinquent within the first 60 days of issuance. "Subsequently, oil prices have rebounded to \$48 to \$50 per barrel, but the impact will take a little longer for the consumer to recover until job and wage growth return."

Keith Hopkins, vice president of product support for LEVERAGE, a wholly owned subsidiary of the

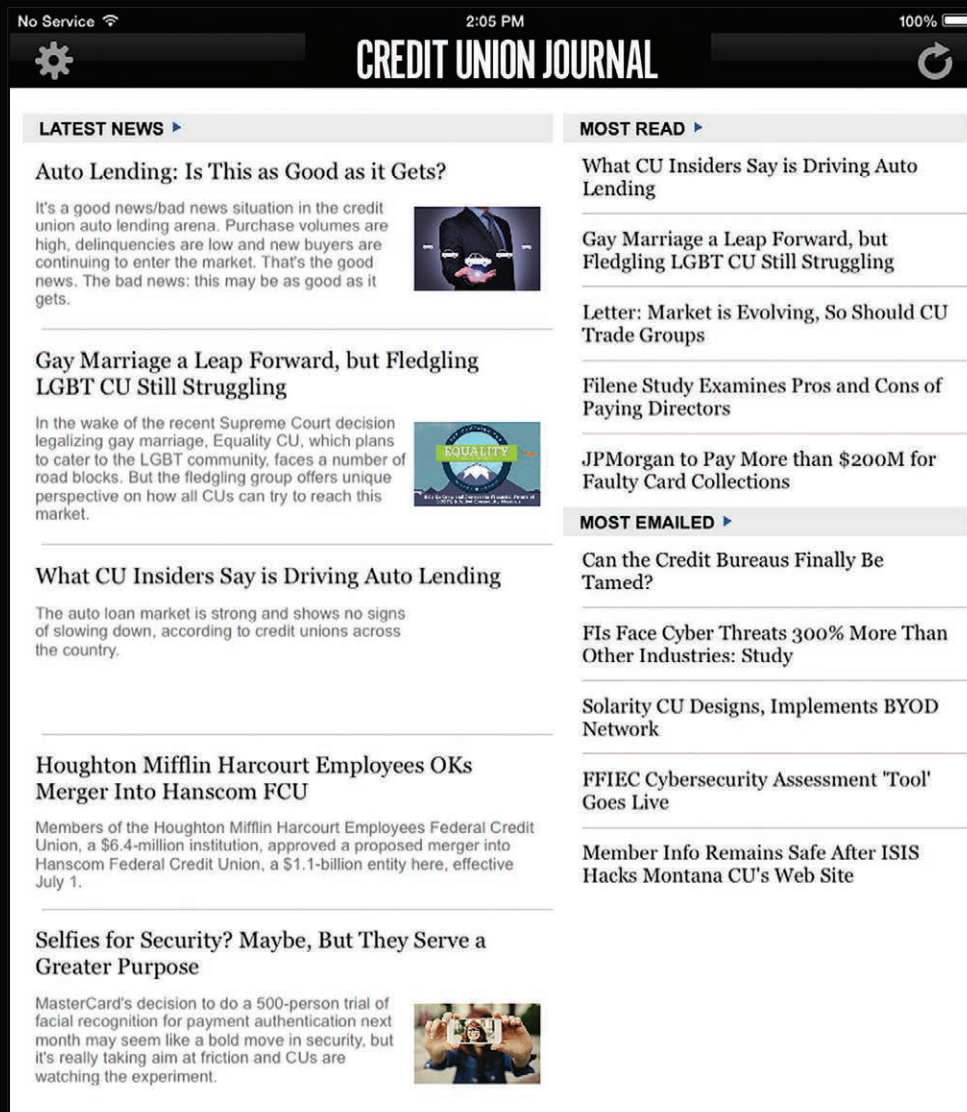
League of Southeastern Credit Unions and Affiliates, said there are some concerns about a potential bubble in the subprime auto loan market.

Citing recent data from Edmunds.com, Hopkins noted that car buyers who are "upside down" have hit a new record, rising to 32%, or an increase of nearly 20 percentage points from 2009. The previous high was 29.2%, in 2006.

"If the economy goes into a decline this will be the biggest single factor causing defaults to increase," Hopkins said, noting he's not expecting "a total economic collapse will occur in this sector." Still, Hopkins cautions that if the economy heads back into recession it could cause increases in subprime auto loan delinquencies and net charge-offs. Even so, Hopkins believes subprime auto loans still offer a good growth opportunity for credit unions – as long as these loans are "properly vetted." ■

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How much will credit unions spend to make the most of FOM expansion?

The potential for growth as a result of NCUA's revised field-of-membership rule could be dwarfed by the costs of the technology needed to make the most of the opportunity.

BY PALASH GHOSH

EVEN POSITIVE CHANGES HAVE A COST.

That may well be the case with the National Credit Union Administration's proposed updates to the field of membership rules. Though credit unions are largely pleased with the changes, gearing up to leverage them may require costly technological upgrades, experts are predicting.

Ted Bilke, the Dallas-based president of Symitar, a San Diego-based core processing and technology vendor, said one concern technology can address is risk related to not knowing just who these new members really are, for example.

"Credit unions should upgrade those systems that help the staff stay updated on the risks associated with serving unknown and riskier members," he said. "Some of the risk could be mitigated through better analytics, understanding the risks upfront and developing strategies to mitigate those risks."

Kris Frantzen, Malvern-Pa.-based senior product manager at Temenos, a company that creates software for financial institutions, noted issues from self-service options to compliance.

"Robust omni-channel applications will allow consumers to carry out their financial transactions – such as originating new accounts, loans or credit cards – when and how they wish," he observed. "For many new members, this will be a matter of preference. In many cases, expansion will mean new members will not have an existing branch easily accessible to them—making virtual interaction a necessity."

Additionally, he said, CUs may need systems upgrades to support fulfillment of an uptick in transactions from lending and collections to service requests such as lost cards and disputed transactions, not to mention complaints.

"Implementing the right technology (including automated workflow and task queuing, integrated third-party services and data sources, and robust reporting) to help streamline processes will allow the credit union to effectively scale to the new volumes without needing to significantly expand staff," Frantzen explained.

"Finally, credit unions will need to be cognizant of unique regulatory requirements of newly supported areas and any unique characteristics of a newly accessible member base. Configurable technology that allows for unique data capture, workflow, validation rules, and decisioning and pricing guidelines for different geographic areas and member groups will be key to successful expansion."

Theresa Benavidez, president of San Diego-based Corelation Inc., suggested CUs also should ensure their core systems can easily integrate with today's – and tomorrow's – third-party solutions. "Technology changes occur so fast today that it is mandatory your credit union maintain pace," Benavidez explained. "Having a core that can enable this pace is a huge feather in your cap. It allows you to freely... look at new apps that will serve your members' evolving needs."

But just how much will all of this



Tech providers including Ted Bilke of Symitar and Theresa Benevidez, above, said CUs will need to invest in upgrades to leverage the new field of membership rules.

cost? According to Frantzen, it's often more expensive for credit unions to remain on legacy systems, constrained by fewer capabilities.

"Credit unions [which] cannot offer robust omni-channel access to members run the very real risk of alienating existing members – let alone trying to add new members," he said. "Using manual or segmented technology in the back-office for origination, member service, or collections activities can mean losing new business, low member satisfaction ratings, financial losses and higher expenses."

Benavidez agreed, summing it up this way: "Is there a financial institution that solely relies on the branch visit?" she asked. "Perhaps, but are they destined to grow? Probably not."

The key, Bilke said, is to look for

"clear, achievable" return on investment. "This ROI is often fueled by the credit union's ability to gain efficiencies such as supporting more members with the same number of employees. If you find yourself adding employees to support growth, it may be time to look at new technology."

CU*Answers CEO Randy Karnes added that upgrades are cheaper than most think – if CUs are willing to do the due diligence. "Do your research, but do not think about building it once; You will need multiple online approaches that are easy to update, easy to replicate and easy to retire. Do not settle for a single app – find a platform and approach that can generate virtual offerings and support system quickly, cheaply, and over and over."■

CUs push CFPB reform as new Congress starts

BY AARON PASSMAN

REGULATORY REFORM AND SIGNIFICANT CHANGES to the Consumer Financial Protection Bureau are at the top of the must-do list for the new Congress, according to the two major credit union trade associations, both of which have released their priorities for the coming year.



DAN BERGER
NAFCU

Along with protecting the tax exemption, both the Credit Union National Association and the National Association of Federally-Insured Credit Unions are urging lawmakers to exempt credit unions from CFPB rulemaking, with NAFCU citing Section 1022 of the Dodd-Frank Act as the vehicle through which the bureau can make CUs exempt.

“As presently structured, the CFPB is an anomaly in the federal government,” CUNA President and CEO Jim Nussle wrote in a letter to legislators. “The CFPB’s extraordinary authority is vested in a single person absent of appropriate levels of Congressional oversight. Conforming the CFPB to include a multi-member commission would enhance consumer protection by ensuring that diverse perspectives are included in final rules and prevent disruptions and market uncertainty caused by personnel changes.”

While NAFCU’s wording regarding CFPB-related priorities was broad – promising to “seek greater

CFPB reforms and accountability, including replacing the director with a commission” – CUNA proposed changes to how the bureau is funded and suggested increasing the threshold for CFPB supervision from \$10 billion to \$50 billion, along with urging Congress to repeal the bureau’s UDAAP authority and more.

In its letter, CUNA primarily stuck to CFPB matters – including proposals from the bureau on payday lending and arbitration – while NAFCU hit on a number of other credit union priorities, including repeal of the Durbin amendment, protecting recent changes to NCUA’s field-of-membership rule, clarifying Military Lending Act requirements, national data security standards for retailers (a matter where the two groups have largely been in sync).



JIM NUSSLE
CUNA

“For both new and returning members of Congress, it is vital they understand the unique value of credit unions – not-for-profit, member-focused financial institutions – in America’s financial landscape,” NAFCU President and CEO Dan Berger wrote. “We welcome the opportunity to work with Congress and the Trump administration to promote a positive business environment that will allow credit unions to succeed and help our nation’s economy to prosper.” ■

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The \$15 question: will minimum wages at CUs continue to rise in 2017?

A number of CUs have already begun to raise their minimum wage but it remains to be seen whether legislative action or market pressures will spread the trend more widely.

BY PALASH GHOSH

THE FEDERAL MINIMUM WAGE STANDS at \$7.25 per hour, but recent credit union actions—along with a broader national movement—are helping to push that figure higher.

Earlier this year, Coastal Federal Credit Union, a \$2.8 billion institution based in Raleigh, N.C., announced that it will hike its minimum wage for employees to \$12.50 per hour, whether they work full-time, part-time or on a temporary basis.

“The living wage rate for a single person in our marketplace [Wake County] to avoid poverty is \$11.09 per hour,” said Coastal FCU’s president and CEO, Chuck Purvis. “As a responsible corporate citizen, we felt it was time for Coastal to take the initiative to help our employees.”

Joseph Mecca, Coastal’s manager of marketing strategy and communications, explained the CU sought to “ensure that even our newest and lowest-paid employees could afford to live comfortably. While we based our number on Wake County statistics, many of our employees live in [other North Carolina] counties with [even] lower living wages, so they’re able to stretch a paycheck even further.”

But Mecca concedes that the new policy will only impact a handful of its employees. “It primarily helps tellers who came to Coastal as part of our merger with Freedom Credit Union,” he explained. “This move gives them a raise and formalizes our commitment to starting wages over the local living wage.”

Moreover, moving up the lowest levels of the pay scale will not lead to higher wages for everyone else, he noted.

In addition, as of Jan. 1, Coastal FCU eliminated almost half (20) of its member

account fee schedule - thereby foregoing about \$600,000 in annual revenue.

Mecca said the fee eliminations will have the “larger impact” than the minimum wage increase. “We expect it to be another decision point that will help us continue to attract new business and generate revenue to offset whatever we’d lose from not charging those fees,” he added.

Looking ahead, Mecca doubts that the state of North Carolina will boost its minimum wage in 2017. “It doesn’t seem to be a high priority for our General Assembly,” he said. “And while our new governor [Democrat Roy Cooper] is more likely than his predecessor [Republican Pat McCrory] to push for it, he’ll have difficulty getting his own agenda [passed].”

MORE UNIVERSITY CUs SIGN ON

Coastal follows in the footsteps of University of Wisconsin Credit Union, a \$2.3 billion institution based in Madison, Wis., which announced last summer that by September 2017, it will boost the minimum wage paid to its employees to \$15 per hour, a move that will impact about one quarter of the credit union’s more than 500 employee-strong workforce.

Another university credit union, Notre Dame Federal Credit Union, a \$488 million institution based in Notre Dame, Ind., just hiked its minimum wage to \$13.50 per hour. That increase will go into effect in February 2017, and along with that the credit union is set to eliminate its two-tier system for paid time off (PTO) for exempt and non-exempt partners. Consequently, hourly workers will accrue the same PTO benefits as their sal-

Far above the minimum

Some CUs are betting that starting wages far above the federal minimum – in some cases more than double – will pay off with a higher caliber of employee and less turnover. Here’s a look at the federal minimum wage for the last two decades.

\$7.25	per hour (Current federal minimum wage, established 2012)
\$6.55	(established 2008)
\$5.85	(established 2007)
\$5.15	(established 1997)
\$4.75	(established 1996)

Source: U.S. Department of Labor

aried and management employees.

“This change represents a significant compensation improvement for our partners,” said Notre Dame FCU President and CEO Thomas J. Gryp. “This wage and PTO adjustment simply acknowledges how invaluable our [employees] are to our members and to the overall success of our credit union.”

NATIONAL MOVEMENT

Meanwhile, across the nation, activists are seeking to raise the minimum wage to \$15 per hour, more than double the current federal minimum wage. But some action is already taking place at the state level.

During 2016, New York passed a law that calls for raising the minimum wage to \$15 per hour by the end of 2018. Washington D.C. then enacted a law to raise the minimum wage in the District of Columbia to \$15 per hour by July 1, 2020.

California also recently passed legislation to increase the minimum wage to \$15 per hour by Jan. 1, 2022, for organizations that employ 26 or more people; For those employers with 25 or fewer workers, the minimum wage will reach \$15 per hour by Jan. 1, 2023. And voters in Arizona, Colorado, Maine and Washington have also passed measures to raise their respective minimum wages. Arizona, Colorado, and Maine will incrementally raise their minimum wages to \$12 an hour by 2020. Washington’s minimum wage will be increased incrementally to \$13.50 an hour by 2020.

Questions remain, however, about how President-elect Donald Trump and the GOP-controlled Congress will prioritize raising the federal minimum wage.

Coastal FCU’s Mecca noted that, for the moment, 29 states have minimum wages that are already higher than the

CONTINUED ON PAGE 17

Some CUs are on the salary frontier

CONTINUED FROM PAGE 16

federal minimum. “And several of those [states] have automatic adjustments in place, so I don’t think a Trump presidency will influence much on a state-by-state basis,” he added.

John Bratsakis, president and CEO of the MD/DC CU Association, said there is “clearly a national trend” toward establishing a \$15 minimum wage. “Here in the Washington metro area, credit union employees working full time, generally speaking, are already making above the current minimum wage,” he said. “As the District [of Columbia] continues to phase in its \$15 minimum wage, credit unions will be looking at any potential impact and the possibility that some salaries will have to be re-aligned to correspond with a higher minimum wage.”

MDDCCUA is “closely watching” the developments in other states and metropolitan areas on the minimum wage issue “to keep our member credit unions

informed,” Bratsakis added.

Paul Guppy, vice president for research at the Washington Policy Center, a Seattle-based think tank, also does not think Trump’s presidency will have much effect on whether states raise their own minimum wages. “That policy change is usually determined by in-state political dynamics,” he observed, adding that the power labor unions wield in various state legislatures can have a significant impact on minimum wage discussions.

Guppy suggested two factors are in play when considering which states might hike their minimum wages. “First, I think a state is more likely to raise its minimum wage if it is a ‘blue’ state, according to the results of the last [presidential] election,” he said. “Second, states that are not ‘right-to-work’ states are more likely to raise their minimum wage because unions are much more powerful in these states.”



CHUCK PURVIS
Coastal FCU



ANDREW DOWNIN
Filene Research Institute

Brian Turner, president and chief economist at Meridian Economics LLC, believes it would be an “uphill battle” to achieve a \$15 per hour minimum wage, but \$10 per hour is “very reasonable” to expect—something that President-elect Trump has supported in the recent past.

“One of the alternatives that Mr. Trump has suggested is an expansion of the Earned Income Tax Credit to include a provision that offsets child-care expenses,” Turner said. “That would most benefit the single-family parent households that the Democrats have



BRIAN TURNER
Meridian Economics LLC

targeted with their minimum-wage message. It’s also favored by a large number of economists, because it would be based on a family’s income, not tax liability. It also shifts the boost in pay to the tax code instead of [upon] the employer.”

But will more credit unions enact a minimum wage - either for \$15 or some

other level appropriate to the markets they serve?

Andrew Downin, managing director of research at the Filene Research Institute, thinks they will. “This fits into the credit union movement’s philosophy of ‘people before profits,’” he said. “Also, it is becoming increasingly critical for credit unions to attract, develop and retain top talent. From a purely competitive standpoint, many credit unions may look to higher pay and benefits as a way to stand out from other employers.”

Notre Dame FCU’s Gryp said that he hopes more financial institutions reevaluate how important their lowest paid employees are to the success of their organizations.

“Wouldn’t it be nice if more private sector businesses were proactive in taking care of their employees?” he asked. “If that was the case, the minimum wage would be irrelevant, regardless of where it was set. Hopefully the trend of businesses raising the minimum wage for their employees will continue, creating the market pressure to improve wages without government intervention.” ■

Why banks aren’t lining up to convert

CONTINUED FROM PAGE 7

probably exceed the aggregate member business loan cap of 12.25% of assets and would need to shrink its business loan portfolio - most likely by shedding these loans (possibly at a loss) to comply with the law.

Furthermore, banks hold assets that credit unions are not allowed to hold. Once again, a requirement to divest these assets could mean that the bank could be selling these assets in an unfavorable environment at fire sale prices.

In addition, federal credit unions are subject to a national usury cap and may

not put prepayment penalties in their loans. This could force a bank converting to a credit union to modify its loan terms and once again possibly divest loans that do not conform to legal requirements.

Another complication deals with common bond or field of membership. Banks are open to the public, while credit unions have a defined field of membership.

A bank converting to a credit union would need to consider whether its proposed field of membership meets legal requirements.

While a small bank in a limited geographic area may be able to meet the field of membership requirement, a larger bank would have difficulties.

Another common bond operational issue may require the converting bank to divest part of its customer base to comply with the field of membership requirements.

I suspect there are ways around the field of membership quagmire. A converting bank could form an association or become a partner of the American Consumer Council so as to qualify all its

customers as members. But this would just make a mockery out of the field of membership requirements.

In summary, the process for a bank converting to a credit union is extremely difficult. A bank faces numerous hurdles ranging from capital to balance sheet to field of membership issues that must be cleared for this conversion to occur. It is my opinion, such conversions will remain very rare.

Keith Leggett is a retired economist for the American Bankers Association and a frequent blogger on credit union issues.

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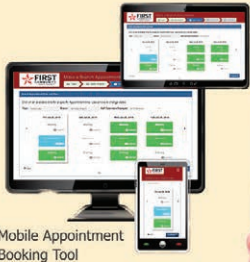
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Mission 2017: shore up cybersecurity, improve analytics, go digital first

CU IT executives and analysts suggest the industry must collaborate to work on three primary areas: cybersecurity, data and business intelligence and digital-first strategies.

BY PALASH GHOSH

KEEPING UP WITH TECHNOLOGICAL ADVANCES is only going to get harder in 2017, but to try to cut that challenge down to size, experts suggest focusing on three primary areas: cybersecurity, data and business intelligence and digital-first strategies.

CYBER SECURITY

NCUA has indicated it is keeping its collective eyes peeled for credit unions that aren't doing enough to protect their—and their members'—data safe, so IT executives are working overtime on these issues.

"As the safety and security of our members' funds and the credit union's assets are our No. 1 priority, we'll be making additional investments in the maturity of our cyber-security policies, programs and procedures," said George Rudolph, senior vice president of operations and technology at Alliant Credit Union, a \$9.4-billion institution based in Chicago.

Rick Cranston, vice president of innovation and product development at the Mountain West Credit Union Association, agreed.

"Growing areas of risk include security patches, mobile malware, ransomware, and ID theft and fraud, especially involving new payment methods," he elaborated.

To battle this growing menace, Cranston said credit unions are all "pushing for increased awareness of the risks that drive companies to invest heavily in both prevention and countermeasures—however, much of that investment goes to waste."

In general terms, cybersecurity, data breaches, malware and hacking present monumental challenges for all organizations—but financial institutions are particu-

larly targeted by criminals.

Given the devastating data breaches that have hit across multiple industries, governments and organizations, credit unions will surely be joining this fight.

David Townsend, security risk manager at Affinity Plus, a \$1.9-billion institution in St. Paul, Minn., said his credit union will maintain a sharp focus on hacking and security risks.

"Our priority is to strengthen our security awareness program," he said. "Security initiatives frequently focus on a fortress mentality, strengthening the perimeter defenses. That is important, but sometimes insufficient as most modern data breaches begin with the introduction of malware into the environment, generally via phishing."

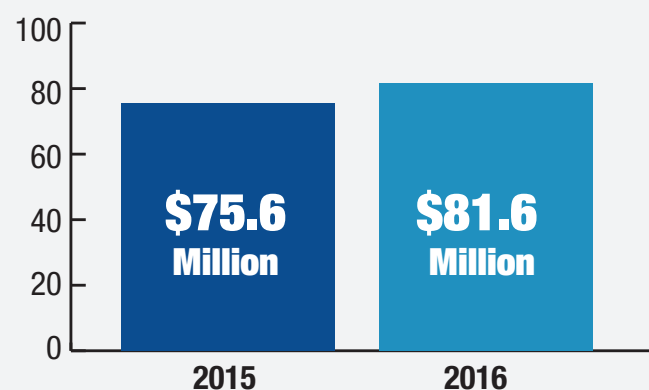
While credit unions are working individually to shore up lines of defense, there are also some cooperative efforts to this end, as well. The National Credit Union Information Sharing and Analysis Organization (www.ncuisao.org) has been created to aid in this effort.

"The goal of this national organization is to get proactive help to credit unions regarding intelligence, operational guidance and information sharing," Cranston explained. "The intent of the [NCU-ISA] is to create real cyber-resistance for credit unions across the country."

Collaborative efforts are also underway to find new technologies to reduce fraud, such as CULedger, a credit union-backed team that is working to use distributed ledger technologies, to "proactively prevent fraud instead of just reacting to it after a cybersecurity challenge occurs at a credit union," Cranston added.

The cost of security

IT research firm Gartner Inc. said it expects the highest growth in tech spending to come from security testing, outsourcing and data loss prevention, at least until the end of 2020.



DIGITAL FIRST STRATEGIES

The digital first philosophy is about transferring as much activity as possible to online and mobile platforms in order to increase efficiency and ease-of-use and to cut costs.

"In 2017, we'll continue to make significant investments in our digital platforms," Rudolph said. "With the successful launch of our new proprietary mobile banking application in 2016, we'll be looking to further this investment with additional enhancements, features and functionality. Other 2017 digital priorities include a full revamp of our existing new member application, lending, and online banking platforms, with a particular focus on streamlining the member experience."

DATA AND BUSINESS INTELLIGENCE

The key to leveraging technology is being able to parse and analyze the data

and turn it into actionable business intelligence, Rudolph noted.

To that end, Alliant CU is continuing with its multi-year investment in restructuring its existing data warehouse and "adding the tools and structures necessary to leverage business insights enabling more fact-based decisioning, increases in productivity, and a more customized member experience," Rudolph explained.

The bad news: technology infrastructure costs will likely increase as CUs make these types of upgrades. The mission, he said, is to "look for ways to leverage that infrastructure for improvements in efficiency and revenue generating capacity."

Alliant, he added, like other financial institutions will also "continue to standardize technology practices and platforms, move services to the cloud where it makes sense, and negotiate with our partners to optimize technology operating costs." ■

Top 100 credit unions by asset size

Data as of Q3 2016

CU NUMBER	CU NAME	Total Assets
5536	NAVY FEDERAL CREDIT UNION	\$78,497,777,646
66310	STATE EMPLOYEES'	\$34,299,745,411
227	PENTAGON	\$20,655,673,088
62604	BOEING EMPLOYEES	\$15,661,804,757
24212	SCHOOLSFIRST	\$12,681,464,479
61650	THE GOLDEN 1	\$10,355,821,921
67955	ALLIANT	\$9,381,605,265
11065	SECURITY SERVICE	\$9,351,334,067
19976	FIRST TECHNOLOGY	\$9,293,562,403
68465	STAR ONE	\$8,622,088,909
24694	AMERICA FIRST	\$8,038,838,454
68645	SUNCOAST	\$7,851,978,881
61004	SAN DIEGO COUNTY	\$7,731,130,433
8111	RANDOLPH-BROOKS	\$7,594,074,111
23521	DIGITAL	\$7,377,234,493
4735	BETHPAGE	\$6,843,088,257
68490	VYSTAR	\$6,504,277,851
5913	ALASKA USA	\$6,469,718,930
23957	AMERICAN AIRLINES	\$6,265,501,182
24563	ESL	\$5,965,627,533
24692	MOUNTAIN AMERICA	\$5,901,279,678
68448	CITIZENS EQUITY FIRST	\$5,512,459,498
8116	TEACHERS	\$5,431,147,171
68579	PATELCO	\$5,355,193,317
66357	DELTA COMMUNITY	\$5,235,401,749
1999	LOGIX	\$4,830,168,225
68671	ENT	\$4,744,695,248
64131	PENNSYLVANIA STATE EMPLOYEES	\$4,701,075,696
5588	UNITED NATIONS	\$4,670,257,206
62514	LAKE MICHIGAN	\$4,661,961,585
2551	POLICE & FIRE	\$4,544,349,514
15802	HUDSON VALLEY	\$4,493,187,043
7544	REDSTONE	\$4,490,837,655
62745	ONPOINT COMMUNITY	\$4,441,734,622
5582	BANK FUND STAFF	\$4,431,430,875
68601	WINGS FINANCIAL	\$4,374,774,387
61844	DFCU FINANCIAL	\$4,302,474,773
3238	DESERT SCHOOLS	\$4,029,752,014
1273	STATE FARM	\$3,996,947,879
68437	BELLCO	\$3,982,130,295
4142	KINECTA	\$3,973,161,816
67297	SPACE COAST	\$3,781,665,164

CU NUMBER	CU NAME	Total Assets
60269	UNIVERSITY OF IOWA COMMUNITY	\$3,707,410,877
17429	VISIONS	\$3,580,476,957
24524	TINKER	\$3,564,132,650
68095	EASTMAN	\$3,543,739,763
66328	WRIGHT-PATT	\$3,429,400,985
66703	WESCOM CENTRAL	\$3,371,820,128
23279	MICHIGAN STATE UNIVERSITY	\$3,299,073,900
6694	MEMBERS 1ST	\$3,296,889,863
51	STATE EMPLOYEES	\$3,264,847,420
66330	STATE EMPLOYEES CU OF MARYLAND, INC	\$3,204,959,024
66751	LANDMARK	\$3,204,329,761
60793	REDWOOD	\$3,146,360,817
66836	VIRGINIA CREDIT UNION, INC.,	\$3,145,599,318
14384	MISSION	\$3,140,700,483
5500	NORTHWEST	\$3,110,280,112
64418	VERIDIAN	\$3,023,224,412
68375	SERVICE	\$3,012,471,197
60060	TEACHERS	\$2,972,191,317
24326	CHEVRON	\$2,970,008,914
60705	TEXAS DOW EMPLOYEES	\$2,962,811,506
24382	SAN ANTONIO	\$2,892,418,872
8333	TOWER	\$2,878,348,019
18297	COASTAL	\$2,793,248,987
62728	APCO EMPLOYEES	\$2,737,384,832
2099	CITADEL	\$2,734,884,999
63194	IDAHO CENTRAL	\$2,711,161,567
60520	EDUCATIONAL EMPLOYEES	\$2,705,245,290
68429	TRAVIS	\$2,654,583,532
857	AFFINITY	\$2,650,196,269
68600	MIDFLORIDA	\$2,646,831,298
67190	SUMMIT	\$2,645,611,942
68574	GENERAL ELECTRIC	\$2,602,161,486
60042	WASHINGTON STATE EMPLOYEES	\$2,580,869,867
68187	BAXTER	\$2,577,349,158
66642	COMMUNITY FIRST	\$2,554,001,971
2760	NASSAU EDUCATORS	\$2,534,690,996
68615	NAVY ARMY COMMUNITY	\$2,480,773,540
68366	SAFE	\$2,470,589,818
60058	GECU	\$2,457,963,088
5561	KEESLER	\$2,452,797,249

Source: National Credit Union Administration

Top 100 credit unions by membership

Data as of Q3 2016

CU NUMBER	CU NAME	Number of Current Members
5536	NAVY FEDERAL CREDIT UNION	6,721,669
66310	STATE EMPLOYEES'	2,175,972
227	PENTAGON	1,464,400
62604	BOEING EMPLOYEES	988,691
61650	THE GOLDEN 1	817,041
24694	AMERICA FIRST	800,889
11065	SECURITY SERVICE	737,528
24212	SCHOOLSFIRST	718,314
68645	SUNCOAST	686,670
8111	RANDOLPH-BROOKS	664,295
24692	MOUNTAIN AMERICA	618,909
23521	DIGITAL	603,484
5913	ALASKA USA	595,961
68490	VYSTAR	536,069
19976	FIRST TECHNOLOGY	457,100
64131	PENNSYLVANIA STATE EMPLOYEES	425,440
60153	MUNICIPAL	403,236
7544	REDSTONE	391,252
67297	SPACE COAST	354,843
60058	GECU	351,692
51	STATE EMPLOYEES	346,630
66357	DELTA COMMUNITY	345,937
24524	TINKER	337,616
6694	MEMBERS 1ST	337,591
67955	ALLIANT	336,416
24563	ESL	334,182
61004	SAN DIEGO COUNTY	330,833
66328	WRIGHT-PATT	328,722
68448	CITIZENS EQUITY FIRST	319,754
3238	DESERT SCHOOLS	317,683
62745	ONPOINT COMMUNITY	310,697
68579	PATELCO	305,421
4735	BETHPAGE	300,256
62514	LAKE MICHIGAN	289,588
4142	KINECTA	289,515
24003	LOCAL GOVERNMENT	288,208
66751	LANDMARK	285,986
60060	TEACHERS	285,445
68437	BELLCO	277,293
68671	ENT	276,877
15802	HUDSON VALLEY	274,074

CU NUMBER	CU NAME	Number of Current Members
66538	CONNEXUS	271,315
67619	FIRST COMMUNITY	269,424
8116	TEACHERS	269,162
23957	AMERICAN AIRLINES	266,312
60520	EDUCATIONAL EMPLOYEES	257,146
66836	VIRGINIA CREDIT UNION, INC.,	254,813
1261	LANGLEY	250,974
60042	WASHINGTON STATE EMPLOYEES	247,720
2551	POLICE & FIRE	247,715
60705	TEXAS DOW EMPLOYEES	247,202
196	GTE	246,574
68600	MIDFLORIDA	244,460
63194	IDAHO CENTRAL	244,272
66330	STATE EMPLOYEES CU OF MARYLAND, INC	242,381
24382	SAN ANTONIO	237,521
68375	SERVICE	233,915
23279	MICHIGAN STATE UNIVERSITY	229,511
18297	COASTAL	228,676
60793	REDWOOD	221,634
61844	DFCU FINANCIAL	221,189
66492	UNIVERSITY OF WISCONSIN	220,304
5500	NORTHWEST	219,617
1367	UNIVERSITY	213,268
67664	COMMUNITYAMERICA	212,759
68601	WINGS FINANCIAL	212,003
24063	FOUNDERS	209,537
7840	TRULIANT	209,418
64418	VERIDIAN	202,568
68366	SAFE	201,762
14384	MISSION	200,528
5561	KEESLER	200,325
15732	UNIFY FINANCIAL	198,003
64778	PUBLIC SERVICE EMPLOYEES	197,742
9976	GROW FINANCIAL	194,372
68187	BAXTER	192,945
66364	METRO	192,265
66703	WESCOM CENTRAL	190,126
67390	GEORGIA'S OWN	188,179
Source: National Credit Union Administration		

WHO'S NEWS



Anchorage-based Alaska USA FCU opened a new branch in Wasilla for a total of four branches in the Mat-Su Valley and 36 branches statewide.



Align CU, Lowell, Mass., delivered school supplies donated by members and the community to Catie's Closet, which collects new and gently used clothing, and new toiletries, socks, underwear and school supplies for students pre-K through 12th grade who are in need of assistance. It also supported Habitat for Humanity MetroWest/ Greater Worcester's Operation Playhouse Build.



Andrews FCU, Suitland, Md., donated \$1,000 to Malcolm Elementary School for classroom supplies. Separately, the CU awarded a school supplies shopping spree to member Ronda Mozie for her two children, donated new clothes to Franconia School, sponsored a Senior Non-Commissioned Officer Induction Ceremony, and participated in 2 Walks to End Alzheimer's.



Vantage CU, Bridgeton, Mo., awarded \$1,000 toward the purchase of a new computer to Ben Shepherd and Nathaniel Marsters, both winners of the CU's third Dream Big contest.

Each year, **New England FCU**, Williston, Vt., hosts free, open-to-the-public Shred Fest events at its main branch to help people protect themselves against identity theft.

Empower FCU, Syracuse, N.Y., completed Phase One of a two-phase branch renovation project at its Erie Blvd West branch.

Del Norte CU, Santa Fe, N.M., held several Shred Days events at its six branches.

Donations from **NCUA** staff to the annual Feds Feed Families food drive will provide 57,308 meals throughout this year.

Phoenix-based **Desert Schools FCU** partnered with Brass MEDIA Inc., to subsidize the use of The Money Side of Life website – a new digital platform that offers personal finance curriculum for young adults.

In Bettendorf, Iowa, **Ascentra CU's Foundation** awarded \$17,000 in Leadership Grants to 36 organizations and charities throughout Eastern Iowa and Western Illinois.

Texas Trust CU, Arlington, Texas, helped present the inaugural Dream Builder Award from the Downtown Arlington Management Corporation to Tom Cravens. The award recognizes individuals who have had a significant impact on

the downtown Arlington community.

The Shelbyville, Ind., branch of **Harvester Financial CU**, Indianapolis, kicked off the 6th annual Cancer Association of Shelby County's Rock-A-Thon, raising \$850 for the cause.

America First CU, Riverdale, Utah, took home the "Best Credit Union Website" award from the 2016 Web Marketing Association's WebAward competition.

Park View FCU, Harrisonburg, Va., was awarded first place in the state for the Dora Maxwell Social Responsibility Award.

Member One FCU, Roanoke, Va., reached its 100,000th member. The CU awarded Paula Lockett a \$100 deposit into her Member One account in honor of the occasion, and Member One donated \$100 to the Montgomery County Humane Society, the nonprofit of Lockett's choice.



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WHO'S NEWS

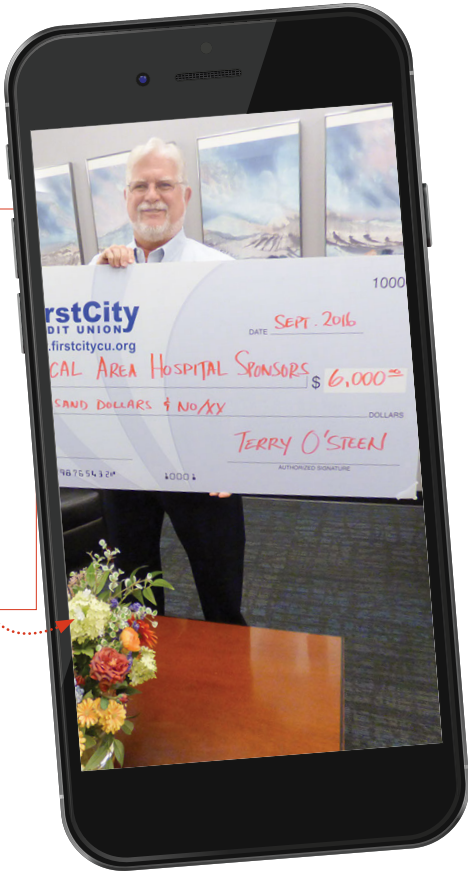


In Tukwila, Wash.,
The BECU Foundation awarded 80 BECU student-members with \$3,000 scholarships toward their college educations.



Consumers CU, Waukegan, Ill.,
CU, Waukegan, Ill., had an active summer of community outreach and support for local not-for-profit organizations. This year's outreach extended to more than a dozen community festivals and events, plus cash donations exceeding \$20,000.

First City CU, Los Angeles, raised and donated \$6,000 to various area hospitals through its FirstStart Piggy Bank promotion. The CU's donation of \$3,540 to Children's Hospital of Los Angeles was matched by CO-OP Financial Services' Miracle Match program.



Virginia Beach, Va.-based Chartway FCU's
We Promise Foundation raised \$526,900 during its 11th Annual Diamonds in the Sky Gala to make dreams come true for local children battling life-threatening illnesses.



Royal CU, Eau Claire, Wis., hosted a ribbon cutting and grand re-opening celebration at its newly remodeled North High School student-run office. The high school branch has been operating since 2005, and has employed 33 students over the years.



Del-One FCU, Dover, Del.,
contributed \$500,000 to Delaware Technical Community College for naming rights to the conference center at the Terry Campus in Dover.

WHO'S NEWS



Montgomery County Employees FCU, Germantown, Md., is supporting the Maryland Hispanic Achievement Scholarship program. Two area students were direct beneficiaries of MC EFCU scholarships, which were awarded at the County Executive's Hispanic Gala.



In preparation for the opening of **Burnsville, Minn.-based Firefly CU's** first high school branch location in early 2017, three Burnsville High School students spent their summer acclimating themselves to the credit union atmosphere. Firefly also donated 64,728 crayons to local schools.

Vermont FCU, Burlington, Vt., staff raised \$1,000 and volunteered at the Great Strides Walk to benefit the Cystic Fibrosis Foundation.



Voyage FCU broke ground on its newest location on the eastern side of Sioux Falls, S.D. The branch, currently housed in a Lewis Drug Store, will move into the Dawley Farms development on the eastern edge of the city for an opening in spring 2017.



Army Aviation Center FCU, Daleville, Ala., partnered with three local Boys and Girls Clubs to provide a Bee the Boss Program. The program teaches elementary and middle school students business principles and how they can be their own boss.



In **Oklahoma City, WEOKIE CU's** Money Talks financial literacy program hit a milestone by presenting to its 50,000th student since 2007. Tabatha Thurman, financial education specialist, was recognized by the National Youth Involvement Board as the U.S. CU employee with highest number of students reached (10,948) and presentations given (384) in a school year.

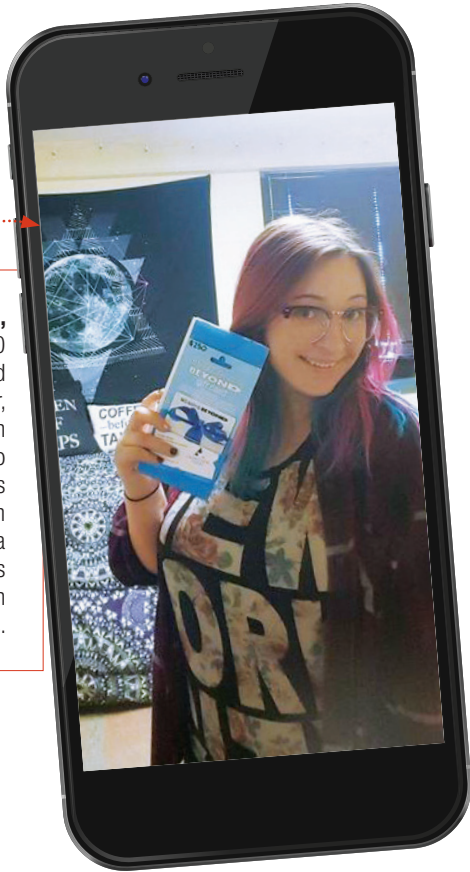
WHO'S NEWS



TopLine FCU, Maple Grove, Minn., held its 13th Annual Back-to-School Supply Drive, collecting 1,100 items and \$1,000 to help students. Separately, TopLine hosted a summer youth intern through the Brooklyn Bridge Alliance for Youth Brooklyn Program.



Each month, employees of **Commonwealth Credit Union, Frankfort, Ky.,** volunteer their time at the Serenity Center, helping package food items for needy families in the community. Separately, the credit union hosted a Movie Night at Georgetown College, as well as a week-long series of grand opening festivities at its Campus Branch at the University of Louisville.



Credit Union of America, Wichita, Kan., awarded a \$250 gift certificate for Bed, Bath and Beyond to Amber Fischer, a Wichita State senior majoring in Aerospace Engineering, who was the winner of the CU's #deckyourdorm Instagram contest. Each student received a door-hanger with contest info as part of a welcome packet when checking in to their dorms.



Raleigh, N.C.-based State Employees' CU, in conjunction with credit unions in North Carolina and South Carolina, supported Victory Junction's REACH program with a \$125,000 check for the camp's outreach program. SECU also sponsored 2016 Governor's Awards for Excellence.



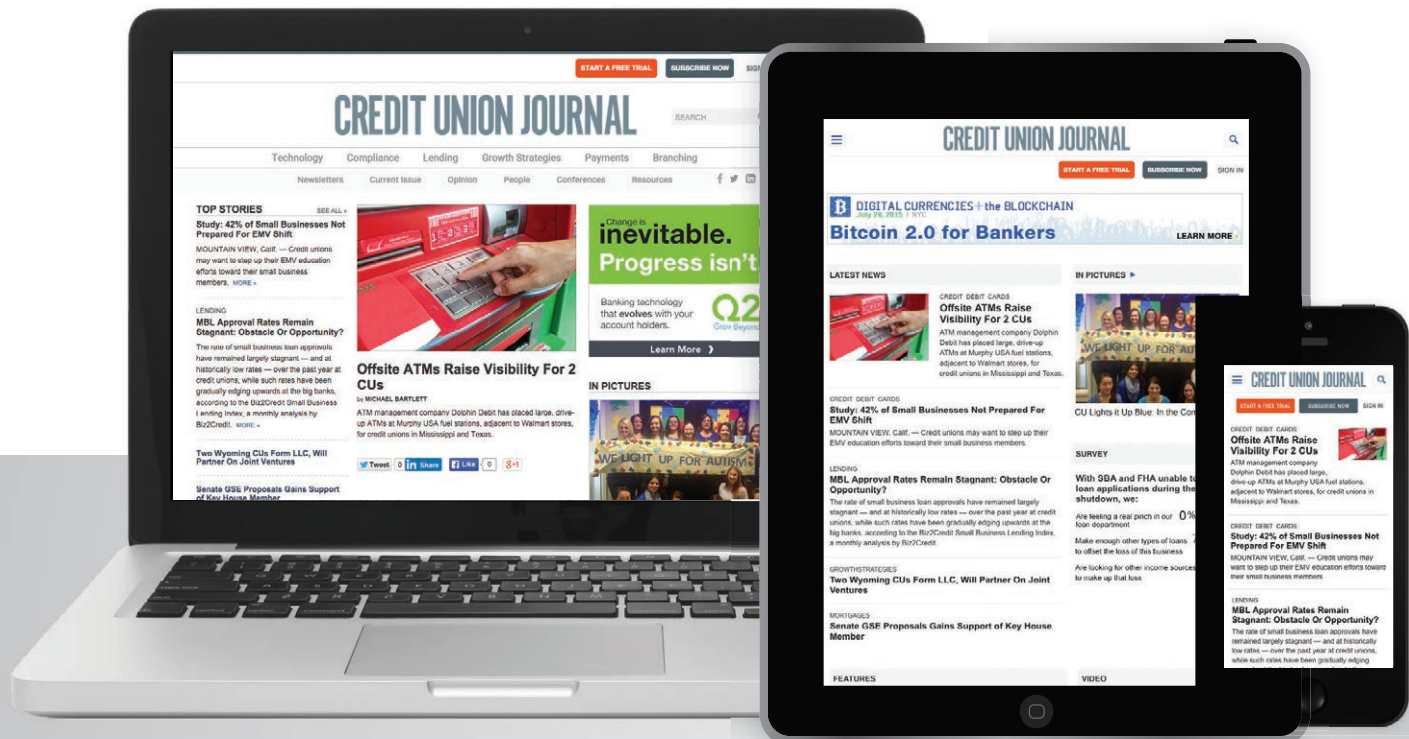
Several employees from **Fall River, Mass.-based St. Anne's CU's** New Bedford branch took part in the 2016 Boston Marathon Jimmy Fund Walk. They raised more than \$4,000 for the Dana-Farber Cancer Institute.



Robins Financial CU, Warner Robins, Ga., sponsored Team 4941 RoboBibb by contributing \$1,000 to FIRST Robotics. School students from all Bibb County high schools competed in a robotics contest.

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Achievement 2017**



Stan Hollen
*Retired President/CEO of
CO-OP Financial Services*



Maria Martinez
*President/CEO of
Border Federal Credit Union*

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for Outstanding Program 2017



The Cooperative Trust
from Filene Research Institute



WHEN: February 27, 2017
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Washington, DC, in
conjunction with the
CUNA Governmental
Affairs Conference (GAC)

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