



Credit Union System COVID-19 Restart and Recovery Task Force

October 2020 Industry Outlook

Overview

The Credit Union National Association (CUNA) Credit Union System COVID-19 Restart and Recovery Task Force brings together leaders from throughout the movement to engage in dialogue to provide guidance and strategies for credit unions as they restart paused business lines and recover from the negative impacts of the COVID-19 pandemic.

By listening to and learning from a broad array of industry professionals, the participants of the Credit Union System COVID-19 Restart and Recovery Task Force will gain a greater understanding of the myriad issues facing the credit union movement as a result of this crisis. The task force will act as a resource and indispensable partner to our nation's credit unions as they continue to serve America's consumers during these trying times.

Those invited to participate on the Credit Union System COVID-19 Restart and Recovery Task Force represent strong recognition of the importance of the 3-tier credit union system, comprised of credit unions, leagues and CUNA.

The Task Force holds monthly virtual meetings to discuss strategic priorities including business continuity, digital services and automation, staffing and operations and industry financial impact. Various subject matter experts join the dialogue to give informative presentations, statistical data and industry perspectives regarding the issues currently facing the credit union industry.

The following is an overview of the high-level takeaways for credit unions following the Credit Union System COVID-19 Restart and Recovery Task Force meetings on September 24th and October 22nd.

Risk Analysis in the COVID-19 Environment

Currently, states are reopening and closing depending on the COVID-19 infection rate. Credit union response must be uniquely tailored to fit how local jurisdictions are handling and tracking restrictions on business operations. The risks credit unions and their members are facing in the COVID-19 operating environment cannot be eliminated, only mitigated. Despite the reality of these risks, credit unions should use the unique operating environment as an opportunity to build brand loyalty.

Health & Safety

- Ensure sick leave policies encourage sick employees to stay home.
- Ensure sick leave policies meet requirements of new laws.
- Policies should align with the behaviors credit unions want to see from staff.
- Consider the risk tolerance of individual employees and shift operating areas for employees based on their risk tolerance.

Legal & Liability

- Ensure applicable laws, regulations and ordinances are followed.
- Ensure employees understand requirements of them in the workplace.
- Ensure the workplace is compliant, particularly with safety requirements.
- When possible, utilize liability waivers and release of claims to transfer risks.
- Recognize that liability waivers do not transfer all the possible risks and the amount of risk they transfer remains undetermined.
- Recognize that liability waivers may not be permissible/enforceable in an employer/employee relationship.
- Create an audit trail to prove reasonable efforts have been made to comply with laws, regulations and ordinances and to protect employees and customers.

Reputation

- The divided political environment, fear and uncertainty of the pandemic and social media amplification combined create a massive reputation risk.
- Assume exceptions for every policy as not all policies will be applicable to a particular circumstance.
- Train on policies, policy exceptions and document training and exceptions.

Business Closures

- According to data from Yelp, 60% of business closures due to the pandemic are now permanent

- Track both geographic unemployment rates and outside performance indicators to analyze the credit union membership's economic risk.
- Educate vulnerable members about the changing economy through webinars, emails, and newsletters to build hope and generate ideas for success.

The Digitalization of Financial Services

COVID-19 has accelerated the move toward a digital-everything business environment. This is due to the decline in branch visits and ATM transactions, increased focus on contactless payment, and reduced dependency on the physical workspace. To adapt to this changing environment, credit unions must drive scale, execute on digital transformation, deliver exceptional member service, innovate products and services, and adjust to new demographic and workplace realities.

Top Five Financial Services Trends

- Accelerated consolidation and drive for scale
- Advances in technology adoption and innovation
- Changes in consumer expectations, demands and behaviors
- Waves of competition from incumbents and new entrants
- Significant demographic shifts in the U.S.

Credit Unions and Digital Transformation

- Drive scale by building further on the credit union collaborative model.
- Enhance member experience at every opportunity, stay on pace with the evolution of payments, and leverage the benefits of data analytics.
- Deliver exceptional member experiences to adapt to consumer demand for convenience, simplicity, speed, empathy, and personalization.
- Innovate current products and services by combining branch experiences with exceptional digital capabilities.
- Reflect changing demographic and workplace realities with an eye toward member retention and acquisition, as well as talent management.

Small Credit Unions and Digital Transformation

- Collaborate to foster strong partnerships without the overtures of acquisition
- Outsource if the resources to invest and innovate independently are not available.
- Stay informed and educated on what is happening in the digital landscape.
- Influence employees to migrate members of all demographic segments to digital services.

Competitive Analysis

- Nontraditional players are setting the bar high for consumer expectations. Apple Card processes an application and provides the consumer with a working card and credit limit in approximately 28 seconds.
- Pre-pandemic, banks had a 15% lead on credit unions for efficiency ratios. Major players like Chase Bank spend 30 cents on the dollar integrating new technology into their systems.
- More than 50% of new consumer accounts entering the financial services industry went to the top four large banks – they are starting to beat credit unions at their own game.
- Companies are already using new technologies that will transform our industry: analytics, artificial intelligence, voice banking through Amazon Alexa, and biological payment methods.

Combining Physical and Digital Branch Experience

- Banker tablets with 360 view of customers
- Interactive teller machines with remote teller
- Video conferencing rooms
- Service terminals
- Teller cash recyclers (TCRs)
- Robot greeters
- Interactive digital walls

U.S. Department of Agriculture (USDA) Broadband Initiative

Congress created a mandate to address the 24 million Americans in rural communities without high-speed internet. The ReConnect Program offers unique federal financing and funding to facilitate broadband deployment in areas of rural America that do not currently have sufficient access to broadband. The USDA made \$550 million in funding available in 2020, which will likely be made available again in 2021. The goal of this initiative is to incentivize bringing broadband solutions to communities. Cooperative or mutual organizations are eligible to apply for assistance through the ReConnect Program.

How Credit Unions Can Help Rural America

- This presents an opportunity for credit unions to partner with other cooperatives to show how credit unions help solve problems in the community.
- Inclusiv is the initial stages of research to explore how credit unions can leverage their capacity toward this initiative.
- CUNA Advocacy is exploring ways to support broadband policies in Congress.
- The National Advocacy Fund, CUNA Political Action and Leagues are researching ways to get involved at the local level.
- CUNA's Advancing Communities campaign features [a Plan for Better Communities](#) that includes a provision to provide affordable financial services to underserved communities in rural areas.

Other Topics Discussed:

- Best practices for returning to the workplace
- CUNA webinars positive impact on small credit unions
- CUNA Professional Development Online efficiency for remote staff learning
- Navigating company travel policies and procedures
- Projected timeline for in-person credit union events
- Industry-wide call to action around innovation
- Management and forgiveness of personal protective equipment loans
- Regulatory clarity and flexibility from the National Credit Union Administration
- CUNA satisfaction surveys on best practices for examination
- Growing concern over National Credit Union Share Insurance Fund and risk-based premiums
- Economic growth projections and unemployment rates
- Opportunity for credit unions to assist with telehealth projects

Presentations and Support Materials Provided by:

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