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# 10 WAYS TO PUMP UP THE LOAN PORTFOLIO

FOR MORE CREDIT UNION STRATEGY & PERFORMANCE VISIT

CREDITUNIONS.COM

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*Lending is increasing across the credit union industry, and institutions have found success beyond the 30-year fixed mortgage and 5-year auto loan. This Callahan Collection identifies 10 lending strategies credit unions can employ to grow their portfolios.*

# 3 STRATEGIES TO MANAGE LIQUIDITY

*In today's changing and often-uncertain economic environment, balance sheet management is top-of-mind with credit union executives*

BY SAM TAFT

Credit unions are inherently complex institutions whose operations require skilled managers and consistent management. Financial and operational challenges can arise from a variety of factors and impact nearly every aspect of the credit union. From a financial perspective, executives must manage everything from branch profitability to interest rate risk.

In today's changing and often-uncertain economic environment, balance sheet management — specifically, liquidity management — is top-of-mind with credit union executives. Managers can push and pull a number of levers as the situation warrants, and in recent quarters managers have started deploying new strategies at a broader scale across the industry.

Here are three popular ways for credit unions to manage liquidity.

## NO. 1: PRICING STRATEGIES

To maximize member value, credit unions must provide competitively priced savings and loan products. A credit union's ability to provide the latter is largely dependent upon its ability to attract members through the former.

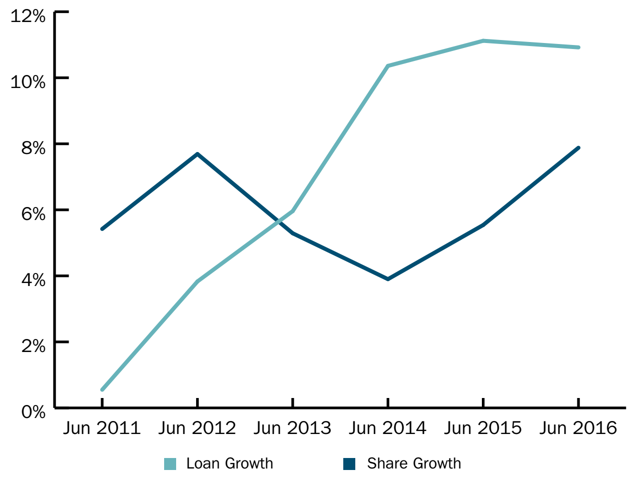
Traditionally, credit unions have strengthened their balance sheet by increasing share balances and distributing those funds in the form of loans. All things being equal, a credit union can use its members' share balances to make as many loans as its members demand. Even becoming "loaned out," the term applied when loan balances equal share balances, has not stopped some prolific lending shops.

When the economy expands or contracts, loan growth and share growth have historically had an inverse relationship. In times of economic prosperity, consumers demand more or larger loans. During periods of economic contraction, consumers seek safe havens for their savings.

> "When the economy expands or contracts, loan growth and share growth have historically had an inverse relationship. In times of economic prosperity, consumers demand more or larger loans. During periods of economic contraction, consumers seek safe havens for their savings."
>
> – – SAM TAFT, DIRECTOR OF INDUSTRY ANALYSIS, CALLAHAN & ASSOCIATES

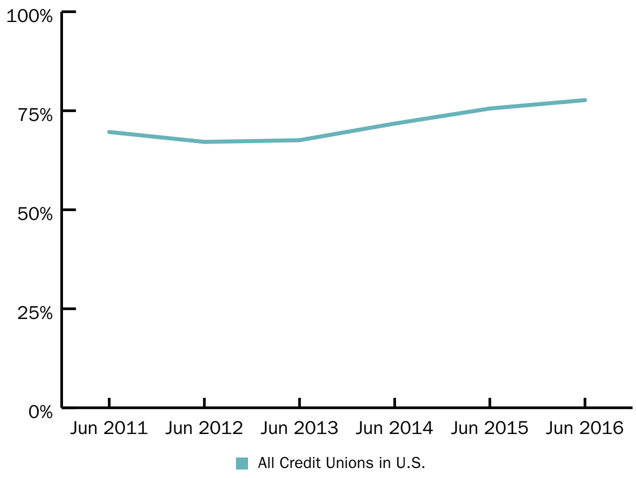
**LOAN GROWTH VS SHARE GROWTH**

FOR U.S. CREDIT UNIONS | DATA AS OF 06.30.16




**LOAN-TO-SHARE RATIO**

FOR U.S. CREDIT UNIONS | DATA AS OF 06.30.16




During the Great Recession, the average credit union loan-to-share ratio peaked in September 2008 at 83.7%. In the difficult quarters and years to follow, it steadily declined until hitting a low of 65.9% in March 2013.

Over this period, tightened underwriting standards and a general pull-back in financial institutions' appetite for risk across nearly every lending category greatly reduced consumer access to credit.

Although higher loan-to-share ratios are generally indicative of a stronger economy, rising loan-to-share ratios present a dilemma for credit union executives.

On the one hand, a growing loan portfolio is proof-positive of the credit union's success in satisfying loan demand; however, at times it can be at the expense of deposit growth.

There are several options available to a credit union faced with a steadily growing loan-to-share-ratio. One of the easiest strategies is to spur deposit growth. Credit unions do this typically in the form of limited-duration savings specials, e.g., a 2% special on a three-month share certificate.

If a targeted deposit growth strategy alone does not ease the upward pressure, a credit union can also slow loan growth by limiting marketing and promotion activities or becoming more selective in its underwriting.

## 2. SALES TO THE SECONDARY MARKET

For credit unions that do not want to limit lending, there are other options available to manage liquidity.

For example, fixed rate first mortgage loans have both the largest capital requirement and longest average duration on a per loan basis of any product in most credit unions' loan portfolios. Because of these requirements, 35.2% of credit unions that originated a first mortgage loan as of the third quarter of 2015 managed their liquidity and interest rate risk by selling these loans after they originate them.

The most popular avenue to sell first mortgage loans is commonly referred to as the secondary market. The primary parties that purchase loans on the secondary market are government-sponsored enterprises — including Fannie Mae, Freddie Mac, Ginnie Mae, and Federal Home Loan Banks — other government affiliates such as the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA), and to a lesser extent other financial institutions and insurance companies.

For lenders that want to serve their members but are wary of adding loans to their balance sheets, the secondary market can be an attractive option. From a directional perspective, sales to the secondary market as a percentage of first mortgage originations will generally lag behind a rising or falling loan-to-share ratio.



For example, in the quarters leading up to September 2008, sales as a percentage of originations hovered around 25%, a historically low proportion.

However, shortly after that third quarter peak, sales to the secondary market as a percentage of originations incrementally ticked up as credit unions sought to make loans while selling almost a majority, 55.7% in March 2009, of their first mortgage originations.

Mortgage sales continued to climb, contributing to the March 2013 loan-to-share ratio low.

As the chart above shows, when consumer confidence rebounded in 2013, credit unions had ample capital available for lending. Consequently, the loan-to-share ratio for the credit union industry began to increase while sales of mortgages as a percentage of originations declined.

## 3. LOAN PARTICIPATION SALES

Selling loans to the secondary market can be an effective way to manage the liquidity and interest rate risk of a credit union's first mortgage portfolio. So, too, is selling loan participations to other financial institutions.

In principal, the end result of selling loan participations is similar to selling first mortgage loans to the secondary market. However, loan participations are not limited by loan type. In fact, credit unions can sell real estate, member business loans, and consumer loans alike.

The broader industry dynamics associated with secondary market sales holds true for sales of participation loans. When loan growth consistently outpaces share growth, there is an incremental increase in sales of participation loans. As credit unions seek to free up capital, they convert assets into liabilities they can redeploy to areas that better fit their operational goals for the given economic environment. For example, in times of economic growth, credit unions might find it advantageous to sell less-profitable portions of their portfolio and increase their activities in higher-yielding areas.

Looking ahead, liquidity management will continue to be an important and necessary practice for executives to guide their credit union. Although portions of the broader economy have rebounded and are experiencing phenomenal growth, other areas continue to lag and threaten to hamper overall growth. As discussed above, regardless of the financial climate, different liquidity management strategies exist to help credit unions better position themselves for the future — during economic expansion and contraction alike.

*This article originally appeared on CreditUnions.com on Feb. 01, 2016.*

# WHAT TO CONSIDER BEFORE OUTSOURCING A CREDIT CARD PROGRAM

*There are three broad credit card management options that carry their own advantages and considerations.*

BY TIMOTHY KOLK

A credit union's credit card program is almost always its highest Return on Assets loan program; therefore, keeping it healthy, competitive, and growing is critical to the credit union's overall performance. Many leaders are surprised to learn a seemingly small loan portfolio can generate 20% or more of a credit union's overall bottom line and be the payment device of choice for high-value members. Those that recognize the importance of the card product make it a critical part of overall strategy and member relationship management.

As with all profitable and important products, credit cards bring out competitors. Credit-worthy consumers who already hold a credit card — if not several — offer little new business. Therefore, credit unions need to play as much defense with their existing relationships as they play offense to capture new accounts.

Unfortunately, many credit unions grapple with the best way to manage their credit card business.

Broadly speaking, there are three credit card management options:

1. Controlling virtually all of the work internally on the core system.
2. Using third parties to process transactions and manage day-to-day tasks.
3. Outsourcing all elements of program management and decision-making in exchange for a fee-based revenue stream.

Each approach has its own advantages and considerations.

## OPTION 1: IN-HOUSE CREDIT CARD MANAGEMENT

In this approach, the issuer uses a third party to process transactions and perhaps take on some ancillary functionality such as fraud system integration. Otherwise, the issuer handles all tasks, and all information is resident on the issuer's core systems.

This approach requires the greatest internal resource commitment and staff expertise. There are few external resources to support product design, report management, compliance, and market observation.

The benefits, however, can be substantial. For example, external costs can be lower and issuers can mine card program data directly and integrate it into member information systems to support marketing and decision-making. Additionally, the program and customization are entirely within control of the issuer.

## OPTION 2: THIRD-PARTY PROGRAM SUPPORT (FULL-SERVICE)

A full-service approach is most common within the credit union market. Issuers contract with a third party to process transactions — like with in-house approaches — as well as to manage most of the day-to-day functionality of the program. There is come customization available, usually for statementing, cardholder servicing, settlement, payment processing, some marketing support, and similar functions.

In a full-service environment, the issuer owns and holds ultimate responsibility for the program, including development and compliance risk for all related policies, product set design and performance, and marketing commitments. This is popular, especially for small-to-medium programs, because resource-stretched institutions can rely on a dedicated expert to support the program and provide much of the information and market intelligence that is critical for success but difficult to maintain internally.

»

"The credit card market is so competitive that any issuer wasting time lamenting their operating structure will inevitably fall behind those who made informed decisions."

– TIMOTHY KOLK, CREDIT CARD INDUSTRY EXPERT, TRK ADVISORS

### OPTION 3: FULLY OUTSOURCED (AGENT PROGRAM)

Hundreds of credit unions employ this approach, which is structured as a licensing agreement between a qualified third-party issuer and the credit union.

The issuer is the owner of record for the accounts and holds the balances. The credit union receives a regular revenue stream based on account generation and portfolio activity — typically some combination of balances and transactions. The credit union provides a license for the issuer to provide credit cards under the credit union's name, and the issuer pays for 100% of the marketing and program management costs.

A credit union in this structure has to ensure it finds a partner with a consistent track record of providing competitive and fair products while maintaining acceptable service levels. These partners often provide servicing and technology platforms individual credit unions find difficult to maintain internally. Advantages of this approach include earning the highest possible Return on Assets, as revenues are 100% fee driven and do not rely on balance sheet assets; minimizing the capital required to provide a credit card to members; and offloading all market and credit risk to the third party.

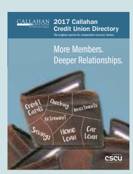
After a period of some stagnation, more credit unions are starting to explore this option again. This resurgence is the result of risk-based capital rules punishing credit cards more than any other product, loan loss provisioning interpretations possibly requiring an increase in credit card loan loss allowance levels, and overall market competition making internally resourced growth too expensive.

To be sure, none of these approaches fits every credit union all the time.

Credit unions have achieved great success as well as disappointment under each approach. To achieve success, each credit union must understand the full set of advantages and burdens under each option. Like so many business decisions, understanding the trade-offs and risks — and making informed decisions based on the credit union's priorities and skills — is the only way to determine the proper path is taken. When credit unions make the wrong choice, too often they look at the other party in the relationship as the problem when many times they should examine how they made decisions and whether they were diligent in understanding their own strategy and priorities.

Making the right choice is critical. The credit card market is so competitive that any issuer wasting time lamenting their operating structure will inevitably fall behind those who made informed, forward-looking decisions.

*This article originally appeared on CreditUnions.com on Nov. 09, 2015.*

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# WHY VIBRANT CREDIT UNION DOUBLED DOWN ON DIRECT LENDING

*The Illinois credit union phased out its indirect lending efforts and posted major gains in its auto portfolio.*

BY MATT TAYLOR

When Matt McCombs became CEO of Vibrant Credit Union ($561.9M, Moline, IL) in May 2011, the cooperative's auto loan program was almost nonexistent. It had less than $22 million in direct auto loans, $58.1 million in indirect loans, and a loan-to-share ratio of 62.9% versus 69.2% for credit unions $500 million to $1 billion in assets, according to data from Callahan & Associates.

At the time, pricing in the indirect channel was competitive in both rates and dealer reserves, so the credit union became more aggressive in capturing direct auto loans. The result? In second quarter of 2011, indirect lending at Vibrant accounted for 22.8% of total loans. At the end of third quarter 2016, it accounted for only 2.0%. Vibrant's percentage of indirect loans versus total auto loans dropped from 72.6% to 5.6% in that timeframe.

But the journey to a fortified direct loan portfolio was not smooth.

## DEALINGS WITH THE DEALERS

In 2011, Vibrant's lending approach was based on the fear that dealers could stop referring indirect traffic.

"We were a little intimidated and scared of the dealers," McCombs says. "When a member came in to the branch and wanted to buy a car, we forced our lenders to do a pre-approval. We did not allow them to do the loan and give the member a check, even if the member said, 'I want to do this with you and not with X, Y, Z dealership.'"

In July of 2011, Vibrant launched a refinance campaign to shore up auto loan penetration within its membership base. At the time, 17.6% of members held an auto loan with Vibrant, compared with 17.1% for credit unions $500 million to $1 billion in assets.

In just three months, Vibrant went from closing $1.5 million to $2 million a month in direct auto loans to more than $30 million. Today, Vibrant's auto loan penetration is 29.9% versus 20.5% for the 236 credit unions of a similar size.

The campaign was a success for Vibrant but unintentionally resulted in significant chargebacks to the dealers for the loans they originally sent elsewhere. On top of that, auto loan rates started dropping below 2%, so Vibrant changed what it was paying in dealer reserves in early 2012.

"We told dealers we wanted to work with them, to continue the indirect program," McCombs says. "But our expectation was that if one of our members came in, they would send that loan to us."

### CU QUICK FACTS

**Vibrant Credit Union**
***MOLINE, IL***
*DATA AS OF 09.30.16*

**$561.9M**
*ASSETS*

**36,795**
*MEMBERS*

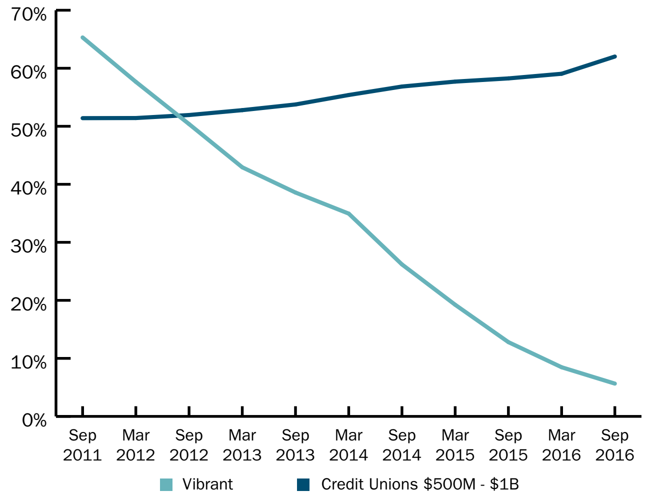
**10**
*BRANCHES*

**3.0%**
*12-MO SHARE GROWTH*

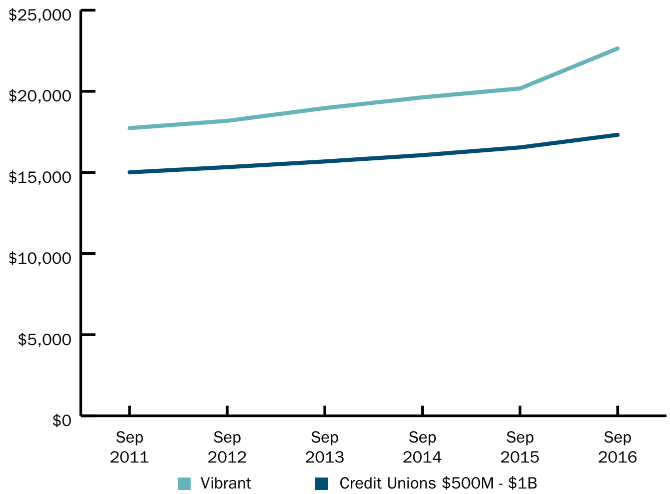
**4.8%**
*12-MO LOAN GROWTH*

**1.28%**
*ROA*

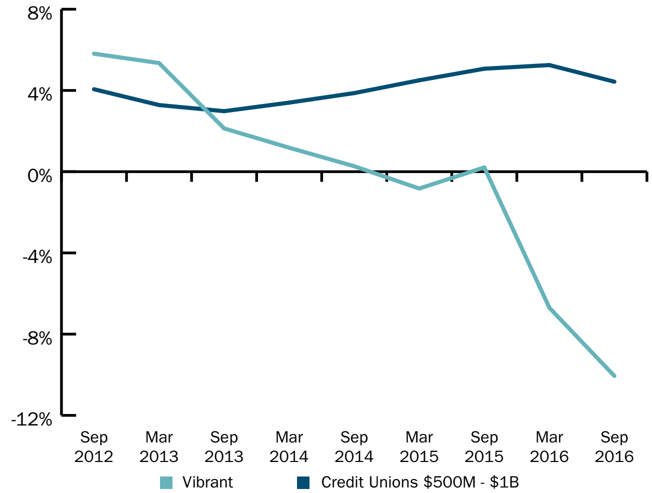
### INDIRECT LOANS/ TOTAL AUTO LOANS
FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16



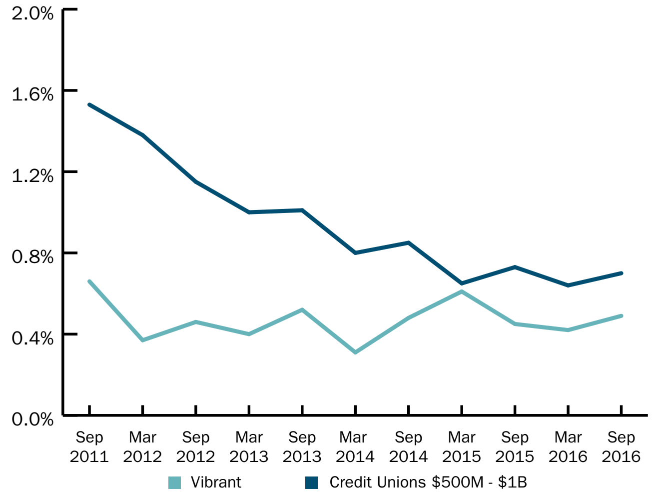

### AVERAGE MEMBER RELATIONSHIP (EXCLUDING BUSINESS LOANS)
FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16




### MEMBER GROWTH
FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16




### TOTAL DELINQUENCY
FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16



> "There is no question the amount of work that goes into creating a long-term loan growth strategy off of direct lending is challenging. But when we look at the ancillary products and relationships we've been able to form, we would do it every day."
>
> — MATT MCCOMBS, CEO, VIBRANT CREDIT UNION

The one-two punch stressed its dealer relationships, and the fact Vibrant wasn't paying as high a dealer reserve as the national players meant dealerships weren't sending member loans back to Vibrant.

"In our marketplace, the dealer drives who gets the loan," McCombs says. "When we decided to change that system, there was a lot of pushback."

By the end of 2012 and into 2013, the relationship between Vibrant and its auto dealer partners was rocky. Vibrant realized it needed to do one of two things: One, go all in on direct lending, or, two, back away from direct lending, including refinancing.

Direct lending was the better choice from a member relationship standpoint as well as a profitability standpoint. Direct lending also gave Vibrant the ability to cross-sell products and services.

So Vibrant went all in.

"It's hard to be one foot in indirect and one foot in direct, both aggressively," McCombs says. "I'm not opposed to indirect lending, but it's not a loan origination channel. It's not a loan origination strategy. It's a supplement to your investment portfolio."

## THE RESULTS OF ALL IN

Today, Vibrant's loan-to-share ratio is a much-improved 99.6% versus 80.2% for credit unions with $500 million to $1 billion in assets.

Vibrant's direct lending overtook indirect lending in the third quarter of 2012. Since then, direct lending has grown by $83.6 million. Indirect lending has dropped by $51.7 million, and the rest of Vibrant's indirect loans are running off.

As might be expected with the cessation of an indirect program, Vibrant's member growth has decreased from 5.8% at its peak in third quarter 2012 to -10.1% today. This is notably weaker than the 4.4% average growth reported in the first quarter by credit unions with $500 million to $1 billion in assets.

However, Vibrant's average member relationship has increased over the same period from $18,182 to $22,640 today, compared with $17,319 for similar-sized credit unions in the third quarter. Vibrant now has a direct relationship with members, and its ability to sell ancillary service products, gap warranties, and credit insurance products has resulted in an increase from 2.2 to almost 2.6 services and products per household.

The resulting growth from Vibrant's all-in approach prompted the credit union to transition from a decentralized to a centralized lending strategy approximately 12 months ago. One to four financial service officers staff each of Vibrant's 10 branches. The credit union has both centralized inbound and outbound lending groups that generate between $10 million and $15 million a month, depending on the season.

Three centralized underwriters take care of the loans that are neither immediately approved nor denied based on preexisting criteria. Historically, approximately 70% of Vibrant's loan portfolio has been in A and A+ paper, and the credit union has been able to increase volume while taking on little to no additional credit risk.

Vibrant's overall delinquency was 0.49% as of third quarter 2016. That's 21 basis points lower than the 0.70% average reported by credit unions with $500 million to $1 billion in assets. It reported total auto loan delinquency of 0.34%, notably lower than the 0.60% average reported by credit unions in its asset-based peer group. Total auto charge-offs, at 0.17%, is also well below peer averages, which is 0.61%.

"If I could go back and do it again, I probably would have gone all in on direct sooner," McCombs says. "There is no question the amount of work that goes into creating a long-term loan growth strategy off of direct lending is challenging. But when we look at the ancillary products and relationships we've been able to form, we would do it every day."

*This article originally appeared on CreditUnions.com on June 06, 2016.*

# TURN APPROVED LOANS INTO FUNDED ONES

*A Q&A with Generations Federal Credit Union on ow it improved its conversion ratio.*

BY SHARON SIMPSON

When Generations Federal Credit Union ($639.7M, San Antonio, TX) detected inconsistencies in its funding ratio — despite competitive pricing — the Lone Star State credit union re-engineered its loan process from the perspective of its members.

In this Q&A, Jack Curtis, senior vice president of retail lending, talks about how the credit union analyzed its issues and took action to improve its conversion ratio.

JACK CURTIS, SVP OF RETAIL LENDING, GENERATIONS FCU

### WHAT'S THE IMPORTANCE OF THE FUNDING RATIO?

**JACK CURTIS:** We pay close attention to the approved-to-funding ratio for a variety of reasons. The most obvious is that it tells us how many existing opportunities we're able to convert. It logically follows that converting a higher percentage of opportunities leads to higher average production.

### WHAT ELSE DOES THE FUNDING RATIO TELL YOU?

**JC:** It is also a meaningful qualitative indicator of how well an institution is performing from a service standpoint and how compelling its loan products and rates are to the membership. We felt, in general, we were competitively priced on most of our loan products. So for us, an inconsistent funding ratio highlighted opportunities to provide better service to our members during the loan process itself.

### WHAT WERE SOME OF THE SPECIFIC SERVICE AREAS YOU FOCUSED ON IMPROVING?

**JC:** As we analyzed the problem, we noticed several things: (1) we weren't as responsive with our underwriting turn times as we needed to be, (2) the structure of our queues and application routing needed improvement, and (3) we needed to be more efficient in our closing processes.

Additionally, we noticed a higher than expected number of approvals that were not accepted by the member. This indicated that we needed to do a better job of explaining the terms and details of a proposed loan, thus allowing the members to make more informed decisions at the time of application.

### HOW DID YOU DEVELOP AN ANSWER?

**JC:** Our work on the approved to funded ratio coincided with our conversion to Meridian Link in April of 2015, which allowed us to restructure queues to improve application routing, automate the Docusign process for more efficient closings, provide staff with better projections to assist members, and enhance our usage of automatic decisioning.

## FUNDING RATIO

For Generations FCU | Data as of 12.31.15

| | Median Monthly Conversion | Minimum Monthly Conversion |
|---|---|---|
| 2012 | 44.79% | 40.05% |
| 2013 | 51.38% | 36.76% |
| 2014 | 51.26% | 49.19% |
| 04.15 – 12.15 | 60.16% | 58.73% |

Source: Generations Federal Credit Union

“Our approach was to re-engineer the loan process working backward from the member experience into the operational and risk management components.”

—JACK CURTIS, SVP OF RETAIL LENDING, GENERATIONS FCU



## WHAT OTHER CHANGES DID THE CREDIT UNION MAKE?

JC: We made several other changes in support of this. In addition to the conversion, we also expanded our underwriting staff to improve turn times.

Plus, we converted to a universal agent concept where loan reps are able to both originate and close loans. Although this comes with its own set of challenges, in the end, we believe it results in a better member experience by removing the backlog that a separate closing process can create and, in an ideal scenario, allowing the member to work with the same agent from start to finish. This concept won't work for everyone, but given our volumes and process design, it works for us.

Finally, we hired an operations analyst that, as part of her responsibilities, focuses on process improvement, system configurations, and operational risk management.

## WHAT RESULTS CAN YOU SHARE?

JC: Since our April implementation, we've seen a higher conversion percentage, approximately 10% higher monthly, and even more significant when compared to our 2012 and 2013 performance. Additionally, our month-to-month volatility in this area has dropped.

## WHAT ADVICE WOULD YOU GIVE ANOTHER CREDIT UNION LOOKING TO IMPROVE IN THIS AREA?

JC: Our approach was to re-engineer the loan process working backward from the member experience into the operational and risk management components. This required us to better use technology and process automation to speed up the service delivery to the member, while developing more sophisticated operational controls.

However, the systems by themselves are not enough. It takes a team of talented staff members that are committed to providing best-in-class service to the members. We can do all the workflow enhancements we want, but if the staff isn't as responsive and motivated as it needs to be, or if it's not equipped with the appropriate training and product knowledge, we won't be getting the most out of our program.

Fortunately, at GFCU we have a great team of loan agents, underwriters, and supervisors, and under the direction of our vice president of direct lending, Bonnie Aguilar, we've continued to make great strides toward improving our sales and service culture.

## LOOKING BACK, IS THERE ANYTHING YOU'D DO DIFFERENTLY?

JC: There isn't anything we would do differently with the design or structure. As I mentioned previously, the universal agent concept presents some unique challenges in staffing and training and development, which requires a longer build-out.

## DID ANYTHING SURPRISE YOU?

JC: When we projected the results, we were hoping to achieve consistent results in the 65%-70% range, which is good for us given the number of auto loans, which is good for us given the number of auto loans we do, which generally have longer production cycles.

Even more telling, however, is the consistency in the ratio month-to-month. We haven't seen the large downward fluctuations in the approved to funded ratio that we saw in prior years. While there are other factors that can affect the ratio, this is a good indicator that our processes are sound. We're having to rely less on elbow grease and manual effort to achieve consistent service to our members.

— As told to Sharon Simpson

*This article originally appeared on CreditUnions.com on Feb. 01, 2016.*

## CU QUICK FACTS

**Generations FCU**
*SAN ANTONIO, TX*
*DATA AS OF 09.30.16*

**$639.7M**
ASSETS

**54,067**
MEMBERS

**14**
BRANCHES

**13.5%**
12-MO SHARE GROWTH

**25.0%**
12-MO LOAN GROWTH

**0.68%**
ROA

## HOW DO YOU COMPARE?

Check out Generations' performance profile on CreditUnions.com. Then build your own peer groups for more insightful comparisons. Click Here

# HOW TO SEGMENT FOR SUCCESS

*A Virginia credit union uses card analytics and a new app to catch members' interest.*

BY MARC RAPPORT

Plastic has long been pivotal to the payments strategy at DuPont Community Credit Union ($1.1B, Waynesboro, VA), as evidenced by the Virginia credit union's peer-busting metrics in credit card penetration and portfolio.

Building on that momentum, DCCU is now doubling down on digital, using business intelligence to drive campaign strategies and launch a new mobile app that features dashboards designed to drive and reward spend.

Mike Tranum, DCCU's vice president of information technology, says it's all part of a business strategy that focuses on acquisition, usage, retention, and onboarding. Launching Apple Pay support was one piece of that puzzle, so was bringing on Michael Weiss in January as director of card services.

"We had always treated our card portfolio as an operational department," Tranum says. "But we felt it was time to focus more on the analytical side of what we could be doing across all our channels: retail, call center, and digital."

## SLICE, DICE, AND SERVE THE SPECIALS

When the credit union analyzed its regional and national card-issuing competitors, it uncovered several opportunities.

"The first thing we did in 2015 was introduce new pricing on credit card accounts," Weiss says.

DCCU also introduced a pre-approval campaign aimed at members who did not carry the credit union's credit card. DCCU enhanced the campaign's email blasts, outbound calling, and retail staff sales contests with specifics about individual members' qualifications for credit lines and other parameters.

"The result was a 6% response, our highest response rate ever and the most new accounts — 970 — that we ever generated in a two-month campaign," Weiss says.

A second campaign focused on members who had dormant credit card accounts — including cards not used for 12 months as well as those that had never been activated. DCCU further segmented variables such as frequency of use and average spend to personalize offers that included combinations of credit line increases and 2% cashback or double rewards.

### CU QUICK FACTS

**DuPont Community Credit Union**
*WAYNESBORO, VA*
*DATA AS OF 09.30.16*

**$1.1B**
*ASSETS*

**82,020**
*MEMBERS*

**12**
*BRANCHES*

**10.4%**
*12-MO SHARE GROWTH*

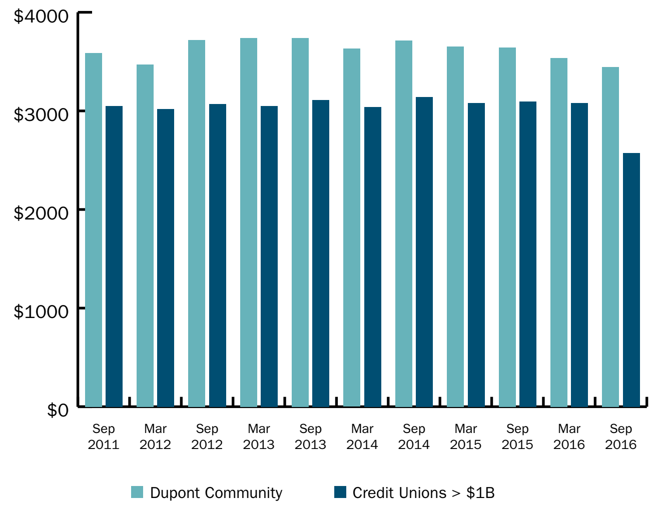
**9.2%**
*12-MO LOAN GROWTH*

**0.52%**
*ROA*

"We sent out a mailer and followed that up with an email blast and the result was an 18% increase in June and July card usage for those members compared with the same two months one year ago," Weiss says.

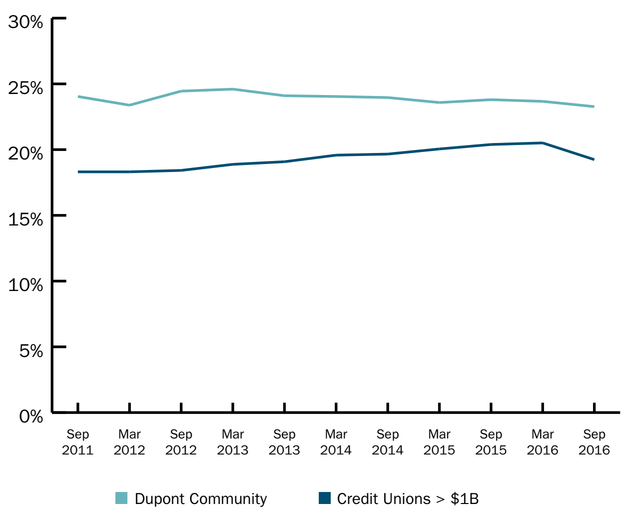
### AVERAGE CREDIT CARD LOAN BALANCE

FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16




### CREDIT CARD PENETRATION

FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16




### A NEW APP WITH DASHBOARDS THAT DELIVER

Five years after its first foray into mobile, DuPont Community launched a new app in August 2015 available for iPads, iPhones, Android phones, and Android tablets.

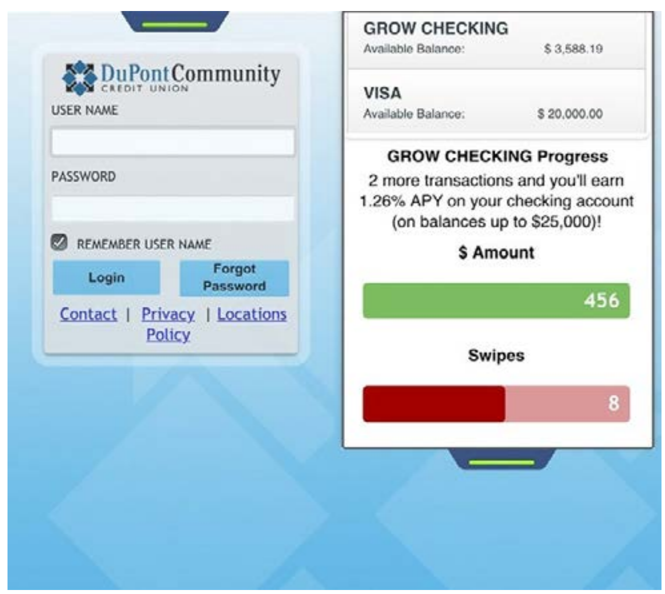
"We treat our credit card like any other account and give our mobile users a complete picture inside the same interface," Tranum says. "That includes viewing balances, scheduling payments, anything the member would typically want to do."

The new app also includes a dashboard that gives members — online or on the app — a graphical view of balances and rewards activity on debit accounts.

"Our users can look at their app and see if they spend $114 more, they'll hit the double rewards level," Weiss says. "It can drive a spending decision. We're seeing that."

Tranum agrees, saying the rewards products have been around for years but the graphical presentation is empowering an overall increase in debit card usage and checking product adoption.


DCCU recently deployed its online version of the rewards and balances dashboard.




DCCU's mobile dashboard shows members how much they have and what they need to spend to earn more rewards. It's part of the credit union's new mobile app.

"You have to constantly evolve your processes and procedures based on industry trends and what you're learning from and about your members. There's no such thing here as set and forget."

– MIKE TRANUM, VP OF INFORMATION TECHNOLOGY, DUPONT COMMUNITY CREDIT UNION

### THE VOICE OF THE MEMBER

DCCU began supporting Apple Pay in May and now has approximately 500 members enrolled, members who originated more than 2,700 transactions averaging $18 to $20 per ticket in August. Tranum says the credit union will offer Android Pay and Samsung Pay, too, when those payment apps become available.

"We want to be there for the member in all the channels they want to use," the DCCU executive says. "If you're going to wait for a winner in the payment space, you're going to be waiting forever. Offer them all and the winner becomes irrelevant."

But DCCU isn't offering these mobile wallets just for the sake of it. It is listening to the voice of its members.

In fact, the Voice of the Member is a new program for collecting feedback from members using the retail and call center channels. Before the credit union launches new electronic products, it tests them among employee focus groups composed of varying ages, genders, and other demographics.

That combination of employee and member feedback can reveal some unexpected areas of service improvement. Changing the credit card reissue process is one example, Weiss says.

"We kept hearing that online retailers were going by the first day of the expiration month rather than the last day, and that was causing some cards to be rejected," says the DCCU cards director. "So we now extend the window for renewals to eight weeks before the plastic actually expires."

That kind of agility does not happen by accident.

"You have to constantly evolve your processes and procedures based on industry trends and what you're learning from and about your members," Tranum says. "There's no such thing here as set and forget."

*This article originally appeared on CreditUnions.com on Sept. 14, 2015.*

## Strategy Of Segmenting

Michael Weiss, director of card services, shares six reasons why DCCU is focusing on segmenting its card portfolio.

- Michael Weiss, director of card services, shares six reasons why DCCU is focusing on segmenting its card portfolio.
- It helps the credit union understand its current portfolio composition and baseline the portfolio's performance.
- It helps the credit union formulate treatments or promotions that are more relevant to the member.
- It maximizes marketing investment per account.
- It identifies the biggest opportunities.
- It helps the business lay out the strategic roadmap.
- It introduces a more quantitative approach.

# TO POWER MORE PURCHASES, TRY A REALTOR REBATE

*A self-built program at Silver State Schools gives homebuyers a break and provides realtors another avenue to source clients.*

BY ERIK PAYNE

It's unclear when or by how much the Federal Reserve will change the Federal Funds Rate, but the potential for a near-term rise looms. In anticipation of that inevitability, cooperative lenders such as Silver State Schools Credit Union ($693.4M, Las Vegas, NV) are transitioning their mortgage portfolios away from the refinance business to the purchase money business.

"Eventually we are going to see interest rates go up, and the market will shift," says Steve VanSickler, chief credit officer at the Las Vegas-based institution. "If you're not doing anything today to move from refinances to purchases, it's going to be a hard road for your mortgage originators."

On the balance sheet, nearly 73% of Silver State Schools' total loans are real estate loans, well above the 49% average for its asset-based peers. Of those real estate loans, 69% are first mortgages.

Currently, more than 50% of the credit union's mortgage production is purchase, VanSickler says. Going forward, he'd like to see that number closer to 80%.

To help make that goal a reality, the credit union introduced its Realtor Cash Rebate Program in the first quarter of 2014. This option gives members a way to earn back 25% of their real estate agent's commission when they buy a home.



## THE REALTOR CASH REBATE

On its website, SilverStateCU.com, the credit union lists seven real estate agent partners in the Las Vegas area and is considering adding an eighth.

To qualify for the rebate, potential homebuyers must visit the site, select one of these agents, and complete a form before reaching out to them for home-buying assistance. However, recognizing the importance of a good fit between a real estate agent and a buyer, Silver State Schools does allow members to move from one agent to another on the list.

On the same page, Silver State Schools also includes a table that estimates what a potential rebate would be for homes at various price points, assuming a 6% commission.

### AVERAGE REBATE SAVINGS

FOR SILVER STATE SCHOOLS CREDIT UNION | DATA AS OF 08.01.15

| Home Price | 25% Rebate** |
|---|---|
| $100,000 | $750 |
| $200,000 | $1,500 |
| $300,000 | $2,250 |
| $400,000 | $3,000 |
| $500,000 | $3,750 |

**This rebate chart is used for estimating purposes only

Source: Silver State Schools Credit Union

Once the member finds a home, the partner real estate agents are contractually obligated to take the financing to the credit union first; however, Silver State Schools cannot require the buyer to choose the credit union for financing. If the borrower moves forward, at close, they will receive a 25% cash rebate from the real estate agent.

## CREATING MEMBER VALUE

There are, VanSickler says, turnkey systems for programs like this, which the credit union did consider. But ultimately it decided to create and manage the program internally so it could provide the best possible member benefit.

For example, Silver State Schools can directly control which realtors are in the program.

"We didn't want someone else telling us who our members had to use," VanSickler says. "No one could give me assurance that my members would have a choice and would be able to move from one realtor in the program to another."

"Ideally we want to aid them in getting clients, but this is a strategy to get business from realtors. We want to get mortgage loans and the buyers the realtor is working with."

— STEVE VANSICKLER, CHIEF CREDIT OFFICER, SILVER STATE SCHOOLS CREDIT UNION

Of those agents in the program, Silver State Schools has worked with each one in some capacity. A few sold foreclosed properties the credit union had repossessed, and some came from referrals from the credit union's mortgage originators.

Beyond personality and business acumen, the credit union screened real estate agents based on factors such as their base of operations and market familiarity. Las Vegas is a city of nearly two million people and to serve that population, Silver State Schools selected qualified real estate agent partners from across its footprint, from downtown Las Vegas to nearby Henderson.

Additionally, the credit union looked for agents who primarily worked with buyers, not sellers.

"We wanted people who were working with people who were trying to find homes," VanSickler says.

The credit union interviewed candidates and conducted background checks through Yelp and the Better Business Bureau and even cross-checked its top choices a final time by running them by other realtors in the Greater Las Vegas Association of Realtors, VanSickler says.

## CREATING REALTOR VALUE

To build a truly successful program, the credit union had to make sure it was driving value on the other side of the equation as well.

For example, Silver State Schools knew it could save real estate agents money by building its own program because certain turnkey programs require agents to pay for each transaction. This means they not only lose the percentage rebated but also pay for the privilege.

Silver State Schools' program also helps realtors source new clients.

"We ask, 'What are your sourcing strategies? How do you find your clients? How do you develop them?'" VanSickler says. "Sourcing strategies come with a cost."

### CU QUICK FACTS

**Silver State Schools Credit Union**
*LAS VEGAS, NV*
*DATA AS OF 09.30.16*

**$693.4M**
*ASSETS*

**52,237**
*MEMBERS*

**8**
*BRANCHES*

**4.7%**
*12-MO SHARE GROWTH*

**5.4%**
*12-MO LOAN GROWTH*

**1.99%**
*ROA*

Now, the Realtor Cash Rebate Program acts as a sourcing cost, at 25% of commission. But instead of advertising on traditional channels in a top 50 media market, the agents enjoy direct access to high-value, ready-to-buy clients.

Of course, Silver State Schools doesn't want this program to be an agent's only source of business. Instead, it sees the program as a way of connecting agents with a more intimate client base from which the credit union can also benefit.

"Ideally we want to aid them in getting clients, but this is a strategy to get business from realtors," VanSickler says. "We want to get mortgage loans and the buyers the realtor is working with."

*This article originally appeared on CreditUnions.com on Aug. 01, 2015.*