



Anatomy of
GREATER NEVADA
CREDIT UNION





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Joy Wilson, VP, Talent Management, ORNL Federal Credit Union

WE HELP CREDIT UNIONS THRIVE.

GREATER NEVADA CREDIT UNION

Consumers who want to roll the dice with their financials go to Vegas. Those who want a lasting financial partner head north to Greater Nevada instead.

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WITH GRATITUDE



HOW THE WEST WAS (RE)WON

Greater Nevada Credit Union shows the future of the American West is still defined by a pioneering spirit.

BY AARON PUGH

The fact that the name Nevada comes from the Spanish word for “snow-covered” might not make much sense to many Americans until they visit the majestic hills of Carson City. Named after Kit Carson, the frontiersman who led explorer John C. Frémont to this region in the mid 1840s, Carson City became the capital of the Nevada territory in 1861 and then later of the State of Nevada following its admission to the Union in 1864.

Nestled against the base of the Sierra Nevada mountain range, not far from Lake Tahoe, the city was a source of and shipping hub for gold, silver, and timber — all which played a major role in helping to fund the Union efforts during the Civil War as well as the general expansion and development of the American Southwest.

Times have changed nearly every aspect of the city, of course. Four-wheel drive SUVs sporting “Keep Tahoe Blue” bumper stickers have replaced covered wagons, and mountain bikers and other outdoor enthusiasts now populate old mule trails. Even the mines have given way to new industry, including a burgeoning tech scene attracted by the state’s business-friendly tax policies.

Yet the heart of Carson City remains as colorful, willful, and yes, sometimes wild, as the bands of horses that still roam the region’s hills today.

A prime example of this pioneering spirit is Greater Nevada Credit Union (\$541M, Carson City, NV) a financial cooperative that started out serving state and municipal employees exclusively and soon thereafter grew to serve residents in 14 northern and eastern counties. As of 2014, that footprint has grown yet again to include all 17 counties statewide. »

"I initially joined the credit union in an accounting and data processing role, and at that time we had about \$55 million in assets, roughly 13,000 members, and three branches," recalls president and CEO Wally Murray. "That included one main branch here in Carson City, one about 325 miles from here in Ely, and a third just down south in Minden."

By comparison, the organization now has \$541 million in assets, more than 48,300 members, and 12 branches, including a mix of freestanding, storefront, in-school, and, most recently, in-store locations.

With 20.4% loan growth and nearly 6% member growth as of 1Q 2015 according to Callahan data, Greater Nevada is an industry success story in nearly all respects. Yet this has far more to do with careful design and strength of spirit than it does with luck.

"The Great Recession basically decimated the community banking industry in our state," Murray says. And although the downturn also significantly affected the credit union — which ultimately dropped to a 5.54% net worth ratio before eventually recovering to its current 10% — the institution is now positioned as the leading, and in some cases the only, financial institution in many of its markets.

LESSONS FROM THE PAST

"I became CEO of the credit union in the early part of 2001," Murray says. "One of the first things I did was take a look back to understand what it was that had made us successful for the past 50-plus years."

This corporate soul searching led to the development and documentation of the credit union's core values for the

first time in its history. These values are: Service, Inspiration, Trust, Care, Progress, and People.

"These were things we had made a commitment to already, not necessarily the things we aspired to going forward," Murray explains. "It was about capturing the ideas that helped make us what we are and the things we never want to walk away from."

A notable absence in Greater Nevada's core values is money.

"Money is a tool for us," Murray says. "We monitor it and it's important, but it's not what we're about. Instead, we're out to help people have a better tomorrow."

Since then, whenever important opportunities arise, these six values help tip the scales one way or another.

"When options like subprime lending came along, something that wasn't the right thing for people and didn't inspire trust, it didn't pass our litmus test," Murray says.

Not all decisions made during the depths of the recession were as cut and dry, however, and they all came with consequences.

This included the institution not renewing or offering new CDs for a time as well as closing some branches that had alternative service points nearby in order to shrink assets and improve

net worth, says Joyce Whitney-Silva, the credit union's chief financial officer.

But these necessary sacrifices allowed the organization to survive the downturn and start growing again. In fact, its asset base is near pre-recession levels and it has opened three new branches in the past 12 months.

NEW OPPORTUNITIES

Elko and other mining towns on the east side of the organization's footprint were largely shielded during

the downturn, says Whitney-Silva and their resilience played a big role in challenging the credit union to think more broadly about diversifying its footprint in the post-recession.

But given its relative size and prominence compared to neighboring cooperatives, Greater Nevada felt a merger-driven focus might sour potential alliances.

"We've done four mergers in our history, the most recent being three years ago with a tiny credit union in a city where we already had a branch," Murray says. "But that and every other merger we've done had been brought to us by the regulators. So it's not really a part of our DNA."

Instead, the credit union pursued a 2014 market expansion that opened access to southern Nevada, a region that includes Las Vegas and approximately 2 million of the state's roughly 2.8 million people.

Although the market is laden with possibilities, Greater Nevada is moving into it in a conservative, exploratory way. It is relying heavily on its indirect auto dealer relationships, its wholly owned CUSO, Greater Nevada Mortgage, and remote staff to help scout the territory.

"We don't have a traditional vision for Southern Nevada in terms of putting a bunch of branches to attract members because we've got a community-oriented model," Murray says. "I've been in this state for 26 years, and I still don't fully understand the community of Las Vegas. So we want to focus on the niches in that market where we can make a difference."

One example of a niche opportunity is in recreational vehicle lending, which represents approximately \$50 million in the credit union's current loan portfolio, says Dean Altus, the credit union's chief operating officer.

"In Northern Nevada, it's fairly seasonable and those loans dry up in the wintertime," Altus says. "When

CU QUICK FACTS

**Greater Nevada
Credit Union**
CARSON CITY, NV

\$541M

ASSETS

48,307

MEMBERS

14.42%

12-MO SHARE GROWTH

20.39%

12-MO LOAN GROWTH

1.07%

ROA

we started doing them in Southern Nevada, we didn't have that seasonality. We thought it was an anomaly, but it stayed strong throughout the whole year.”

A LEGACY OF CARE

Although Greater Nevada's membership is growing stronger every day — both in terms of number of members and in the depth of those relationships — it is still working to achieve its pre-recession membership peak. However, it's also taking this opportunity to shape that growth in a way that bodes well for its future and matches the needs of its communities.

“For the past few years, we've been driving home the message of inclusivity, that this is your credit union, and it's now open to everyone here in Nevada,” says Kerstin Plemel, Greater Nevada's vice president of marketing.

In support of that mentality, the credit union offers a \$25 member referral payout. It's not a lot, but it is enough.

“It's probably not the money that is motivating people but the value they see here,” Plemel says.

In 2014, the credit union also started a new advertising campaign that is primarily focused on the 16-44 age group and emphasizes the role of the credit union during major life events such as graduation, starting a first job, getting married, having children, or buying a house.

“We did some market research which indicated that potential members weren't as interested in specifics about a checking account or our loan rates,” Plemel says. “They just wanted to know that there was a financial institution they could trust, that was going to take care of them.”

Historically, only approximately 40% of incoming members to the credit union were age 44 and younger. But within six months of launching

this new campaign, that demographic grew to more than 60% of new members.

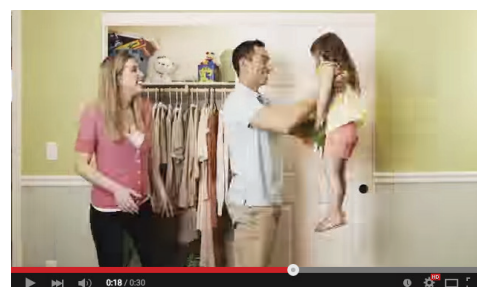
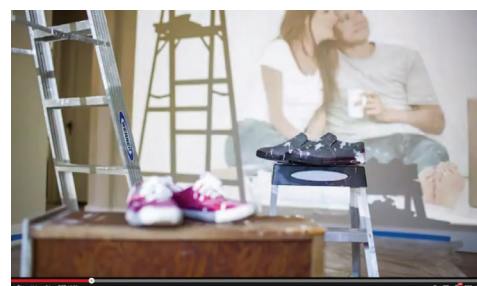
Conversations with the next generation of borrowers are happening on the airwaves, online, and on social channels, but they're also happening face to face, in branches and community.

“I was at a local establishment a couple months ago, talking to this bartender — a young guy about 30 years old,” Murray says. “And he told me, ‘My wife and I bought a second car. We could've paid cash for it, but I started thinking ahead and knew I needed to start establishing some credit.’”

Unfortunately, the bartender had a few minor medical bills go south and as a result ended up with a 29% loan rate on an eight-year-old car from another organization. So Murray suggested the young man visit the credit union for a better deal and connected him with some of the financial education components the credit union offers through BALANCE Financial Fitness.

This coursework helped the borrower secure a better-than-normal rate, but when Murray saw him again, he didn't want to talk about the loan. He wanted to talk about how Greater Nevada had transformed his entire financial philosophy.

“That's our target member — a younger individual with a family — and he tells me we've changed his life,” Murray says. “We know it takes a while to get folks to trust you once they come in the door. But we're here for the long haul, so we're good with that.”



Greater Nevada's TV ads focusing on the nature of change. To see the ads in action, view this article on the creditunions.com/archives page.



WHO? WHAT? WHERE? WHEN? WHY?

WHO?

Northern Nevada's casinos have drawn many famous faces over the years, yet it's the ski town of Lake Tahoe that is gorgeous enough to make them stay indefinitely. Current and former lakeside property owners include Bill Gates, Oracle CEO Larry Ellison, Howard Hughes, and Frank Sinatra.



WHERE?

Nevada's northern Virgin Valley is the only place in North America where Black Fire Opals can be found in large quantities. These stones were created when water and silica slowly replaced the wood fragments that had settled on the floor of ancient lakebeds. Although long valued for their beauty, it wasn't until 1987 that the opals became the official state gem.

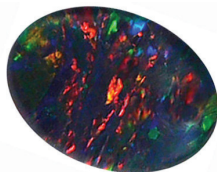


Photo via etsy.com

WHEN?

2-3 million years ago ... that's when massive shifts in the earth's crust created the basin of modern day Lake Tahoe as well as the many mountainous peaks that surround it. Perhaps it's no coincidence that some claim the lake is the home of a prehistoric Loch-Ness style creature referred to as Tahoe Tessie.



WHY?

In the rare event two Nevada gubernatorial candidates tie in an election, a literal draw of the cards determines the results. In fact, Nevada is just one of many states that settles such disputes via a card game, coin toss, or other "lot," according to Atlantic Magazine. However, in a study of 16,577 federal elections taking place over 94 years, there have been only two recorded instances of a perfect tie at the state level and only one at the federal.

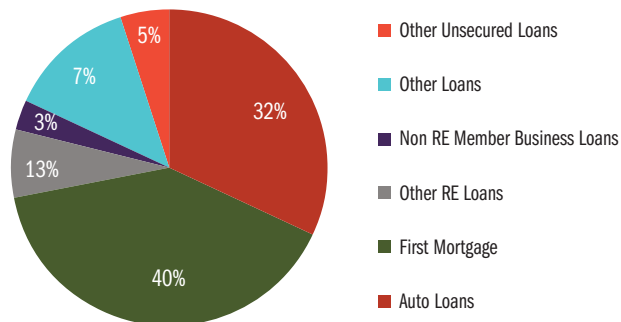


SOURCES: FRONTDOOR.COM, BLM.GOV, TRAVELNEVADA.COM, TAHOE.USGS.GOV, THEATLANTIC.COM

ARE YOU WORKING THE ODDS?

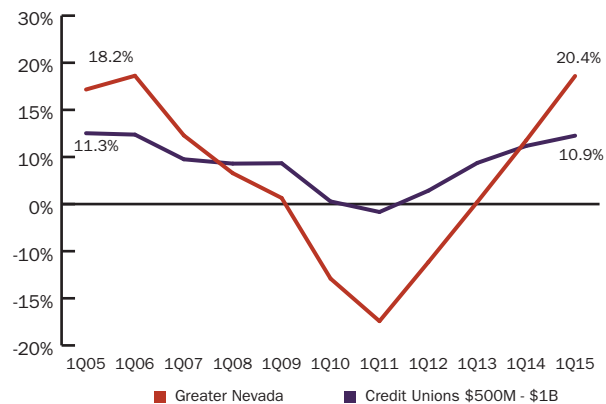
LOAN COMPOSITION | DATA AS OF MARCH 31

Greater Nevada is a more diversified organization both operationally and financially, thanks in part to its addition of a mortgage CUSO and a relaunched business services division.



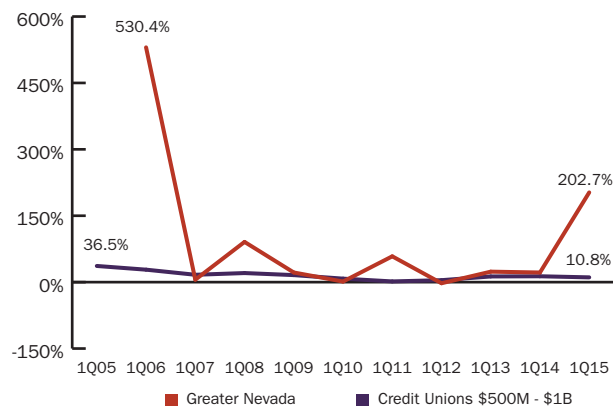
LOANS GROWTH | DATA AS OF MARCH 31

A 20.4% annual increase in lending shows that the credit union is better connecting with consumer priorities and the needs of its changing member demographic.



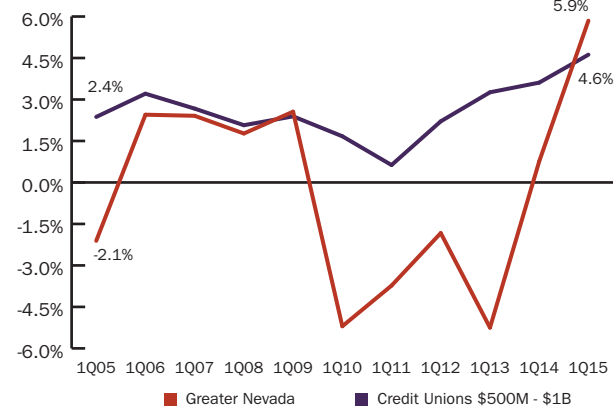
MEMBER BUSINESS LOAN GROWTH | DATA AS OF MARCH 31

By focusing on serving local businesses' entire suite of needs, Greater Nevada has increased its MBL activity by 202.7% year-over-year.



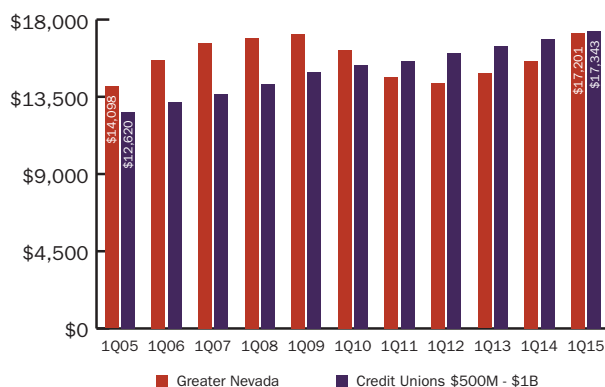
MEMBERSHIP GROWTH | DATA AS OF MARCH 31

Thanks to its active social, in-person, and community-oriented engagement, Greater Nevada is topping its comparable peers in terms of membership growth.



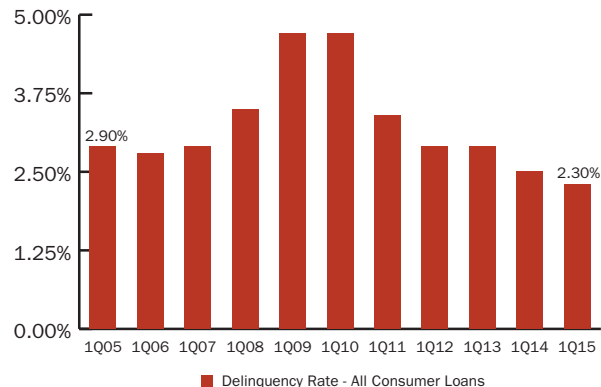
AVERAGE MEMBER RELATIONSHIP | DATA AS OF MARCH 31

By attracting more young members in the middle of their borrowing lifecycle and deepening existing relationships, Greater Nevada has brought this metric back in line with peer norms.



CONSUMER LOAN DELINQUENCIES | DATA AS OF MARCH 31

Reportable delinquencies here have been steadily dropping as a result of the credit union's proactive outreach and various support programs focusing on borrower education.



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helped 120 members accomplish their financial dreams this month.”

On the indirect side, especially, this tracking helps determine which dealerships are feeding the credit union the most loans. That’s important because premier partners get special opportunities such as displaying cars in the credit union’s branches.

“We just had some dirt bikes, we’ve had hot tubs — anything that might resonate with our borrowers and remind them that we offer financing for just about anything, Wertz says.”



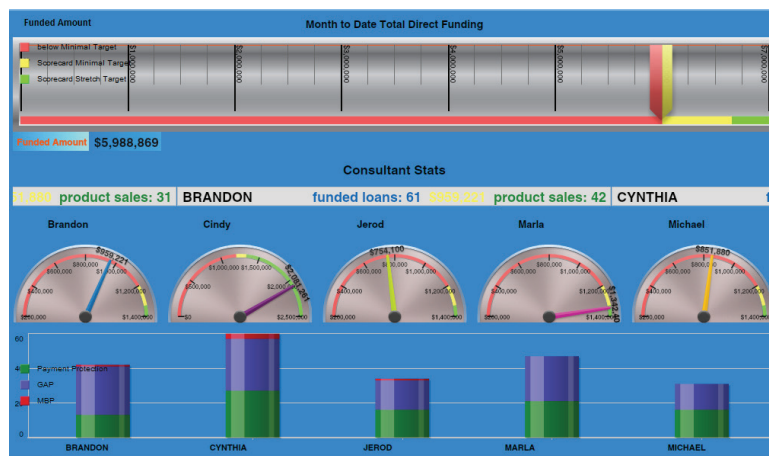
2. MAKE FRIENDS WITH THE MORTGAGE COMPANY NEXT DOOR

Greater Nevada itself has no real estate origination or processing staff, yet it has built a healthy portfolio thanks to the hard work of its wholly owned CUSO, Greater Nevada Mortgage, which leases its accounting, HR, and IT functions as well as its facilities from the credit union.

James Anderson heads up this company, which was established in 2001. Before joining Greater Nevada Mortgage, Anderson originated government and other specialized loans as well as built realtor relationships and formed partnerships with credit unions through a mortgage bank. Prior to that, he ran all mortgage lending for seven years as the vice president of real estate for Golden 1 Credit Union.

The credit union formed the CUSO with an initial investment of \$300,000. Greater Nevada Mortgage currently has close to a \$700 million servicing portfolio and more than \$3 million in capital, with few delinquencies and strong contributing earnings to Greater Nevada’s financials.

“We’re the fourth-largest mortgage producer in Northern Nevada by unit and the fifth largest by volume,” Anderson says. “And that’s just in Northern Nevada.”



Two examples of Greater Nevada’s production-focused dashboards.

The CUSO typically sells government and jumbo loans to correspondents and releases servicing and the asset. It sells conventional loans to Fannie Mae yet retains servicing.

It also sells a portion of serviced loans to the credit union depending on its current appetite.

So far in 2015, that’s averaged approximately 20% of total loans serviced, consisting mainly of conventional first mortgages.

This symbiotic relationship lets the credit union avoid the risks of a huge portfolio yet build member relationships through products and services it might not be comfortable offering as a credit union, Anderson says.

The CUSO’s main goal for the rest of the year is to exceed \$160 million in production, compared to last year’s roughly \$100 million, and a big resource for getting there will be its 5/5 ARM.

Based on a similar product developed by LBS Financial Credit Union (\$1.2B, Long Beach, CA) Greater Nevada Mortgage customized the 5/5 by adopting a two-year window for short sale waiting periods compared to the standard three to four years.

“We had a lot of borrowers that went through hard times but are still good credit risks,” Anderson explains. “Those longer waiting periods were a little extensive for our market.”



The 5/5 option also appeals to those who simply don't plan to be in their homes for very long, such as miners or transient professionals.

Another big goal for the CUSO this year revolves around awareness. Twice a year it uses a third party to survey area realtors and builders. Last year, it ranked in the low 70s but is aiming to expand that to approximately 80% in 2015.



3. DEPLOY A GIVE-AND-GET DEPOSITS STRATEGY

Greater Nevada currently offers three types of checking, two of which have rewards, Altus says.

Additionally, students, teachers, and parents of Carson City High School can opt to get a student-designed Senator debit card — the result of a design contest from a few years ago — on any of the accounts.

To date, the accounts include:

- **Aspire Checking** — This account targets members who have extra money to park. It offers a 2.5% interest rate on \$10,000 or less in deposits and rebates foreign ATM fees pending certain qualifiers, including 15 or more debit swipes per month. According to Altus, these accounts average approximately 40 swipes per month and their profitability is high despite the higher interest rate and fee rebates.

- **Rock Checking** — This option features a stylish black card and targets a younger demographic. Instead of a high interest rate, those who swipe 15 times or more per month earn either iTunes or Amazon credits in addition to foreign ATM fee rebates. Students can also qualify for an alternative version of the account with lower

requirements. Users of this product typically average more than 30 swipes a month.

- **Connect Checking** — This streamlined product only requires four



The respective designs for each of Greater Nevada's card offerings.

debit card swipes per month to avoid the service fee. However, users typically average approximately 15 swipes per month.

Greater Nevada is different from most credit unions in that it charges a monthly service fee for all the accounts. The fee, however, has not stopped the credit union from reaching a penetration rate of more than 62% among its members, thanks in part to the fact it gives control of the fees back to the end user.

"Once you qualify through certain behaviors, such as e-statements and a certain number of debit swipes each month, the service charge goes away," Altus says. "So almost all our members get checking for free, but there's a few things we want to see behaviorally before that happens."



4. FOCUS ON FIRST TIMERS AND SECOND CHANCERS

Positioned in one of the hardest-hit Sand States, Greater Nevada has deepened its credit tiers to do more

for those on the fringes of financial services.

For example, Greater Nevada established its credit rebuilder and first-time borrower programs at the request of members and leans heavily on financial education coursework from BALANCE to keep the costs of these products more manageable for borrowers.

Each module takes 30 minutes to an hour to complete, but the benefits and information borrowers receive from them are invaluable, Wertz says.

In addition, these programs' guidelines

require the credit union to reach out to participating members after 12 months of successful payment to try and refinance them at a reduced interest rate.

Since 2010, the credit union has also offered private insurance from Open Lending on certain member loans, particularly those with higher loan-to-value ratios. Such risk mitigation on the consumer side is especially critical given the credit union's large — yet calculated — steps into other areas like business lending.

Thanks to robust pricing tools — which factor in cost of funds, estimated losses, and servicing expense to help establish a price congruent with the added risk — Greater Nevada typically sees a 175-basis-point return after net cost, Wertz says.

Over on the real estate side, the credit union's CUSO offers a program called Greater Access, which is part of a larger correspondent relationship that provides funds in support of home ownership.

Different from more traditional down payment assistance programs, which offer a flat rate with no

“We don't talk about vendors around here, we talk about business partners because those are different. When you have a true partner, you're not afraid to expose your plans and dream the dream right along with them.”

WALLY MURRAY, CEO, GREATER NEVADA CREDIT UNION

associated credit, Greater Nevada's program is an FHA first mortgage with a silent second behind 3% of the purchase price, Anderson says.

“Depending on the rate the borrower chooses, they can get a 5% contribution toward the down payment and closing costs instead of the 3% assistance,” he says.



5. TAP OR CALL, BUT NEVER FAIL TO CONNECT

Greater Nevada has for a long time provided online banking, and in 2012 it enhanced its digital offerings with the addition of mobile. Today, approximately 50% of its members use remote access, Altus says, and roughly one in five consumer loan applications come through a digital channel. Members can also open accounts this way.

Despite these advances, the credit union never wants its out-of-sight members to feel out-of-mind. That's why in 2014 it created an outbound calling department separate from its inbound service center.

“Trying to do outbound from an inbound call center is tough when call volume is heavy because your outbound callers get pulled into the inbound side,” Altus says. “We didn't want to see that happen.”

Today, this three-person team contacts every new member that signs up in the branch as well as all those who come in through indirect and self-service channels.

These calls typically occur a few weeks after an account opening and introduce the credit union to the

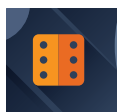
member. Agents ask members about their experiences so far and answer questions.

“The overwhelming response from the members who are getting those calls is appreciative,” Altus says.

And thanks to additional capabilities gleaned through the credit union's new data warehouse, this group can also leverage information they have on existing members to further deepen the relationship, says Kerstin Plemel, vice president of marketing.

For example, one particularly successful call campaign targeted members who had \$5,000 or more in their savings account.

“We got a list of members we could serve better by looking at a certificate or money market account or by speaking to someone in financial services,” Plemel says. “We got some good leads out of that. But the only reason it worked so well is because we made sure this was a service call and an effort on our end to find a better solution for the member.”



6. MINE THE CORE

In 2009, in the depth's of the Great Recession, Greater Nevada got the news its core provider, Fiserv, would be sun setting the credit union's legacy system.

Although the timing was a challenge, the conversion was also a blessing in disguise, says Linda Barker, the credit union's vice president of information technology, who joined the establishment in 2011.

Barker's first day on the job directly coincided with the kickoff of the

selection process for a new core, giving her a front-row perspective as to where the credit union could do a better job maximizing the value of its new investment.

“Representatives would come in and we'd say, ‘We want the system to do X, Y, and Z’ and then the specialist would say, ‘Well, your current system can do that too, but you've chosen not to turn that feature on.’ So those sessions were a real eye-opener for us,” she says.

In the end, the credit union signed with the OSI DNA platform, which Fiserv has since bought. After converting more than 20 ancillary systems — including online banking and a reconfigured mobile product — Greater Nevada officially went live on its new core November 1, 2014.

Barker now spends much of her time and effort ensuring the organization maximizes this resource to the fullest degree.

“I was at a Fiserv conference recently and they were talking about how no one has time to invest in these large, once-a-year releases that core companies put out, even though they add a lot of functionality,” she says.

To avoid overlooking those opportunities, the credit union is forming a release committee whose members will track and study the features offered with each update. If they choose not to take advantage of an offering, they'll need to present a case to the executive team to justify that exclusion.

It sounds rudimentary, but many organizations ignore these resources only to end up paying extra for



maintenance and work arounds later on, Barker says.

In between releases, the committee will help test and develop procedures and training so employees are able to put these new resources into play.

Because it has access to the DNAappstore — where other credit unions on the same core can develop and sell their own enhancements — Greater Nevada has been busy testing out many of these solutions, all of which come with a free 60-day trial.

Barker has bought six apps and has signed up the entire VP team for the app store newsletter so they can help her identify options that would aid them in their respective departments.

In addition, the credit union has hired a new vice president of e-commerce, whose role revolves around member-facing technology touch points.

This includes managing a phased rollout to EMV as well as the release of ApplePay, which the credit union released in March. Deploying such bleeding edge technology can be nerve-racking, but Greater Nevada is committed to leveraging all the resources and partnerships at its disposal to get these efforts right.

“We don’t talk about vendors around here, we talk about business partners because those are different,” says CEO Wally Murray. “When you have a true partner, you’re not afraid to expose your plans and dream the dream right along with them.”



7. YOUR BRANCH, YOUR WAY

Greater Nevada has increased its branch network by one-third in the past 12 months. The credit union is a believer in this delivery channel but notes it only gets out of its branches what it puts in.

“None of our locations look alike, and that’s on purpose,” Murray says. “When people take the time to come

somewhere, I’m not convinced that they’re still looking for a commoditized look and feel. I think they’re looking for answers to a need and those answers will be different based on where they live.”

Efficiency is still top of mind, of course. For example, the organization’s newest branches are transitioning to cash recycler-equipped teller pods as an alternative to the traditional teller line. And thanks to its conversion to a more tablet-friendly core system, Greater Nevada is also looking at deploying more mobile technology throughout its locations following a system update sometime next year.

“These changes will enable us to use smaller spaces, such as our 1,800-square-foot storefront branch in Northwest Reno, and still have people walk in and say ‘Wow,’” says Joyce Whitney-Silva, the credit union’s chief financial officer.

Last month, the credit union also opened its first in-store branch at a Walmart Supercenter in the central Nevada city of Elko.

“Being a smaller town, there were not a lot of real estate opportunities,” Whitney-Silva says. “So we thought it would be the ideal opportunity to see how this model might work for us in certain scenarios.”

Greater Nevada partnered with Financial Supermarkets, Inc., to secure



Examples from across the credit union’s footprint show a tailored approach to branch design.

the deal and leaned heavily upon that company’s expertise in regard to staff training, displays, and other factors the credit union had to adapt to Walmart’s brand environment and culture.

Another learning experience was the credit union’s new stand-alone location in Golden Valley. As a former Blockbuster building, the 5,000-square-foot space was far more than the credit union needed, yet the owners of the building did not want to split it up.

After negotiating an incredible rental price for the entire building, the credit union found a local eye care doctor to sublease approximately 40% of the building.

“When you’re working with a landlord, you will lose some elements of control,” Whitney-Silva says. “Yet in this scenario, it was worth it from a balance sheet perspective.” ▴



HOW TO THRIVE IN MERCHANT SERVICES

Greater Nevada Credit Union shares its business blueprint for creating holistic relationships with a spectrum of partners.

BY AARON PUGH

Credit unions that would like to start a program that taps into both large-scale commercial opportunities as well as the local small-business sector could do worse than choosing Greater Nevada Credit Union (\$541M, Carson City, NV) as a mentor.

Member business loan growth at this credit union is up 202.7% year-over-year as of first quarter 2015, according to data from Callahan & Associates, compared to 10.8% growth for asset-based peers. And its use of government-guaranteed loans coupled with its focus on holistic business service relationships over one-and-done lending deals has mitigated lending risk to a fraction of what this amount of volume typically presents.

In fact, since the credit union relaunched its business efforts two years ago under Jeremy Gilpin, vice

president of business services, it has not reported a single delinquency.

Here, Gilpin talks about the approaches and policies his six-person team uses to support a dynamic-yet-sustainable department.

WHAT IS YOUR BACKGROUND? WHAT ARE YOUR MAIN AREAS OF RESPONSIBILITY AT GREATER NEVADA?

JEREMY GILPIN: I was in banking for 21 years. My last nine years were spent as a senior loan officer, executive officer, and credit administrator for several banks in Oregon and Washington state.

Today, I oversee Greater Nevada's business services. We say business services versus business lending or MBL because we take a holistic approach to deposits, lending, cash management, remote deposit capture, and merchant services.



JEREMY GILPIN
VICE PRESIDENT OF BUSINESS
SERVICES, GREATER NEVADA
CREDIT UNION

WHY DID GREATER NEVADA ENTER BUSINESS SERVICES? HOW DID YOU DECIDE WHAT PRODUCTS TO OFFER?

JG: Our approach was to think of all of the business service products that could help us compete with the larger regionals and then throw in the exceptional member service that credit unions are known for to give us the edge over the competition.

We secured the expertise needed to offer these services as packages rather than piecemeal. But we designed it in steps knowing we would be hiring and rolling this out over several months.

We completely revamped our deposit products and made them more electronic friendly. We do not charge for electronic deposits because we know that's how our merchants do business. We were also able to create some ancillary products for which we knew there was pent-up demand, and these have helped drive our depository services versus your standard, 'Let's open a checking account and try to start selling ancillary products' approach.

WHAT HAVE BEEN THE BENEFITS OF OFFERING MERCHANT SERVICES?

JG: We expect our ancillary products and depository services to generate a large increase of non-interest income over the next 12 months. We consider merchant services an asset we're servicing because we look at these on a per-transaction or per-swipe basis, not necessarily by the balance in the account.

These holistic relationships help us with our loan pricing and depository pricing. So now a member with five employees can get the same treatment from us as a large tech company would receive from a major retail bank.

LESSONS FROM THE PANIC ROOM

"One of the things our department has adopted from the tech influence in Reno is team-building days," says Jeremy Gilpin, Greater Nevada's vice president of business services.

But that doesn't mean trust falls and a catered lunch. The credit union has participated in activities such as the local escape challenge theme park.

"You basically go through a door, an alarm sounds, and they lock the door behind you," Gilpin says. "A hour-long countdown begins, and you have to work together as a team to find clues and a key that will let you out."

Approximately 10% of teams make it out within the time limit, but Gilpin's group completed the challenge with one of the best scores on record.

"It's a fun way to learn to work together in a stressful environment," Gilpin says. "So when it's real life, you've already overcome those obstacles and are a cohesive unit."

"You also get to see everyone's strengths and weaknesses when stress hits," he continues. "One person will be creative, another will be analytical or organized. So you can use that information to adapt your business processes."

WHAT DOES THE CREDIT UNION'S BUSINESS LOAN PORTFOLIO LOOK LIKE?

JG: Like most credit unions, we are heavy in commercial real estate, mostly owner-occupied residential or commercial real estate. We have the capabilities for more commercial and industrial (C&I) lending, but we also do agricultural lending, which is a nice diversification for us.

HOW DOES GREATER NEVADA MITIGATE THE RISK OF THESE LOANS?

JG: We've taken a different approach where we do a lot of guaranteed lending, including SBA 7(a) and 504 as well as a lot of industry loans and USDA business loans in our rural communities under 50,000 in population.

Although we are real estate heavy in our portfolio from a risk standpoint, a lot of these loans carry up to 80% guarantees. All of the agriculture loans we currently have are guaranteed as well. So our risk is small in comparison to our portfolio.

We've also taken a different stance from what credit unions have done in the past by stressing business services first. All of our lending requires businesses to open primary operating accounts with us.

We also concentrate on assets under management versus assets on the books. This approach allows you to, in essence, have a much larger portfolio that you are servicing and managing but is not necessarily on your books.

WHAT LOANS DOES THE CREDIT UNION TYPICALLY SELL?

JG: We have started selling the guaranteed portion on some of our USDA loans on the secondary market and are earning non-interest income there while maintaining the servicing. We've started taking that step with our SBA 504 portfolio as well.

This further mitigates our risk because those guarantees become unconditional once they're sold. So the person buying has an actual guarantee, whereas if you hold them, they are conditional guarantees, meaning there is a small chance to compromise the guarantee and lose it.

ARE THERE ANY OTHER BENEFITS?

JG: This approach helps shield us from interest rate risk as well, which is crucial in this rate environment. For example, we just sold a loan that had a balance of \$402,000. Our interest rate was in the low 6s.

We were able to sell off 80% of that loan, and our year-one return was 58%

"One of the big struggles that small business owners have is time. We want our members to have access to something that's as quick and efficient as applying for a business credit card but without the burden of a higher rate."

JEREMY GILPIN, VICE PRESIDENT OF BUSINESS SERVICES, GREATER NEVADA CREDIT UNION

because we got a non-interest income premium from the sale. Going forward, our liability is the remaining \$80,000 loan, and with the servicing we retain, our effective rate of return is 8.71%.

This gives us some room in a moving rate environment to maintain the health and quality of our portfolio without having to go after the B, C, and D credit tiers.

WHAT ARE OTHER LENDING-SPECIFIC AREAS OF OPPORTUNITY YOU SEE IN THE NEAR FUTURE?

JG: We have been approved to be an SBA Express lender, as several of our partners and our members have expressed a need for that niche.

There's no one really doing microlending in the state of Nevada because so many community banks were acquired or just went away. So instead of creating additional interest rate risk by dropping our rates to compete on large projects with Wells Fargo and Bank of America, we've started to offer microlending with a \$25,000 or less line of credit.

The average microloan size is going to be around \$16,000, but in some cases, a borrower might only need \$5,000. We're here to serve that \$5,000 member, too. Such loans carry a 50% SBA guarantee, unless it's tied to exporting and then it's a 90% guarantee.

Some of our new software in which we can plug in our specific credit

guidelines will make automated preapprovals available from our website. Once approved, a loan would be tied to a checking account, and it would sweep the payment. Cash management and remote deposit capture allows us to also offer this product in areas of Nevada where we do not have a physical branch because everything would be electronic.

That's important because one of the big struggles that small business owners have is time. We want our members to have access to something that's as quick and efficient as applying for a business credit card but without the burden of a higher rate.

HOW ARE YOU TRACKING YOUR SUCCESS AS A DEPARTMENT?

JG: We certainly want to generate revenue. Those premiums off the sales of the guaranteed portfolio alone have the potential to produce \$1 million to \$1.5 million in non-interest income on an annual basis. That's straight to the bottom line, straight back to the membership.

When we achieve that, we can afford to give our business members everything they would find at a larger institution and still provide better customer service. At large banks, these borrowers are a number, but we're looking to give small businesses back their name.

HOW ABOUT IN TERMS OF INDIRECT BENEFITS?

JG: Our biggest source of new business membership and new growth comes from government agency referrals. We've become the go-to source for United States business and industry loans, so now those agencies are driving business into our credit union, which allows us to focus on member service.

Out of our first quarter growth, 30-40% has come from governmental agencies that have referred businesses to us. So instead of taking the typical approach and hiring several originators to beat the streets, we've formed great partnerships that are helping to build a stronger foundation for us. ▴



PEOPLE-POWERED PROGRESS

The key to Greater Nevada's success starts within its walls, but it doesn't end there.

BY AARON PUGH

With roughly 200 sharp minds and 400 capable hands at its disposal, the halls of Greater Nevada Credit Union (\$541M, Carson City, NV) are a flurry of activity, and the hustle and bustle is a welcome sight for CEO Wally Murray.

"During the recession, we went through a process where we had to cut back about 20% of the staff," he says. "We identified and focused on our nines and tens because we knew great people were going to be the key to getting us through."

Now, with a number of talented new hires for several burgeoning departments driving a nearly 3% uptick in staffing over the past year, according to Callahan data, it's clear good people are an integral part of where Greater Nevada is headed in the future.

Keeping this growing work force motivated and on task is a three-phase proposition: first, leaders must create a vision for the future; second, they must convince others to buy into that vision; and third, they must continue to live with that vision each and every day.

ESTABLISHING A BASELINE

It's nearly impossible for staff to support an institution's goals if they don't know what they are. That's why Greater Nevada has a multi-phase process to create and share its long-term plans.

First and foremost is the credit union's annual planning session, which covers a three-year cycle. During the multi-day board session, the board establishes the plan; after, during the multi-day executive

session, leaders figure out how to execute it.

At the end of this process, the credit union emerges with a scorecard that tracks key metrics. Together as a group, leaders refer to that scorecard once every two weeks.

"This isn't something that goes in a binder and gets put on a shelf," says Joyce Whitney-Silva, the credit union's chief financial officer. "We live and breathe the strategic business plan every day."

Another component of this planning process is the asset and liability committee (ALCO) quarterly deposit and loan strategy meetings, Whitney-Silva says.

"We refocused those meetings from looking at pricing in a vacuum to being a group that strategically asks, 'Where do we want to grow



Greater Nevada's efforts include various fundraising events for the University of Nevada Marching Band and a polar plunge in Lake Tahoe to raise money for the Special Olympics

our deposit and loan portfolios, and how will doing so help us to achieve what we're trying for in our overall business plan?" she says. "I don't want us to be cutting costs again, so we are OK with seeing some expenses grow as long as it's for a strategic reason."

This new focus allows the ALCO to more effectively manage risks during its monthly meetings.

That vision doesn't stop in the corner office or the boardroom, either, as all branches and departments across the organization take part in a monthly High Impact Focus Intensive (HI-FI) meeting to review the scorecard and other developments together. The credit union also shares that information across the company intranet.

And once a year on Columbus Day — which is a federal holiday but one that staff here have swapped

out to celebrate Nevada Day in late October — Greater Nevada gathers everyone across its broad footprint for an all-employee meeting.

"We have some fun, of course, but we're there to do two things," Murray says. "The first is to talk about plans for the future and the second is to recognize the people that have helped us be successful over the past 12 months."

EMPOWERMENT AT ALL RANKS

Of course, not all visionary ideas come directly from leadership, which is why the credit union created its Strategic Thinker program.

This email-based feedback channel goes straight to the executive team and is linked to the credit union's Rec Room program, an intranet-based portal where employees earn and use points to shop for merchandise, trips, or other rewards.

"This is more involved than just saying, 'Hey, I have this great idea,'" Murray says. "The first thing they have to do is take the time to look through and digest the goals we've laid out. Then they have to make a good case for how their idea will move at least one of those strategies forward."

The credit union rewards points to employees who submit ideas that establish such a link. And if Greater Nevada implements the idea, the employee receives even more points.

If they fail to make their case, however, the credit union doesn't shut them off.

"Instead, we connect them with the leader of their particular business area for a conversation about how they might rework the idea and resubmit," Murray says.



A CONGA LINE OF CASH

When Greater Nevada Credit Union opens a new branch, it replaces the traditional ribbon in its ribbon-cutting ceremony with a line of large bills taped together. After the ceremony, it distributes the cash to worthy causes in the area.



“At one of our newer branches in Elko, Special Olympics Nevada got half of the ribbon and the school district received the other half,” says Dean Altus, the credit union’s chief operating officer. “At our Golden Valley location, we donated the ribbon to the North Valley’s high school marching band. They came out and played a couple of songs with the UNR Marching Band during the ceremony as well.”

LOOKING BEYOND THE BALANCE SHEET

The credit union also allows its employees to take individual ownership of its philanthropic efforts.

Employees get two hours of paid volunteer time per month to use as they see fit, but they’re also active with unpaid volunteerism. In 2014, employees volunteered approximately 1,500 hours to various community causes, says Kerstin Plemel, vice president of marketing.

“We want to walk the talk when it comes to helping our members have better lives,” Murray adds. “One of the best ways to do that is to help them have better communities to live in.”

Some of these community commitments occur at the institutional level, such as the credit union’s in-school branch at Carson High School. The school also serves as an excellent training ground for perspective employees. At the collegiate level, the credit union offered 20 scholarship assistance packages of \$2,000 each in 2015.

“We’re happy to write checks, but we don’t feel like we’re doing enough if we’re just writing checks,” Murray explains. “We like for our employees to have boots-on-the-ground, too.”

In support of this goal, the company intranet houses a massive listing of campaigns across the credit union’s footprint with which

individuals can get involved. These include doing mock interviews, judging high school projects, raising funds for the University of Nevada, Reno, marching band, and presenting financial education lessons at various middle schools, high schools, and the University.

“The state had really cut funds to schools during the recession,” says Dean Altus, the credit union’s chief operating officer. “So we stepped in as the sponsor of the University marching band and helped it come up with some fun fundraising activities. We also match contributions it receives dollar for dollar up to a certain amount.”

In three year’s time, the credit union’s direct contribution to the band has totaled slightly more than \$100,000, but Greater Nevada staff support has attracted matching funds from other foundations, too. And that’s had a measurable impact on the group.

“The band has been able to grow from 120 members to 180 and buy new uniforms,” Altus says. “And it can now travel with the football team to more of the games.”

Another major rallying point for many staff members has been Special Olympics Nevada. Credit union employees have staffed summer games as well as participated in fundraising efforts, such as the annual polar plunge challenge in the frosty-

cold water of Lake Tahoe. During the past three years, the credit union has also invited family and business partners to join it in the plunge. Now more than 100 participants strong, its team played a huge part in helping Special Olympics raise more than \$120,000 for this year’s plunge.

And even though the market is separated geographically from the broader credit union, staff members in Ely have taken up their own flag for the American Cancer Society’s Relay For Life, Altus says.

“They brought the event to the town of about 4,500 people several years ago,” he adds. “Their efforts have helped the small community raise roughly \$80,000 annually.”

WITH GRATITUDE

A sincere thank you goes out to Greater Nevada Credit Union for its participation in this series. Your willingness to consistently step up as a leader in your local communities, your state, and your industry for all the right reasons is admirable, and we look forward to seeing all the exciting places this pioneering spirit will take you in the years ahead.

A special thanks also goes out to the following individuals for their time and hospitality.



Photo via Yelp.com



WALLY MURRAY, PRESIDENT AND CEO

"We're not only focused on working with other credit unions and other cooperatives, we're a collaborative business all the way around. It's our historic strength, and it'll be our future strength. The only way we stay relevant is to continue to collaborate everywhere we can."



LINDA BARKER, VICE PRESIDENT OF IT

"Security is not an IT function. It is every single employee's job. We use that term "human firewall" quite a bit here, because as a financial institution you're only one click away from trouble."



DEAN ALTUS, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

"Community outreach and support was one of the areas we continued to focus on even when times were bad. We weren't the only ones struggling, so were our communities and the members within them. So we didn't really pull back anywhere on that."



JEREMY GILPIN, VICE PRESIDENT BUSINESS SERVICES

"While we've had significant growth, we've mitigated our risk and feel that our internal standards are higher than what regulations require. Still, easing the business lending cap would be a huge benefit, particularly for those just trying to enter this space."



JOYCE WHITNEY-SILVA, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

"I view our approach as controlled growth in order to meet the needs of the membership. The one thing that I think that we all agree on is that we don't want growth for growth's sake."



KERSTIN PLEMEL, VICE PRESIDENT OF MARKETING

"We get a lot of activity on our blogs and other social channels and we are very responsive. If we get a bad Yelp review — whether it's on the weekend or in the middle of the night — one of us will respond to it as soon as possible and let people know they are being heard. We've turned several negative comments into good ones because of that."



JAMES ANDERSON, EXECUTIVE VICE PRESIDENT OF MORTGAGE LENDING, GREATER NEVADA MORTGAGE CUSO

"Many loan officers will walk into a realtor office and say, "Hey, give me a loan," but you don't ask someone to marry you on the first date. It just doesn't happen. That's not a long-term relationship. Instead, you should build the relationship, take the time to understand their needs and make sure you're consistent and loyal."



MARCUS WERTZ, VICE PRESIDENT OF CONSUMER LENDING

"Even our executive management team will have our various dashboards up throughout the day, following where our production is going. For a top-to-bottom sales culture, it's important to have these kinds of tools that everybody has access to and can be motivated by."