

## PUTTING PEOPLE FIRST PAYS OFF

*Three guiding principles at Digital FCU has helped the Massachusetts credit union become one of the largest, and most influential, in the industry.*

BY ERIK PAYNE

Digital Federal Credit Union (\$9.1B, Marlborough, MA) has evolved several times in its 40-year history. In 2020, planned operational updates will push the credit union into a new phase.

The big Massachusetts cooperative, known in its market as DCU, was founded in October 1979 as a single-SEG cooperative serving one of the country's fastest-growing computer companies, Digital Equipment Corporation (DEC). In its early years, the credit union grew quickly — largely through word of mouth. But changes to DEC's business required the credit union to evolve.

It hired now CEO Jim Regan as an internal auditor in 1992, and in 1994 it added a second select employee group to its field of membership. By then, the credit union had reached \$365 million in assets. It continued to expand its membership reach and in 1996 became the third credit union in the United States to have a website. That same year, DCU opened its first free-standing branch, in New Hampshire.

The credit union continued to add branches, members, and assets throughout the 90s and 2000s, reaching 19 branches and \$4.5 billion in assets by the end of 2008. That's the organization Jim Regan inherited when he became CEO in January 2009.

"I wanted to continue building on the successes of my predecessor's leadership," Regan says of his early priorities.

The financial crisis, however, forced the leader to forge a different path as delinquencies grew and assets fell at DCU.

"Instead of expanding product and service offerings, we were helping our members navigate through financial challenges," Regan says.

Today, DCU remains focused on its member experience — a critical advantage in an era when new technology and competitors threaten member loyalty and credit union relevancy — as well as its vision: "All members achieve their financial goals collaboratively." As it looks ahead to the 2020s, DCU's current operations and planned changes are poised to keep the \$9.1 billion shop top-of-mind for next-

generation members and employees while staying on top of potential risks.

### THE GUIDING PRINCIPLES

DCU lives by three guiding principles, which it refers to as "The DCU Way":

- People come first.
- Make a difference.
- Do the right thing.

Together, those 10 words color (in DCU Green) how the credit union operates — from its focus on the underserved to its culture of fun and respect.

"We all believe in those words and try to live up to them every day," says Laurie LaChapelle, DCU's senior vice president of finance.

But what it takes to live those principles is changing. Although the credit union has a physical presence in only Massachusetts and New Hampshire, it has members in all 50 states. Additionally, 50% of new DCU members are millennials. These shifts have caused the credit union to rethink how it puts people first, makes a difference, and does the right thing. Nowhere is this more evident than in its service strategy.

#### BEST PRACTICE:

#### CATEGORIZE YOUR GIVEBACK

DCU tracks its charitable efforts according to category: Hospitals, medical research, community centers, police, firefighters, libraries, shelters, food pantries, veterans organizations, and education, among others. Why? So DCU can ensure its money helps organizations that make the most impact.

"We're focused now on creating experiences that are simple, digital, and self-service," says Craig Roy, senior vice president of retail lending.

For example, the credit union is currently in the testing and feedback phase of a revamped loan process that



“We all believe in [our guiding principles] and try to live up to them every day.

— LAURIE LACHAPPELLE, SVP, FINANCE, DIGITAL FCU

allows members to take out a loan without speaking to an employee. It hopes to deploy a solution in the next few years.

“We believe our experience will be graded by how much we allow our members, especially our younger members, to do by themselves,” says Julie Moran, senior vice president of branch services.

The credit union also has identified the need to monitor non-traditional competitors, the SoFis and Lending Clubs that have made inroads among younger populations. To develop its own next-gen technologies and experiences, better understand how fintechs work and think, and foster fintech innovation in its own communities, DCU launched the DCU FinTech Innovation Center in downtown Boston in 2014.

Since the launch, 55 companies have graduated from the program. Several of those are now credit union partners. Two — called Project Finance and Posh — are helping DCU introduce best-in-class user experiences in areas of organizational need.

Project Finance is a digital banking service that focuses on goals rather than transactions. The credit union is converting its online and mobile banking to this solution in 2020, and members will be able to glean insights on their spending and saving to help them make better financial decisions.

Posh offers conversational AI technologies that efficiently route members to where they need to go. DCU is beginning a three-tiered implementation of Posh in mid-2020 that will culminate in the addition of the chatbot feature to the credit union’s website as well as upgraded touchtone audio response and interactive voice response systems.

“The chatbot will answer the phone, verify the member, and use natural language capability to either process a request or transfer callers to the appropriate live member service representative,” Moran says. “It’ll make life easier for our members.”

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To learn more about the DCU FinTech Innovation Center, flip to page 33; for more about Project Finance and Posh, flip to page 27.

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An easy, seamless banking experience means a digital-first approach for some members. Others prefer a more human touch. For those who favor in-person support, DCU’s member service center in Methuen, MA, offers assistance for

a range of simple as well as complex services — from new account openings to credit score consulting.

Unlike DCU’s branches, which the Methuen area has three of, there are no tellers in the service center located some 40 miles northwest of Marlborough on the New Hampshire border. Housing member service representatives, private offices, ATMs, and iPads for service demos, the center is a hub for complex, human conversations.

“We want to help them save time, effort, and money on the services they don’t need us for,” Moran says. “But when they do need us, we want to be available to them.”

In the three weeks after opening the center in November 2019, the credit union opened 150 new memberships there, according to Moran.

## COMPETING WITH BOSTON

Marlborough is a mere 30 miles west of Boston, but the proximity to Beantown is both a blessing and a curse.

“We’re only a few miles from Boston, which attracts millennials to high-tech jobs,” says Jane Fontaine, the credit union’s senior vice president of human resources and training. “We’re in a suburb that’s maybe not quite as sexy.”

That’s always posed a challenge for attracting bright talent to the organization. And with local unemployment at a 50-year low, recruitment has only grown in importance.

“If people want to work in Boston, we can’t compete against that,” Fontaine says. “But we have a great culture and great benefits. We feel great when we come to work every day. That’s what we sell to applicants.”

Most new members join from word-of-mouth referrals. That’s typically where the hiring process starts, too, Fontaine says. Frequently, applicants are members or have been referred by an employee. Culture starts at the top, where CEO Regan has fostered an approachable environment. The credit union has also enhanced its career website to include videos that showcase its culture.

To make the interview process itself easier, DCU recently piloted a call center virtual job fair with a third-party vendor. Candidates preregistered and entered a virtual lobby customized with the credit union’s branding and materials. Candidates could “sit” in interview rooms and speak with the credit union about available opportunities.

“Although we didn’t get as many participants as there might have been at a traditional in-person job fair, the quality of the candidates was higher,” Fontaine says.

On the benefits side, DCU introduced a student loan repayment program in 2016. This program helps employees pay down their student loans in less time, saving them thousands in interest and accelerating the payback period. This past summer, wanting to give its 60 to 70 interns more than just a paycheck, the credit union enhanced its internship program to provide more opportunities for interns to develop soft skills. DCU offered these employees seminars on resume writing, interviewing, and networking.

In a tight labor market, employee retention is vital, which is why the credit union begins engagement efforts as soon as possible. DCU recently started sending new hires a welcome package that includes a welcome letter, a DCU mug, and a notebook. In addition, Fontaine and Regan join groups of new employees for a breakfast on their first day of employment.

“Many of them are pleasantly surprised that the CEO would take time out of his schedule to have breakfast with them,” Fontaine says. “The employee onboarding experience has a significant effect on whether someone stays with an organization. Ensuring that an employee is welcomed prior to their first day is key to engagement and contributes to retention.”

#### BEST PRACTICE:

#### GET DIGITAL

In keeping the flow of communication with employees open, in the past, DCU held live all-staff meetings. As the organization has grown, in-person meetings have become a challenge. As a solution, DCU piloted virtual all staff meetings. Using Cisco Webex, employees can participate in these meetings from anywhere. Prior to the meeting, employees have the ability to submit questions for the CEO, which are answered during the virtual event.

After those first crucial touchpoints, DCU continues to monitor employee engagement. Each year, it conducts an employee engagement survey that allows respondents to ask questions and submit comments. “We want our employees to tell us what’s going well and where there are opportunities for improvement,” Fontaine says. “With almost 1,400 employees, you can imagine the amount of feedback received.”

The HR team creates a high-level overview of the results for the senior team and department managers, who then share the results with staff. Managers identify at least two areas of action for which they can make improvements for the coming year and develop achievable goals to work toward. Based on past survey results, the credit union has worked hard to improve internal communication and

enhance professional development opportunities. One outcome of the engagement survey was the development of a comprehensive leadership training program. This program provides opportunities for new and experienced leaders to increase their managerial capacity through the development of both technical and soft skills.

To learn more about the credit union’s leadership development program, flip to page 31.

## SCALING UP AND MANAGING RISK

In the past five years, DCU has grown fast. Annualized growth rates for members (14.8%), assets (9.5%), loans (8.3%), and shares (10.4%) have helped the now-\$9 billion organization become one of the largest credit unions in the country. But growth, especially at this scale, requires careful, managed planning.

For DCU, that started at the department level. As the organization became more complex, it created or expanded back-office teams that fell under the enterprise services umbrella. Five years ago, DCU hired two attorneys to start an internal legal team that now includes three full-time attorneys and one paralegal. Soon after, it split its audit and compliance department into two teams. And in 2018, the credit union hired its first director of enterprise risk management.

“We’re not required to have an ERM program, but we wanted to push ourselves to develop one,” says David DeWitt, senior vice president of enterprise services.

Another way the credit union is preparing for the future is by broadening the purview of its senior staff. In December 2017, it named Tim Garner senior vice president of capital planning. At the time, Garner was the senior vice president of marketing, and the credit union moved his marketing function to Julie Moran in branch services.

DCU gave Garner a directive to create and maintain a capital plan and stress testing regimen. Since then, Garner has worked with outside consultants to develop guidelines, policies, and procedures for planning and testing. He has also enhanced and formalized data governance standards.

“You can’t rely on the stress tests unless the data that goes into them is accurate and reliable,” Garner says.

#### CU QUICK FACTS

##### Digital FCU

DATA AS OF 09.30.19  
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**856,779**  
MEMBERS

**23**  
BRANCHES

**8.1%**  
12-MO SHARE GROWTH

**4.3%**  
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**0.81%**  
ROA



**BEST PRACTICE:****BECOME A VALIDATE-ORIAN**

When stress testing, model risk management is key. “If you are making any kind of financial decision based on a statistical model, you need to have a plan in place to validate that the model is telling you what you think it is, that you don’t expect it to tell you more than it’s designed to, and that there are controls in place so people can’t change it without some kind of process,” says Tim Garner, SVP of capital planning.

The credit union is still formalizing its plan and will assign credit loss models to one of four major portfolio segments, mortgages, home equity loans, unsecured credit cards and lines of credit, and total vehicle loans. It will then run tests in one of three economic scenarios — base, adverse, and severely adverse — to gauge credit risk. And because these general scenarios aren’t as useful as something more tailored to the credit union’s membership, it will also stress test in a way that is more customized to the organization, Garner says.

According to Garner, examiners want to see a capital plan on paper and formalized practices for keeping it up-to-date. DCU’s capital plan contains the results of its stress tests plus a series of written risk appetite statements that rationalize the decisions and assumptions the credit union has made.

To keep the plan up-to-date, the credit union must document procedures, audit those procedures to ensure they are being followed, and regularly update those procedures in a pre-defined way.

As the credit union continues to grow and serve members of modest means, defining and regularly managing its risk weighs large. Ultimately, however, the credit union understands that certain risks are required to live up to its guiding principles. Those come first.

“Risk management, then, is the way we manage our balance sheet to allow for maximum member impact,” DeWitt says.

As a new decade begins, new economic conditions might introduce different challenges to DCU’s members. As the adage goes, it’s prudent to always expect the unexpected. But whatever happens, the credit union has readied itself for the years to come. For Regan, it all boils down to one core tenant.

“Our focus remains on our membership,” the CEO says. “We need to continue to adjust and adapt — remaining relevant as an organization to ensure that we are there long-term to provide the services our members want and need.”

## WHO? WHAT? WHERE? WHEN? WHY?

### WHO?

Sportswriter, analyst, and podcaster Bill Simmons grew up in Marlborough, MA. He rose to fame in the early 2000s while working for the media company ESPN and now runs the sports/pop culture website *The Ringer*.

### WHAT?

After a 1988 Labor Day parade gone awry, the Marlborough City Council banned the sale and use of Silly String.



### WHERE?

Marlborough sits 30 miles west of Boston, but drivers beware: A 2019 study of American cities with the worst traffic ranked Boston first, as the annual commuter spent 164 hours per year in traffic.

### WHEN?

It’s believed Marlborough was the first community in the United States to receive a charter for a streetcar system — around the turn of the 20th Century.

### WHY?

At one time, Marlborough, MA, manufactured more shoes than any other city in the United States. In 1863, Frye — which claims to be the oldest continuously operated American shoe company — opened its first shop in Marlborough.

SOURCES: ASSOCIATED PRESS, FORBES

## THE IMPORTANCE OF BEING INNOVATIVE

*Digital FCU knows better than to rest on its laurels. The trust of its members relies on it.*

BY ERIK PAYNE

**B**y any metric, Digital Federal Credit Union (\$9.1B, Marlborough, MA) is a successful financial institution.

The credit union has posted tremendous growth and has positively impacted thousands of members in the past decade. Even with a physical presence limited to Massachusetts and New Hampshire, the credit union serves members in all 50 states. Nearly half of its new members in those states are millennials.

But as a new decade dawns, DCU knows it cannot rest on its laurels. The financial services industry is changing. Members are changing. And DCU knows its success for the next 10 years depends on winning in two key areas: innovation and relevancy.

### THE IMPORTANCE OF INNOVATION

Nancy D'Amico joined the credit union as the senior vice president of technology and innovation in June 2019. The executive oversees technology, devices, software, and the like; however, her role encompasses more than that of a traditional chief information officer.

"It's not your traditional technology leader role," D'Amico says. "There's an innovation focus."

According to D'Amico, that focus starts at the top and is fully embedded in the culture of the credit union.

"Everyone is open to new ideas and what we can do better or do differently with technology," D'Amico says.

As part of her innovation purview, D'Amico manages two teams focused on new ways of doing business. The first, Dixital, is a CUSO that tests technology-forward opportunities that specifically benefit DCU. The second, DCU's FinTech Innovation Center, is an incubator located in downtown Boston dedicated to supporting seed-stage startups.

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To learn more about the DCU FinTech Innovation Center, flip to page 33.

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Since DCU launched the center in 2014, more than 50 early stage fintechs have graduated the program. And although the purpose of the center is to foster companies regardless of their potential for future partnership, three graduates of the program are sharing their solutions with DCU, solutions the credit union believes will meet the spending and savings, self-service, and security needs of its membership.

### Project Finance

When D'Amico joined the credit union in 2019, DCU had started a conversion to a new online and mobile platform, Project Finance. When the conversion is complete in 2020, members will have access to a banking experience that is more focused on financial wellness than checking account balances.

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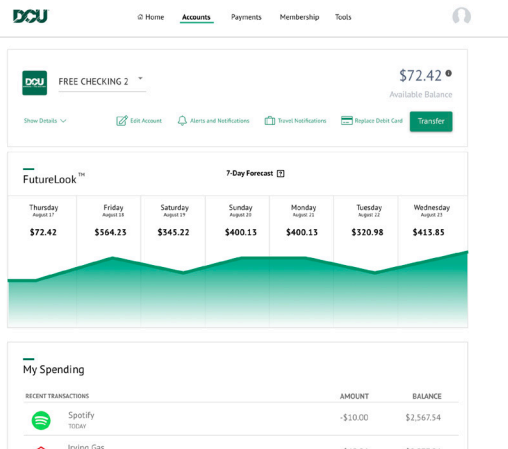
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“The platform includes goals-based functions and proactive financial insights that show members how they are spending and saving so they understand how they can change their behaviors to make better decisions,” D’Amico says.



DCU’s new online and mobile application will help members track their spending and saving habits. This includes the ability to see future account balances based on their present spending and saving activity.

### Posh

Once the Project Finance conversion is complete, DCU will turn its attention to Posh, a conversational AI company founded by MIT graduates. Across a three-tiered implementation next year, DCU will add natural-language processing chatbot functionality to its website before upgrading its touchtone audio response and interactive voice response systems. In sum, the new technology will improve the credit union’s self-service offerings.

“I see self-service providing simple functionality for the members who prefer that experience,” D’Amico says. “It’s important for us to provide the capabilities so our members can handle their banking themselves.”

### Coalesce

DCU is currently working to implement the solutions provided by Project Finance and Posh. With Coalesce, a security company that leverages artificial intelligence to detect and fight against synthetic fraud, the Northeastern cooperative has already formed a partnership.

Synthetic fraud occurs when imposters combine real and fictitious information to create new identities that are often undetectable by traditional protective methods. This type of fraud is a significant issue for banks and credit unions.

“We’re always focused on security and fraud,” D’Amico says. “This helps us take it to the next level.”

DCU often juggles hundreds of active technology projects in various stages of development at any given time. Before

D’Amico arrived, DCU had a project steering committee; however, it was an early priority of the SVP to expand the team to include each of DCU’s seven senior vice presidents in hopes of formalizing project requests and better prioritizing projects and resource allocation.

“The goal is to ensure that we are focused on business opportunities that provide the greatest impact,” D’Amico says.



DCU’s FinTech Innovation Center welcomes the best and brightest fintech leaders from around the country for a yearlong term of study and exposure to the business world.

In its monthly meetings, the team reviews electronically submitted project charters in which internal project leads answer a few questions: What’s the idea? What’s the business value? What’s the member value? What’s the opportunity? What’s the risk?

From there, the steering committee grades each idea using a matrix that incorporates a handful of criteria, including gained efficiencies, simplified processes, multi-department impact, and regulatory impact, among others. The team prioritizes higher scoring projects over lower scoring ones, but it reserves the discretion to escalate projects that provide value not captured in the matrix.

Ultimately, the committee helps the credit union identify what innovations are worth investing resources toward. If the team is doing its job, new products and product upgrades will help DCU stay relevant to its members for years to come.

“We are focused on innovation and staying relevant,” D’Amico says. “We believe that speaks well to the future of DCU.”

### THE IMPORTANCE OF RELEVANCE

DCU is located some 30 miles from downtown Boston, whose high-density of students, recent grads, and young professionals is making it more diverse every year. Knowing that, it’s perhaps no surprise the credit union is focused on attracting that next generation of member. According to DCU, the credit union has found a measure of success, as

“ We’re trying to meet the needs of a diverse demographic. ”

— CRAIG ROY, SVP OF RETAIL LENDING, DIGITAL FCU

nearly 50% of new members who join the cooperative are millennials.

But DCU is an organization that exists to serve the financial needs of its community, which includes more than just millennials. As the financial needs of its communities change, the credit union must change with them to remain relevant.

“We’re trying to meet the needs of a diverse demographic,” says Craig Roy, DCU’s senior vice president of retail lending. “We can’t be all things to all people, but what can we implement to meet those needs knowing we can’t do it all?”

The credit union relies on its project steering committee to prioritize high-impact projects, but maintaining relevance comes down to awareness, Roy says.

On the marketing side, this means targeting promotions and serving relevant offers based on member behavior. On the product side, it means tailoring loan products to millennial and underserved populations.

The millennial generation is entering its prime borrowing years. They are looking for home loans, home equities, and refinance options for student loans. Another area of need DCU has uncovered is in auto loans. Specifically, can the credit union give members a better rate than what they received at the point of sale? DCU thinks so and has made recapturing auto loans a priority.

“You don’t get the best rate from the point of sale in many cases,” Roy says. “We say, ‘Come to us. We can give you a better deal.’”

With the success of this program, the credit union’s auto loan penetration of nearly 30% bests the performance of its asset-based peers by more than five percentage points.

Elsewhere in the loan portfolio, DCU’s young professional members often have household incomes that would make them attractive borrowers. In the shadow of Boston, however, they face an expensive mortgage market wherein the traditional 20% down payment combined with other debt or financial obligations present a barrier to entry.

“The ability to set money aside to come up with a 20% down payment is just difficult today,” Roy says.

To aid this generation’s homebuying prospects, DCU launched a first-time homebuyer program in late 2018 that

requires only 3% down and includes lender-paid mortgage insurance.

Also on the mortgage side, DCU is responding to the challenge posed by strict underwriting standards for mortgage sales to the secondary market. The credit union is in the early stages of development on a CUSO that will act as a community revolving loan fund for good borrowers who just miss the mark for a secondary market sale.

“We’re talking about helping people who are on the fringe of qualifying,” Roy says. “They are still good borrowers.”

Not every member needs an auto loan or a mortgage, however. Some need low-cost credit on short notice. As part of a stronger focus on the underserved borrowers in its community, DCU launched its Quick Loan, a pre-approved, short-term loan that members apply for solely through digital banking. Competing against the fast-cash business model of payday lenders, the credit union automatically approves the loan — up to \$1,000 — in minutes without a credit check. Since the product’s introduction in June 2018, DCU has made more than 20,000 loans with balances totaling some \$20 million.

“We’re even more committed this year to helping our underserved members meet their lending needs,” Roy says.

According to the credit union, most of its new members cite word of mouth as the main reason they join the organization. In fact, that’s been the case since DCU’s founding in 1979. To Roy, that underscores just how valued the credit union remains among its members, even now as it enters its fifth decade of service.

Relevance is key — it brings new members through the door and keeps the lights on. But to create a deeper, more meaningful relationship with members, DCU also offers a sense of trust. Members trust DCU. They trust the credit union to change with the times, to do the right thing, to serve their needs. It’s relevance that attracts them to DCU, but it’s their trust in the organization that keeps them there.

“Our members trust us,” Roy says. “We operate in their best interest, and they tell others. They pass it on.”

# THE ROLES LESS TRAVELED

How the responsibilities and career paths of the DCU senior team have evolved through the years ... sometimes in surprising or unexpected ways.

BY ERIK PAYNE

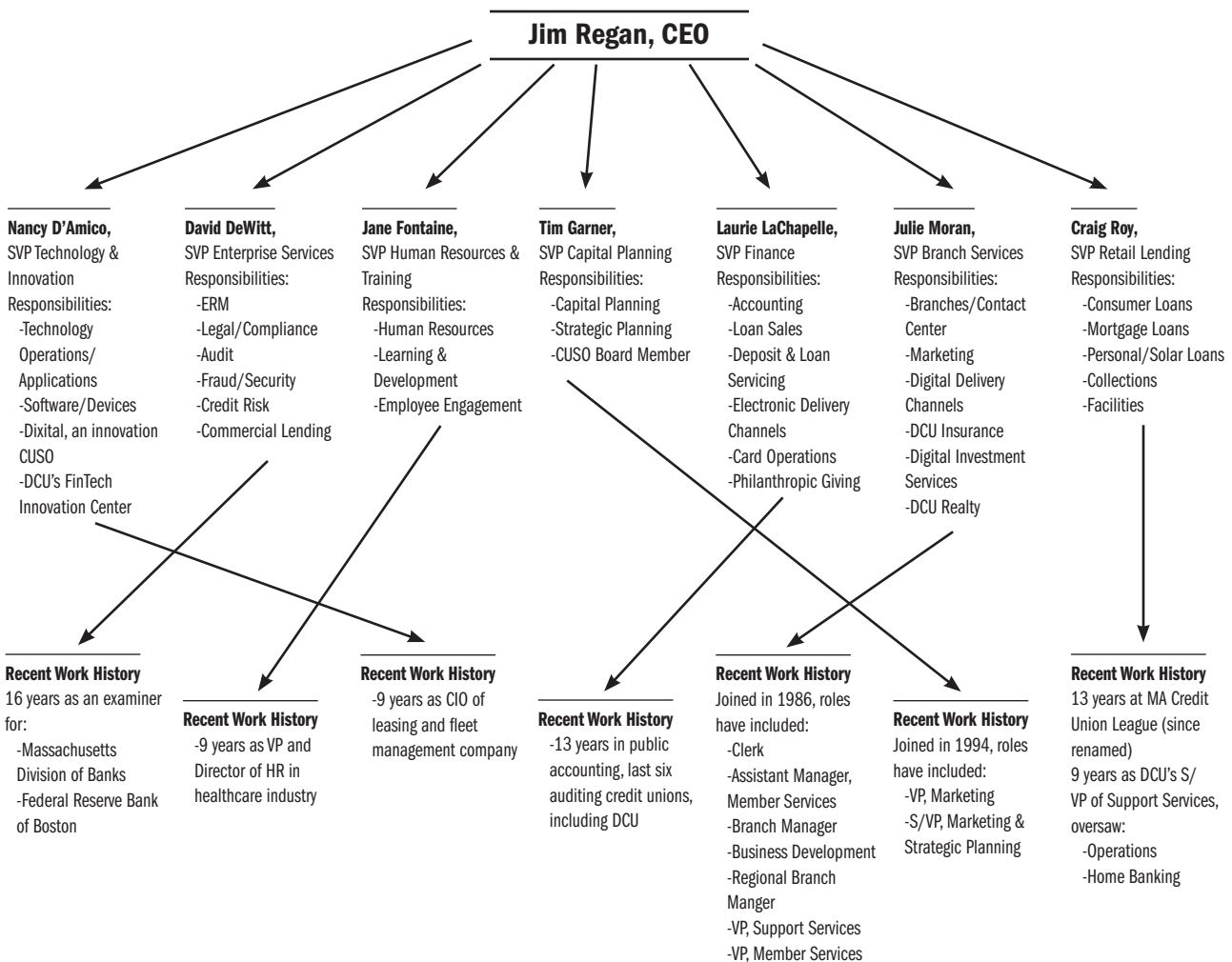
If the makeup of its senior team is any indication, Digital Federal Credit Union (\$9.1B, Marlborough, MA) understands talent can and does come from everywhere. Career paths often are non-linear. Three of DCU's senior leaders are long-term employees who worked in other capacities before assuming their current roles; two worked with the credit union at their previous stops, and two had no credit union experience at all before joining DCU.

The background of the credit union's senior team sheds light on CEO Jim Regan's views on leadership, says

Craig Roy, the senior vice president of retail lending who previously held a senior role in support services.

"I knew how to take a loan, but I wasn't sure how to make one," Roy says. "But I realized Jim was looking for someone who can lead, who can articulate a strategic vision, and who can execute that vision."

This collection of the recent work histories and current responsibilities of DCU's senior team shows how each one forged their own path to the top. ▲





## TRAINING FOR THOSE NEXT IN LINE

Digital Federal Credit Union strives to promote from within. Learn how it readies employees for the leadership opportunities that come next.

BY ERIK PAYNE

The national unemployment is at historic lows with September's rate of 3.5% reaching its the lowest since 1969. In Marlborough, MA, home to Digital Federal Credit Union (\$9.1B, Marlborough, MA), the labor market is even tighter; however, its 3.0% unemployment is right in line with that of Boston, 2.9%, and Massachusetts, 3.1%.

Retaining talent is an area of focus at the \$9.1 billion shop, which staff members call DCU. "We have a great deal of internal movement among employees, whether through promotions or internal transfers," says Jane Fontaine, the senior vice president of human resources and training at DCU. "That's a priority for us."

To do that well, however, requires continuous investment in its employee base to ensure one thing: When opportunity knocks, staff are ready to answer. In this Q&A, Fontaine discusses the past, present, and future of employee development at DCU, including the credit union's leadership development program.

### HOW DID YOU IDENTIFY TRAINING AS AN ORGANIZATIONAL NEED?

**JANE FONTAINE:** We've conducted annual engagement surveys in the past and received feedback regarding the importance of training and development. Most people want to learn, do better, and eventually move into a position with greater responsibility. Even if an employee is happy in their role, there's always opportunity to learn new skills that you can apply each day.



JANE FONTAINE,  
SENIOR VICE PRESIDENT  
OF HUMAN RESOURCES  
AND TRAINING,  
DIGITAL FCU

### HISTORICALLY, HOW HAS DCU HELPED

### EMPLOYEES MOVE UP WITHIN THE ORGANIZATION?

**JF:** DCU has always offered training to their employees. Until more recently, however, training was on a more informal basis. Over the past few years, we have developed a more robust training program through the reorganization of our training department and the addition of an organizational development team.

Our organizational development team is focused on career pathing. We want employees to have the skills and training they need to move into other roles within the organization. This helps us build bench strength for future leadership opportunities.

#### BEST PRACTICE:

#### ORIENT NEW MANAGERS

Upon assuming a role in leadership, employees at DCU attend a one-day New Manager's Orientation program. This program begins with breakfast with the CEO who gives an overview of the credit union. The remainder of the day consists with presentations from various members of the management team on topics such as: understanding credit union financials, service excellence, and performance management. "It's an excellent introduction to management that begins with all the necessary basics," Fontaine says.

### TALK MORE ABOUT CAREER PATHING. WHAT ARE YOU DOING?

**JF:** We're meeting with each department leader to learn their story: What work occurs in this department? What are the career opportunities? What skills and abilities are needed to succeed in various roles? We are working to build a resource that would be available to our employees. This tool will give them information regarding various positions within the credit union. We want our employees to see the different paths available to them within the organization

### HOW IS DCU DEVELOPING BENCH STRENGTH?

**JF:** Through various development opportunities including our Leadership Foundations Program, approximately 130 team leaders have enrolled in this comprehensive program. It offers such courses as "Crucial Conversations," "Reward and Recognizing Employees," "Crucial Accountability," and "Speed of Trust." The program also utilizes the DISC and StrengthsFinder assessment tools.

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“We’re trying to help employees see how to get where they want to go.”

— JANE FONTAINE, SENIOR VICE PRESIDENT OF HUMAN RESOURCES AND TRAINING, DIGITAL FCU

#### HOW DOES IT WORK?

**JF:** The program, designed to be completed in 18 months, uses a number of offerings from FranklinCovey and VitalSmarts. Our New Manager Orientation is a program that was developed internally to address the specific needs of an individual new to leadership. Courses are offered quarterly on a rotating basis. Members of the learning and development team facilitate most programs with an occasional external vendor delivering a program.

#### HOW MANY EMPLOYEES HAVE GONE THROUGH THE TRAINING?

**JF:** To date, 11 of our team leaders have completed the Leadership Foundations program. At any given time, there are 25-30 leaders going through the program.

Through the completion of various courses and projects, participants have the opportunity to achieve Bronze, Silver, and Gold status. 11 team leaders have reached gold status. These leaders are now being trained on how to become peer mentors. This is an excellent way in which for them to practice their skills and share their knowledge.

#### HOW DO YOU DEFINE SUCCESS WITH THIS PROGRAM?

**JF:** Certainly, the number of people who complete the program is important. We had 120 team leads enter the program this year. However, I think if you ask the participants who’ve gone through it, they all might define it differently. Some might value the ability to move into a leadership role, whereas others value the new communication skills they’ve acquired.

Success can also be found in the fact that there is now more consistency with the training we’re delivering. It’s not departments asking for one-off training for a single person. It’s accessible to all and our senior leadership has given strong support to this initiative.

Providing our employees with the ability to develop their professional skills is important to ensuring they are ready for their next opportunity at DCU and helps in retaining employees. Many of our program offerings help develop skills that can be applied immediately. As the organization continues to grow, having staff ready to advance to the next level is critical.

#### WHAT BEST PRACTICES HAVE YOU IDENTIFIED?

**JF:** Any program or initiative must have support from senior leadership in order to be successful. Great culture starts at the top. It is also important to offer training through various learning modalities including in-person, web-based, and self-learning. You have to understand your audience and how they learn best.

#### WHAT’S NEXT?

**JF:** Learning and development is always evolving. Next year brings many possibilities including a new program for emerging leaders and the use of virtual reality in our learnings.

#### BEST PRACTICE:

#### REWARD & RECOGNIZE

DCU approaches employee recognition in both formal and informal ways. Its service award program recognizes employees at service milestones (in five year increments) with a lunch with the CEO and the senior vice president of human resources and training, as well as a monetary award. In February, all employees are invited to its annual employee celebration, which includes food, fun, and connecting with fellow employees. Informal recognition includes a small rewards program as well as recognition on its Intranet. 🏆

## WHAT DOES FINTECH INNOVATION LOOK LIKE IN CREDIT UNION LAND?

*A nonprofit program launched by Digital FCU fosters next-gen talent and ideas, and the nation has noticed.*

BY ERIK PAYNE

Until 2014, Digital Federal Credit Union (\$9.1B, Marlborough, MA) encouraged innovation to produce internal benefits. It solicited opinions from staff members about areas of improvement and partnered with local colleges to take the pulse of the youth. The strategy was educational but not so much actionable.

Then, in 2014, the credit union opened the first iteration of what eventually became the FinTech Innovation Center. The idea behind the Digital Center for Excellence in Financial Services was simple: Create a physical space where startups could work and connect with business executives.

“The startups would gain an institutional, marketplace perspective from the executives,” says Vasilios Roussos, managing director of the FinTech Innovation Center. “The executives would see emerging technologies and understand their need.”

The Digital Center for Excellence benefited DCU, but the credit union soon realized the center provided benefits beyond the cooperative’s walls. The space where forward-thinking companies could work and learn and introduce new products and services had communitywide benefits, too. So, the center evolved into the FinTech Innovation Center.



VASILIOS ROUSSOS,  
MANAGING DIRECTOR,  
DCU FINTECH  
INNOVATION CENTER,  
DIGITAL FCU

### ACCELERATOR ACCEPTANCE

If the Digital Center for Excellence was a place where fintechs and executives could learn from one another, the FinTech Innovation Center is more akin to a classic accelerator.

Companies arrive without a minimum viable product (MVP). They learn, work, and iterate while in the center, which gives them the time and the tools to create a business that is ready to take to market.

Located in a co-working space in Boston, approximately 30 miles from the credit union’s headquarters, the FinTech Innovation Center sits among a collection of colleges and universities that graduate young adults with an entrepreneurial bent. However, it’s important to note, the center also attracts a diverse collection of CEOs that hail from places beyond Harvard and MIT.

“Our mandate is to find companies that are impact-oriented and mission-focused,” Roussos says.

More specifically, DCU looks for companies focused on banking, lending, financial health and wellness, personal finance, or advanced technology — think blockchain, AI, and cryptocurrency.

“We’re looking for the best and brightest fintech leaders,” the managing director says.

To that point, the center is an equity- and fee-free space where companies work without occurring office space expenses.

So, the center doesn’t charge rent. It also doesn’t select participants based solely on their ability to work with the credit union.

“Some of these companies might not have a direct impact on DCU,” says Nancy D’Amico, senior vice president of technology and innovation at the credit union.

### CU QUICK FACTS

#### Digital FCU

DATA AS OF 09.30.19  
MARLBOROUGH, MA

**\$9.1B**

ASSETS

**856,779**

MEMBERS

**23**

BRANCHES

**8.1%**

12-MO SHARE GROWTH

**4.3%**

12-MO LOAN GROWTH

**0.81%**

ROA

“ We knew we wanted to foster companies that would do the right thing for our communities and for the credit union. We feel like things are only going to get better. Each class that has come in is stronger than the last. ”

— VASILIOS ROUSSOS, MANAGING DIRECTOR, FINTECH INNOVATION CENTER, DIGITAL FCU

#### 4 NAMES IN THE CROWD

Of the 55 graduates of Digital's FinTech Innovation Center, several have gained traction within the cooperative movement. Vasilios Roussos, managing director of the center, highlights four:

- Project Finance: “This company is delivering the newest challenger bank digital experience in a way that is focused on financial health and wellness.”
- Posh: “Posh has developed next-generation conversational AI for voice and telephone banking.”
- Coalesce: “Coalesce is working in the compliance and fraud space, including email surveillance and synthetic fraud.”
- Cranberry: “Cranberry was founded by an ex-credit union employee from South Carolina. It's in our center right now, working to develop a lease-to-own product for homeownership.”

“But, there is a positive impact in so many different ways in the community, which is a core value of the credit union.”

Since 2016, DCU has opened twice-yearly application periods during which dozens of companies apply. From each period, the credit union selects a cohort of eight to 10 fintechs to spend one year in the center, which means at any given time 16-20 companies share the space.

According to Roussos, the application process is simple. Interested parties submit a 20-question application form. Among the questions, a few stand out:

- How do applicants pitch their idea?
- What is the value of the idea?
- Who does the applicant see as competition?
- How do they plan to stand out against that competition?

From there, the credit union holds two rounds of interviews before selecting participants for the cohort. Cohorts are small compared to the number of applicants, and DCU tends to have pre-existing knowledge of many of these companies, which helps in the decision-making process.

Companies that make it into a cohort must have well-considered answers to the questions above. Their technology also matters. But more important than either is the applicant itself.

“We have smart, savvy applicants who come from a local ecosystem that does a great job teaching, encouraging, and supporting entrepreneurs,” Roussos says. “Our job is to pick those we think have the skill and the gumption to succeed.”

There are additional rules, as well. Companies must have raised less than \$1 million and employ fewer than five people. In practice, they should be close to having an MVP but not be quite ready for the prime time.

“It's our focus to bring them from pre-MVP into production,” Roussos says.

#### A CENTER FOR INNOVATION

Companies begin their yearlong term at the center with a six-week orientation program. During this time, credit union representatives and other local technology leaders teach the cohort companies concepts — such as product pitching, fundraising, and working with customers — that will help them make the most of the next 12 months. They also learn about credit unions and the cooperative difference.

Companies then enter the next, less-formalized phase of their stay. During this time, DCU provides time and space for companies to build and test their concepts. It also offers them access to executives and other mentors who offer voice of the customer feedback as well as advice on going to market, technology and distribution partners, and more.

“It’s here they learn the skills and build the connections to succeed through certain pivotal stages of growth for startups,” Roussos says.

By accepting two cohorts per year, the center mixes new, green groups with others who’ve put in six months or more at the center. In this way, the center gives companies more exposure and the opportunity to learn from those in similar, if slightly more advanced, situations.

“We’re hoping to encourage different thinking among our startups,” D’Amico says. “We want them to form their products or think about where they want to go based on real business input.”

Once a company graduates from the program, the door is open to the classic venture capital route. Unless a company decides to partner with DCU, the credit union’s job is done.

“We feel confident that we’ve done our job in getting them there,” Roussos says.

Since its inception, more companies are taking notice of the opportunities the center presents. In total, 55 companies have graduated from the program — including multiple that have subsequently become nationally recognized. The number of high-quality applicants increases each open enrollment period, and its geographic reach continues to grow, too. In its last application period, companies from San Francisco and Florida applied thanks to word-of-mouth marketing, Roussos says.

Of those 55 graduating companies, 10 have had some form of partnership with the credit union. That’s a number the credit union is happy with, as those companies have introduced next-generation strategies and technology to the \$9 billion shop. On the flip side, some 45 companies have gone on to introduce their solutions into communities where they are needed.

“We started this not fully knowing what was going to come out,” Roussos says. “We knew we wanted to foster companies that would do the right thing for our communities and for the credit union. We feel like things are only going to get better. Each class that has come in is stronger than the last.”

## WITH GRATITUDE

*Callahan & Associates would like to thank the following people for sharing their time and insight and for allowing us to tell the story of DCU.*

### **NANCY D’AMICO, SVP TECHNOLOGY & INNOVATION**

“It feels natural to work here. I love it. I love the mission.”

### **DAVID DEWITT, SVP ENTERPRISE SERVICES**

“It’s been great to work here because of the culture, the employees who work here, and our ability to help members reach their financial goals.”

### **JANE FONTAINE, SVP HUMAN RESOURCES & TRAINING**

“I’ve worked in HR for 28 years and at DCU for the past five. I can tell you, this is the best place I’ve ever worked.”

### **TIM GARNER, SVP CAPITAL PLANNING**

“I’m proud of what we’ve built here at DCU and the role I play in it. I’m a company man!”

### **LAURIE LACHAPPELLE, SVP FINANCE**

“It’s been a great nine years. I love this organization. I definitely bleed green.”

### **JULIE MORAN, SVP BRANCH SERVICES**

“I’ve worked in many different areas since starting my career at the credit union. I love working for DCU.”

### **JIM REGAN, CEO**

“My interest in this role was to continue the successes of the DCU I had been a part of for the previous 17 years.”

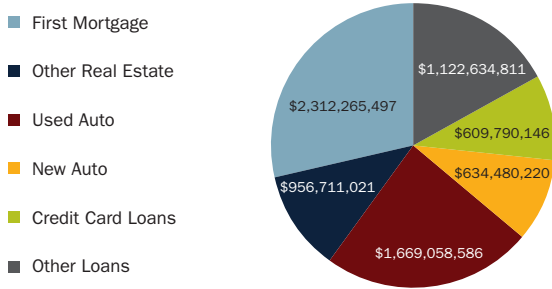
### **CRAIG ROY, SVP RETAIL LENDING**

“I’m excited about the opportunities we have in our future and about how we’ve positioned ourselves. I’m excited to be a part of that.”

**LOAN COMPOSITION**

FOR DIGITAL FCU | DATA AS OF 09.30.19

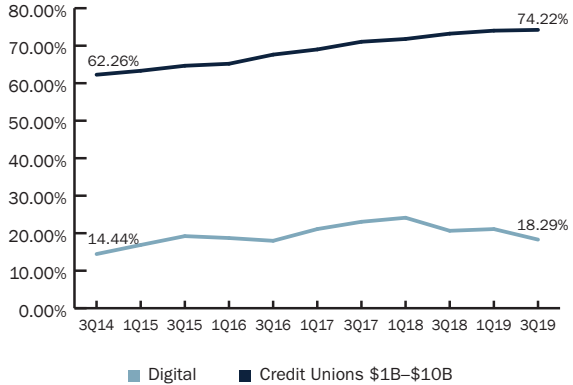
DCU holds nearly two-thirds of its loan portfolio in autos and first mortgages. To ensure smart, stable future growth, the credit union sells loan participations and is now developing its own loan sale platform.



**INDIRECT LOANS / TOTAL AUTO LOANS**

FOR U.S. CREDIT UNIONS \$1B-\$10B | DATA AS OF 09.30.19

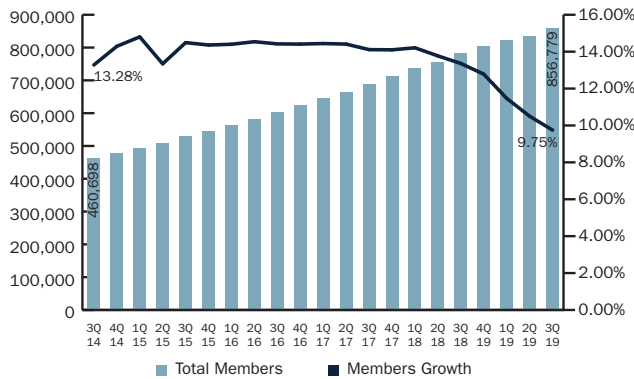
Less than one in five auto loans at DCU is an indirect loan – that’s nearly 55 percentage points lower than its asset-based peers. The credit union focuses more of its lending efforts on direct lending – to the tune of \$5 million-\$6 million per day – and refinancing activity.



**TOTAL MEMBERS AND MEMBER GROWTH**

FOR DIGITAL FCU | DATA AS OF 09.30.19

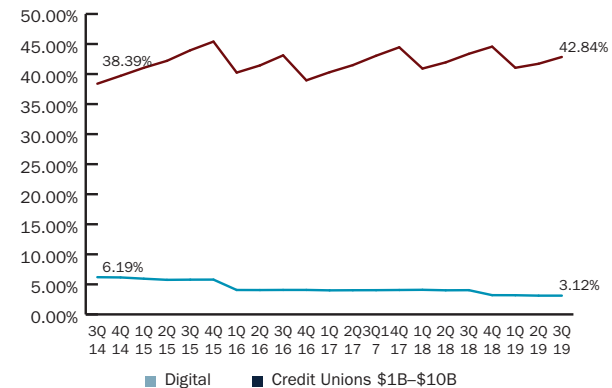
Since 2014, DCU has added nearly 400,000 new members to a base that now totals some 860,000. During that period, member growth routinely exceeded 14%.



**MEMBERS PER POTENTIAL MEMBERS**

FOR U.S. CREDIT UNIONS \$1B-\$10B | DATA AS OF 09.30.19

Of 309 credit unions with \$1 billion to \$10 billion in assets, DCU is in the top 10% with its ratio of members to potential members, showing just how well the \$9 billion shop matches its products and services to members’ needs.



**ROM - MEMBER SERVICE USAGE**

FOR U.S. CREDIT UNIONS \$1B-\$10B | DATA AS OF 09.30.19

The Massachusetts cooperative ranks 9th in its asset-based peer group for the member service portion of Callahan’s proprietary member value metric, Return Of The Member (ROM).

Rank	State	Name	Percentile Ranking
1	CA	Firefighters First	100
2	TN	Eastman	99.68
3	MI	Dow Chemical Employees	99.35
4	IL	Deere Employees	99.03
5	IA	Veridian	98.71
6	MI	Michigan State University	98.39
7	OR	OnPoint Community	98.06
8	WI	Summit	97.74
9	MA	Digital	97.42
10	GA	Delta Community	97.10

**DELINQUENCY BY PRODUCT**

FOR DIGITAL FCU | DATA AS OF 09.30.19

First mortgage delinquency at DCU bests asset-based peer performance. While total delinquency has risen in the past two years, the credit union cites a higher risk tolerance to allow for a greater underserved focus as one reason for this growth.

