2016 NACUSO Network Conference Ignites Passion

Over 400 credit union professionals gathered for the 2016 NACUSO Network Conference at the Encore at Wynn in Las Vegas, Nevada last month. The opening reception featured a Networking “lounge” that replaced the usual vendor hall. Furnished with couches, coffee tables, bistro tables and of course fabulous hors d’oeuvres and adult beverages it was the ideal place to debut the NACUSO “Network” brand.

One of the highlights of the conference was the innovative keynote speaker that MasterCard so graciously provided. Erik Wahl is a graffiti/speed artist, author and not a bad dancer. Imagine hearing Bastille’s Pompeii playing (some lyrics below to set the mood), watching video images of flowers opening, rockets ascending, ocean crashing and Erik is painting and dancing while painting!

But if you close your eyes,  
Does it almost feel like  
Nothing changed at all?  
And if you close your eyes,  
Does it almost feel like  
You’ve been here before?  
How am I gonna be an optimist about this?  
How am I gonna be an optimist about this?

It’s hard to put into words the multi-sensory experience that unfolded in the 3 minutes and 36 seconds that it took Erik to finish a picture of Einstein – at first not recognizable because he painted it UPSIDE DOWN!
He challenged us – that the next big idea cannot happen without conquering our fears. He reminded us of the famous quote by Albert Einstein, that “Imagination is more important than knowledge.”

And speaking of the Next Big Idea competition. The 4th annual competition drew so many applicants we had to expand the presenting field to six contestants. This year we had three new judges join Sarah Canepa Bang, EVP Corporate Relations for CO-OP Financial Services. Matt Davis, founder of GameFI and a Next Big Idea contestant in 2015, Ray Crouse, President/CEO of Parsons FCU and Ned May, FinTech focused Private Equity/Venture Capitalist rounded out the judges table.

This year’s winner, as selected by attendees who voted, was RateReset/LoanGEN, the secure web-based automated loan generation tool. CEO Keith Kelly not only received the trophy, bragging rights, and a “money boa” but will present at the NASCUS Summit Conference in Chicago in the fall. And for the first time ever CU Journal added an advertising package in their publication with a value of $8,000.00.

Other companies competing in the Next Big Idea Competition included CU Launchpad, LoanStreet, Mirador Lending, ONE Card and TruVantage by Saggezza.

Erik Wahl inspired me to draw again – the artist within needed to reemerge. During the competition, I created this doodle. I was trying to show how connected these ideas are and solidify the 6th cooperative principle: cooperation among cooperatives.
NACUSO Partner Connection Sessions Debut

We have heard from our attendees that there is nothing like the NACUSO Network Conference and that it rates highest among credit union conferences in real networking opportunities. So this year, with the help of CUSO leaders like Kirk Kordeleski and Mike Atkins we debuted the Partner Connection Sessions to facilitate networking among like minded executives. We had 123 attendees respond to a pre-conference survey to gauge the areas of interest in collaboration. On day one we had over 100 people stay for this unique networking event. The most popular topics were given their own moderator and space to gather along with afternoon snacks and adult beverages. The areas that were most attended were:

- Mortgage Lending Services
- Human Resources
- Business Services
- Marketplace Lending
- Mobile/Digital Banking
- Data & IT

This is certainly not a one and done. We have formed a LinkedIn Group that will be moderated by NACUSO (don’t want the bankers to know what we’re up to). If you gave us your email address at the session in Vegas you will receive a personal invitation to join this group. If you weren’t able to attend and want to join the conversation click here to join the LinkedIn Group.

In addition Kirk Kordeleski has agreed to be a guest blogger for NACUSO. Another way to stay connected to the collaborator network. Look for the “Collaboration on Collaboration “ blog to debut in May of this year.

Thank you to all of the credit unions that participated in the survey and the sessions. We look forward to making this a regular part of our NACUSO Network Conferences in the future.
NCUA’s CUSO Registry Update

Thank you to everyone that registered for the NCUA CUSO Registry. As expected there were a few glitches along the way. NACUSO has been working with NCUA from day one to minimize the adverse impact of the CUSO Registry and to correct the acknowledgements initially in the Registry. If you recall, in the first version CUSO’s were to submit their data and than accept responsibility under regulations that only apply to credit unions. This could have exposed CUSOs to potential penalties if left unchanged. So we worked directly with senior NCUA staff and Messick & Lauer to get this changed and notified all CUSOs.

As of April 5th, 831 CUSOs have registered, 14 more are in progress and there’s some NCUA clean up work to be done. NCUA is contacting CUSOs that are identified in 5300 reports that credit unions filed, to ensure they registered. Some already have registered and the CU simply reported a slightly different name, some others are not CUSOs, but really vendors to credit unions. We provided guidance on how to respond to NCUA if you were contacted pursuant to this attempt to ensure all CUSOs are registered. We anticipate having full access to the CUSO Registry information in June or July of this year.

Mark your Calendars for this Upcoming Webinar

May 17th @10:00am Pacific (1:00pm Eastern)

Creating a Smarter, Faster and More Profitable SMB Lending Process. Presented by:

MIRADOR

Click HERE to Register:

NACUSO Welcomes Three New Board Members

The elections were held and on April 6th at the NACUSO Annual Meeting, and we were pleased to welcome the following 3 new board members:

John Carrington, SVP Sales and Strategic Alliances for CU Direct. Since joining CU Direct in 2002, his accomplishments have included overseeing the expansion of the company’s CUDL brand from 10 states and 4 Business Units to 48 states and 5 regional sales locations with staffing in these areas exceeding 100 employees.

Nick Evens, President of the Veridian Group. The Veridian Group operates two CUSOs, partners in another and has minority investments in additional five CUSOs. Mr. Evens manages the portfolio of the five equity investments in CUSO and Fintech related companies.

Ray Crouse, President and CEO of Parsons Federal Credit Union. Mr. Crouse was recruited to this credit union in 2015 due to his strength in collaboration and strong belief in the credit union system. He has quickly energized this credit union and built a plan to turn around its aging membership.
Remember HR 1151?

I’ll never forget the day that my boss at the Oregon Credit Union League called an emergency meeting. It was July, 1996 and the U.S. Court of Appeals D.C. Circuit overturned the District Court decision and ruled that all members of a federal credit union must share one common bond. The Court of Appeals ordered the district court to apply its decision to AT&T Family Federal Credit Union. The bankers filed a separate suit asking the district court for a nationwide injunction and to have the decision applied to all federally chartered credit unions with multiple groups. The United States Supreme Court affirmed the decision on February 25, 1998.

The ruling meant federal credit unions would no longer be able to add new groups to their fields of membership. It meant the demise of credit unions. That was the beginning of the “fight of our lives” that resulted in the Credit Union Membership Act (or HR 1151). I was in charge of marketing and public relations at the time. But that day everyone at the league had the same job description, you know that final line that says “other duties as assigned.” It was all hands on deck to get our members engaged, to raise advocacy dollars to support our lobbying efforts. It was a scramble and it was scary, especially since we did not have advocacy dollars collected and ready to fight this important issue. Thankfully, credit unions gave generously of their time and funds and Congress received the message loud and clear. In record time the court ruling was reversed by Congress. President Clinton signed the Act on August 7, 1998. Credit unions retained the ability to grow and prosper. Credit unions also learned the lesson of the need for strong advocacy, and to be prepared.

In 2011, CUSOs were threatened with additional oversight by NCUA that would adversely impact the ability of CUSOs to innovate and collaborate. As the trade association for CUSOs and credit unions that use CUSOs, NACUSO jumped into the fray and fought off the additional regulation. With a newly constituted Board, NCUA renewed its efforts in 2013 to add unnecessary and costly additional oversight of CUSOs. Though NACUSO was successful in reducing the oversight burden for most CUSOs, the new rule remains a concern.

NACUSO has always advocated with the NCUA Board and Staff and other regulators but the regulatory pressures on CUSOs are on the rise and the level of NACUSO’s advocacy has to match the threat. Advocacy requires advocates and the resources to support the advocates. Through the support of our CUSO and credit union partners, NACUSO has raised approximately $253,600 for an Advocacy Fund; the purpose of which is to create a regulatory climate that is favorable to the ability of credit unions to innovate and collaborate. How has NACUSO used those dollars?

NACUSO hired a large DC law firm to advise NACUSO if NCUA exceeded its legal authority under the Federal Credit Union Act in requiring CUSOs to directly register with NCUA. While the firm concluded that the legal authority was highly questionable, the funding partners concluded that a favorable court outcome would be very expensive but not resolve all the issues. The conclusion was that the advocacy dollars would be better spent on other issues. The biggest threat is Congress giving NCUA direct regulatory authority over CUSOs. NACUSO acted to prevent that by meeting with key Congressional and Senate staff and by
acting quickly to stop NCUA from inserting vendor authority into a pending bill. NACUSO also worked with NCUA to reduce the CUSO investment risk rating from a punitive 250% to 100%.

NACUSO has worked with NCUA on insuring that confidential information provided by CUSOs to the NCUA for the CUSO Registry remains confidential.

The current concern is how will NCUA exercise its review powers over CUSOs? We have already seen examiners treating CUSOs as if they were regulated credit unions; telling CUSOs that are insurance agencies how to operate and giving CUSOs the same pre-examination questionnaires that they give to credit unions. There will be a lot of examination related issues that NACUSO is expecting to mediate with NCUA.

There will continue to be a threat of NCUA asking again for direct regulatory authority over vendors and CUSOs. There will continue to be examination issues for CUSOs. There will continue to be the possibility of new regulations that have the effect of hampering the ability of CUSOs and credit unions to innovate and collaborate. CUNA and NAFCU have deferred to NACUSO on advocacy for CUSOs. If NACUSO does not pick up the mantle for CUSOs, who will?

NACUSO does not just want to play defense. Innovation requires space to breathe and we will push not just for a neutral regulatory climate but a supportive regulatory climate. NACUSO will work with NCUA and other regulators to help them see that their future and the future of credit unions require collaborative relationships and we will all prosper with a regulatory climate that promotes collaboration.

Strong advocacy is essential and so is a healthy Advocacy Fund. The Advocacy Fund is a necessary business expense of every CUSO and credit union that sees collaboration and innovation as essential to the future success of credit unions. Join us with your monetary and personal support and contribute your time and money. NACUSO provides transparent reporting on how the Fund is used. It is a small price to pay to protect your ability to succeed. Click here to see the 2014-2015 Advocacy Report.

Please contribute now to protect collaborative solutions for your members.

For more information on supporting NACUSO Advocacy please contact Denise Wymore, Membership and Advocacy Development Officer, NACUSO, denise@nacuso.org

Spring 2016
NACUSO News

If I Were the Credit Union Czar: Part Two

Part One: Leveraging the Cooperative Model of Guy’s blog appears on the NACUSO Website. Click here if you haven’t already read it.

ACTION ITEMS:

1. Stop thinking of operational services CUSOs as vendors and consider the CUSOs as a collaborative extension of the owner credit unions. Services are not out-sourced to a CUSO but co-sourced among the credit unions through the CUSO. As Czar, I would help develop policies for shared due-diligence on cooperative activities. CUSOs would be permitted to act on behalf of their owners within the delegated scope of services. I would revise the due-diligence letter to credit unions to differentiate between the due diligence a credit union performs on third party vendors versus a CUSO co-owned by the credit union.

2. I would create an Office for Collaboration with a director and a cross-disciplinary Collaboration Team within the regulatory agency (including legal, examinations and small credit union development) to work with the industry to implement the collaborative model. The Team is a signal within the regulatory agency and the industry that it is time to transform to a collaboration model. The purpose of the Team is not to dictate what collaborations are initiated, but rather to create a favorable environment for collaborations to develop and flourish safely.

If new business models, new services and innovations are developed that require modification of regulations, the Collaboration Team will facilitate a prompt review of the proposed modification. The review will determine the effectiveness of the proposed collaboration and how best to manage the risks. The Team would work with the industry to develop education resources on the collaboration model and share information about existing collaborations. The goal is to create an environment where best practices are shared freely.

What if you were put in charge of regulating all credit unions? What would you do? Those are the questions I posed in Part 1 of this article which discussed how the credit union difference is the cooperative model.

If that model continues to be under-exploited by credit unions, we risk being marginalized in the marketplace. The key is to establish a regulatory environment that supports collaboration. In this, the second of that two-part series, I offer five strategies and additional ideas for doing just that.
3. I would develop metrics to analyze the effectiveness of collaborations. For example, in operational services: (1) what are the cost savings from operations? (2) What are the costs savings through greater leverage with vendors? (3) What additional expertise is made available to the credit unions? (4) What additional services are made available to credit unions? (5) Did the collaboration improve the quality of the services to the credit union. And, (6), how were performance issues resolved?

For financial services: (1) How many members are being served? (2) What member complaints exist and how are they resolved? (3) What additional risks does the credit union assume and how are they managed? And, (4), how much net income is earned? The industry can share the metrics and inform each other as to which collaborations are the most effective.

4. I would develop a recommended contract rider that credit unions and CUSOs could use with vendors to cover key issues such as member privacy, brand protection, indemnification, and the ability to unilaterally terminate the agreement on short notice without cause and additional cost. This would put the burden on a vendor to demonstrate why it is justified to deviate from the terms of the recommended rider. The goal is to create a gold standard on how vendors interact with the industry.

5. To survive, credit unions have to chase loan yield. Let us acknowledge that and work to make the process as safe and productive as possible. Encourage credit unions to share loan yield through loan participations or other means with effective due-diligence. Loan participations are also a tool to manage lending risks. There are pockets of expertise in mortgage lending and business lending in the credit union industry that produce high quality loans. Adopt policies and practices that encourage collaborations that leverage that expertise to the advantage of multiple credit unions.

Act Boldly and Timely

Credit unions currently have capital that they can use to create collaborations. This situation will not last forever. More and more credit unions will be using capital to keep their deteriorating business model afloat. We must act now to form collaborations while we still have the time and the resources to make a difference.

Sometimes the safest thing to do is dramatic and contrary to our nature. It takes courage to act boldly. It is my fervent hope that both the regulators and the regulated have the courage to make the necessary changes to re-invigorate credit unions and that credit unions will continue to serve members for many years to come. Unless the credit union regulators are fully engaged in the transformation of the credit union model, the transformation will fail and if the transformation fails, the future of credit unions as we know them is in jeopardy.

Guy A. Messick is the “CUSO Guru” and an attorney with Messick & Lauer PC in Media, PA and General Counsel to NACUSO. He can be reached at 610-891-9000 or gmessick@cusolaw.com
We would like to give thanks to our Platinum and Gold Partners for being instrumental in the success of the 2016 NACUSO Network Conference. We couldn’t have done it without you!

SAVE THE DATE:
April 10th - 13th, 2017

NACUSO returns to the happiest Place on Earth and to a newly remodeled Disney Yacht & Beach Club. You won’t want to miss this amazing networking event.