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*Partnering with Credit Unions Across the Nation
To Help Them Grow!*

cuStrategies e-newsletter – September 2020

Post COVID-19 – Challenges and Opportunities

Dealing with the Fallout of COVID-19 While Creating Our New Normal

Now is the time to create a better “new normal” for growth, profitability, and member loyalty/retention during these unprecedented times.

2021 can be our biggest opportunity if we build a plan for success!

Credit unions across the nation have faced many challenges during COVID-19, and there is still a lot more fallout to come as a result of this Pandemic. As we move forward in our uncertain economic landscape, credit union leaders need to think outside of the box and continue to be quick and nimble in their approach to meet the needs of their members as well as all consumers to protect its financial strength and growth. This is an opportunity for credit unions to be proactive and innovative in **creating a better “New Normal” to remain relevant and financially strong!**

Let’s face it, times have changed; and there is much more to come as a result of COVID-19. So, if there is a silver lining in this cloud, it stands true to say that **change and challenges can create new opportunities.** That being said, we as leaders in the credit union industry must seek and create opportunities during this season of COVID-19 and post COVID-19.

Below are several things we as leaders in the credit union industry need to focus on now and into 2021 as we navigate through COVID-19 to create a better “New Normal” for the credit union and its members. Focus on what will create the greatest relevance and invest in your people and your people will give you an awesome return on investment with the right programs, strategies, and tools they need to help you grow the credit union. Prepare for 2021 and be sure to establish a budget that allows you to get your greatest return on investment: more loans, more profitability, minimized loan losses, more members, and more loyalty!

1. What is the fallout of COVID-19?

- Higher delinquencies and charge-offs due to consumers’ inability to continue making payments on credit cards, autos, and/or home due to income loss related to job loss, serious medical issues, loss of significant other, etc.
- Record-breaking increases in bankruptcies since the Great Depression
- Fewer loans due to consumer caution and/or inability to make big purchases such as autos and other consumer loans
- Credit scores plummeting due to late payments and other delinquencies

2. What can we expect and not expect in 2021 with regard to the economy and the fallout of COVID-19? Expect the unexpected!

- According to a Bloomberg report dated April 10, 2020, provided by Anita Sharpe, *“Bankruptcies related to Covid-19 shutdowns will set records in the next 12 months.”*
- *As of May 2020, the unemployment rate was at 13.3 percent only declining 1.*
- According to Credit Union Trends Report dated April 2020, *“The COVID-19 pandemic is expected to decrease new vehicle sales by 50% during the 2nd quarter compared to one year earlier due to closed dealerships, stay-at-home orders for consumers, massive job losses and an unprecedented level of fear of sickness and lost earnings.”*
- Credit scores will plummet for consumers as a result of the financial challenges that emanated from COVID-19
- According to the Credit Union Forecast dated April 6, 2020, provided by CUNA Mutual Group, below are key ratio annual projections for 2020:
 - Loan Growth 2.0%
 - Membership Growth 1.0%
 - ROA 0.20%
 - Delinquency Rate 1.25%
 - Charge Off Rate 0.87%

3. How can we proactively overcome the challenges for growth in 2020 and 2021?

- **Develop an impactful strategic plan and one-year action plan to effectuate change** that will lead to positive results: fewer loan losses and bankruptcies; increased loan growth, increased profitability which impacts ROA, increased membership growth, and a positive culture for growth.
- **Implement a Member Service Program** that allows you to capture more loans with existing members who have loans with other financial institutions while lowering their monthly out pay. Make it easy for them to do business with you. Streamline the process so your members feel like they didn't do anything except sign a piece of paper.
- **Integrate a Business Development Program** to generate more loans (loans) through Business Development strategies to grow the credit union. Develop a formal business development program that will not open doors with businesses but will give you access to employees of businesses in community and give you more loan opportunities!
- **Offer a unique program to attract Millennials and Gen Z's** to build life-long loyalty. Keep in mind, 75% of the workforce will be made up of Millennials by 2025, and only about 15% of all Millennials do business with credit unions!
- **Offer a Gen Z Program** that allows you to partner with Gen Z's to help them establish a credit score of 700 in 6 months giving them their first credit card with no hassle; cash reward program; etc. Capture Gen Z's early so you don't have to fight for their loyalty later!
- **Implement a holistic lending strategy** to price for the risk, take the risk, and manage the risk through a relationship and educational-driven strategy.
- **Implement a lending program** to train your loan officers to never assess risk using the credit score especially post-COVID-19 because credit scores are going to plummet for many members who have always demonstrated their willingness and ability to pay prior to COVID-19. Loan documentation is crucial to your success to show examiners that at the time you did the loan, it was a good loan for a low-risk member who suffered a tragedy due to COVID-19. Documentation of key high-risk factors and low-risk factors is crucial. Consistency in loan notes will lead to better loan decisions and better quality profitable loans. Remember, a 1% increase in your average loan yield will add \$100,000 to your bottom line on every \$10 million in your loan portfolio!

- **Implement a lending program** to train your loan processors and underwriters to work together to build the right loan for high-risk members. This will increase your approval ratio of higher quality profitable loans for the credit union.
- **Implement a Credit Scoring and Analysis Lending Program** that helps your members lower their monthly payments on loans with other financial institutions, get rid of high-interest-rate credit card balances, and help members improve their credit score within 90 days! A member's credit score went from 482 to 702 in 4 months with this program. Another member at a credit union was able to lower their monthly payments on loans with other financial institutions by \$560 per month saving them over \$45,000 in interest over the life of the loan! This is the perfect program to help your members in especially during this pandemic season and post COVID-19!
- **Implement a Member Service Program** that allows you **to capture more loans** during a conversation. It's a 30-second conversation that opens the door to more loans for the credit union, and a tool that allows you to look for loan opportunities that members may have at other financial institutions. Also, if you train staff to **engage in the right conversations** and offer the right solutions instead of simply responding to the request, you can capture more quality profitable loans and make better loan decisions.
- **Implement a training program and strategies to mitigate loan losses proactively** with your frontline staff. Train your frontline staff to become a powerful force to proactively help prevent loans. Collections is a reactive approach to prevent loan losses, and sometimes it is too late to prevent a loan loss once the members have contacted a bankruptcy attorney. For example, approximately 70 percent of all people who go through a divorce file bankruptcy.
- **Integrate a Member Service Loan Loss Prevention Program** and train your staff to **build relationships** on the frontline with members to make sure they come to you first when they can't pay their bills versus going to a debt consolidation company or a bankruptcy attorney. This is a powerful partnership with Collections.
- **Integrate a Collections Training Program to turn your Collections Team into a Member Solution Team** to help increase probability of payment to the credit union long-term. This strategy also increases future potential loans by preventing loan losses today.

- **Implement a lending program** that allows you to partner with your members to restructure all of their loans not with the credit union to help them lower their monthly out pay giving them instant payment relief thus increasing probability of payment to the credit union.
- **Implement a lending program** that allows employees to partner with your members to help them eliminate high-interest-rate credit card balances taking their interest rates from as high as 29.99% down to as low as 2.99% based on their credit score.
- **Implement a lending program** to help your members get out of emergency pay day loans that generally have interest rates of 300% to 700%.
- **Integrate a Culture Transformation Program** that includes building a strong branding program that employees believe in and want to get behind to help members and people in your communities. Give your employees a purpose and then provide them with the knowledge, tools, and empowerment strategies to help your members. Incorporate accountability tools and strategies to keep staff motivated. You will see more engaged employees that leads to more engaged members!
- **Develop and communicate a compelling branding message/story/promise** through your employees and live your brand promise through your employees. Everything we say and do, and everything we don't say and do can strengthen or dilute our brand promise and how your members feel about their experience during this devastating time. Evaluate and re-evaluate the 7 P's of branding and growth to ensure everyone in on the same page talking the same talk, walking the same walk, thinking the same way, and acting the same way for consistency. Remember, united we stand, divided we fall.
- **Incorporate executive coaching for management and leadership development for your staff** at every level. Everyone is a leader! The definition of a leader is someone who can positively influence others to engage in a cause for a purpose. It is not a title that makes you a leader, it is your leadership attributes and abilities to lead and manage change effectively; inspire others; communicate with transparency to build trust, overcome obstacles; make things happen; do the right thing the right way

and get the right results; transform themselves, others, and the credit union through their passion and perseverance and can-do/will-do attitude!

- **Create a CARING Culture** to make sure your members FEEL cared about during every experience at every delivery channel. Train your employees to effectively emotionally engage and connect with our members to build trust; not just process transactions. Displaying genuine empathy and compassion helps make your members FEEL cared about. The key word is "FEEL." Your members need to FEEL cared about throughout the member experience. Telling your members you care and SHOWING your members you care are two different things. The question to ask is, "What can we do differently to make sure our members FEEL cared about during every member experience as we go through the season of COVID-19.

As you plan your budget for 2021, we hope you find value in some of the programs we offer to help you achieve more loan growth, increased profitability, increased membership, and more engaged and enthusiastic employees. The programs have been PROVEN to work.

You can reach out to Celeste Cook at cccook@custrategies.com to discuss in greater detail how she can partner with you to help you achieve greater success in getting your staff engaged as leaders that take initiative with confidence to cultivate strong relationships and offer creative solutions that help our members as well as help the credit union grow especially post COVID-19!

cuStrategies' Win/Win/Win Formula for Success

Credit Union	HELP Members	Employees
<ul style="list-style-type: none"> • Increased quality loans • Increased profitability • Increased membership • Increased retention/loyalty • Staff engagement • Staff enthusiasm 	<ul style="list-style-type: none"> • Help raise their credit score • Eliminate high-risk credit card balances • Lower monthly payments on loans with other financial institutions • Protect against predatory lending 	<ul style="list-style-type: none"> • Intangible reward of making a difference in people's lives • Engagement • Enthusiasm • Tangible rewards: incentives, surPRIZES, recognition, etc.

Nothing is more exciting than to see credit unions grow as a result of their employees becoming more engaged as leaders and creating positive member experiences to have a positive impact on your culture/brand, and the member experience as well as the growth of the credit union.

Credit unions who have used cuStrategies' programs and services have experienced a **transformation in their culture with enthusiastically engaged employees, enhanced leadership, positive synergy amongst teams, and raving fans from their membership** as a result of their member experiences!

cuStrategies proudly partners with credit unions across the nation to help them grow.

cuStrategies offers executive leadership coaching; leadership development; strategic planning; and an array of training programs; lending strategies; marketing strategies; a business development program; a performance goal program; compensation and reward program, lending assessment program; and other services.

For more information on how to create and maintain a strong and vibrant CARING culture for growth and profitability, please contact Celeste Cook, CEO/Founder of cuStrategies, today at cccocook@custrategies.com or 404.783.5898. Her website is www.custrategies.com.

Celeste C. Cook

Speaker, Consultant, Trainer

Bringing you her credit union experience, expertise, proven strategies, positive energy, and passion for service!!!

Celeste Cook is founder and President/CEO of cuStrategies LLC. As a **credit union industry strategist, Celeste provides strategic planning services, experienced consulting services, and expert training programs to the credit union industry.** In addition to being a consultant and trainer, she is a keynote and motivational speaker with a dynamic and engaging style that have made her highly sought after within the credit union industry. Celeste has also served as an industry expert as well as a motivational and keynote speaker for credit union associations and leagues nationwide.

Along with being CEO of cuStrategies LLC, she has been involved in the credit union industry for more than 20 years and a professional speaker and trainer for 15 of those years – also working for a \$1.6 billion credit union in Atlanta, Georgia, and working as a consultant and trainer with Rex Johnson of Lending Solutions Consulting.

Celeste's expert training programs/schools in lending, marketing/business development, leadership, and sales and service for credit unions have helped credit unions with assets ranging from \$20 million to \$2 billion. She brings her credit union expertise, experience, and **proven strategies**, which have fostered her credit union clients' increases in loan growth and profitability. For instance, one credit union experienced 33% loan growth in 12 months using cuStrategies' lending strategies. Celeste also increased loans by 215% in nine months through SEGs during her tenure in Business Development at MAX Credit Union in Montgomery, Alabama.

Celeste has a degree in business management and a Certification in Sales Leadership Strategies through the Credit Union National Association. She has been a contributor to industry publications such as CUinsight, Credit Union Executive Society, Credit Union Times, and Credit Union Journal as well as **Branch Managers Letter**, a national publication. Celeste is also writing a book on leadership and service.