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CREDIT UNION Tracker™



TO AID VOLCANO VICTIMS, Hawaii First Thinks Small

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instant-issue payment cards**

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How Hawaii First FCU responds to
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WHAT'S INSIDE



While they may struggle to compete with the capabilities of larger financial institutions (FIs), credit unions (CUs) are often beholden to rules meant for traditional banks.

This inhibits innovation, according to many in the industry, and keeps smaller FIs from being able to best serve their members. The past few weeks have offered glimmers of hope that some regulations may be changing, though, and opening new opportunities for credit unions to play a more active role in various markets in the process.

For example, federal regulators recently [adjusted](#) earlier real estate market restrictions that could make it easier for CUs to use automated valuation models (AVMs) during the lending underwriting process. AVMs use both mathematical modeling and databases of existing properties and transactions to determine a property's value, and could allow credit unions to complete the appraisal process several days earlier than usual.

Meanwhile, one credit union service organization (CUSO) has [voiced](#) support for legislation that could make it easier for CUs to serve legalized marijuana-related businesses. The Credit Union National Association (CUNA) recently backed three proposed bills that would offer credit unions protection from regulators when engaging in the industry.

Shifting regulations aren't the only factors creating new opportunities, however. Several CUs and their partners recently banded together to deliver new products and services, enabling them to address their members' needs with greater speed and efficiency.

Recent credit union industry developments

One such partnership claims it could change the way credit unions issue payment cards. EMV chip card solutions provider CPI Card Group recently [announced](#) it would integrate its Card@Once solution with data core processor FLEX. The move aims to enable CUs to

instantly issue and print EMV-enabled payment cards for members who visit physical branches.

Another industry partnership is looking to change how members [engage](#) with their credit unions — both in-person and online. Texas Tech Federal Credit Union of Lubbock, Texas, is working with omnichannel solutions provider NCR to adopt interactive teller machines (ITMs) and Q-Flow. The latter is an appointment booking service that enables CU personnel to manage reception experiences and member interactions, and allows members to make or check in online for in-branch appointments.

Meanwhile, beginning this month, other credit unions will have the opportunity to hear from industry experts and thought leaders on the best approach to pursuing their own digital transformations. The 2018 CO-OP Financial Services THINK Roadshow series has officially [launched](#) in Boulder, Colorado, with several more events planned nationwide. It features technology experts and speakers who will discuss the topics that are disrupting the CU market, including the growing roles of artificial intelligence (AI), FinTechs and open banking. CO-OP will also present its seven strategies to help credit unions pursue their own digital transformations.

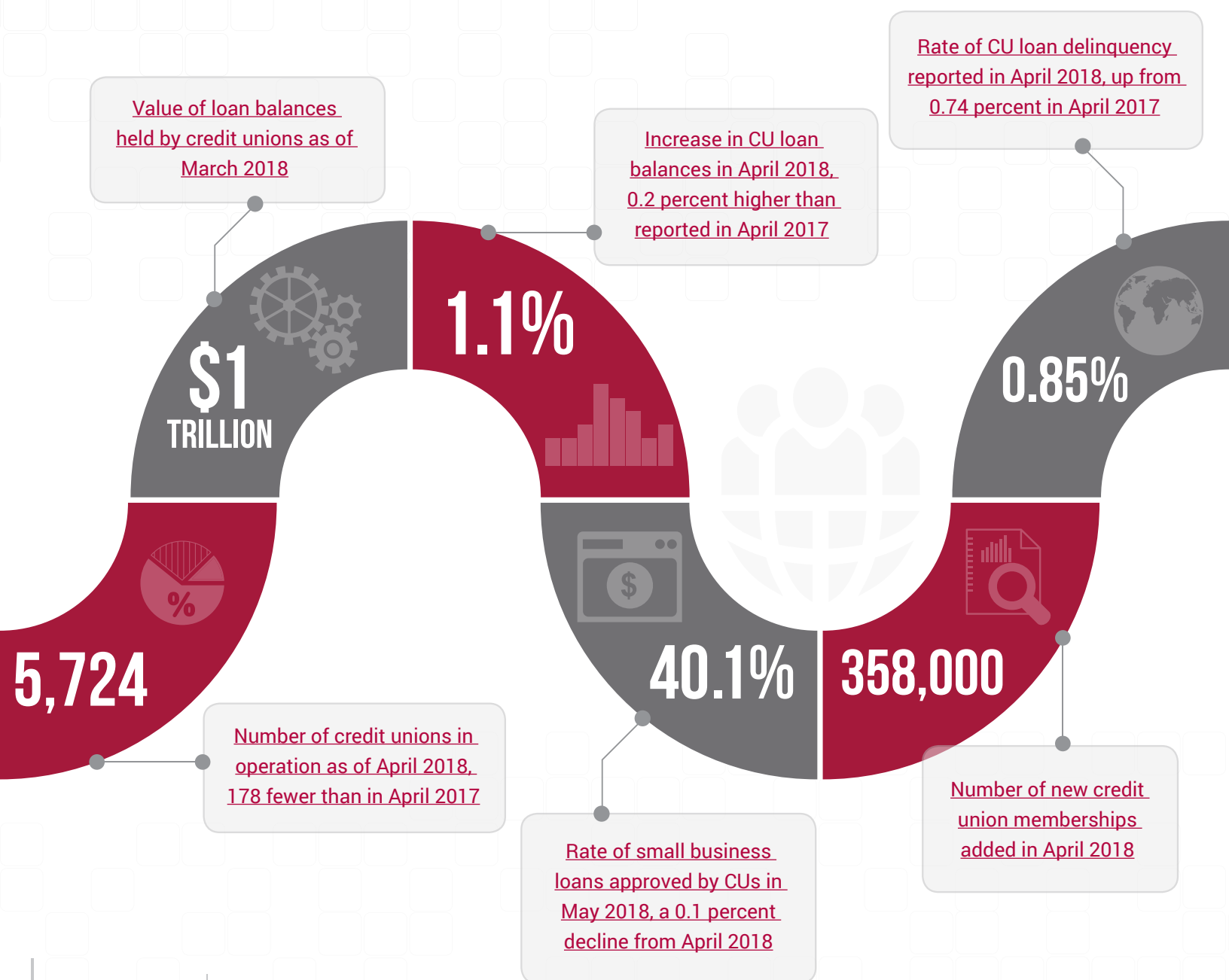
To read more on these stories and find other headlines from around the space, check out the Tracker's News and Trends section (p. 10).

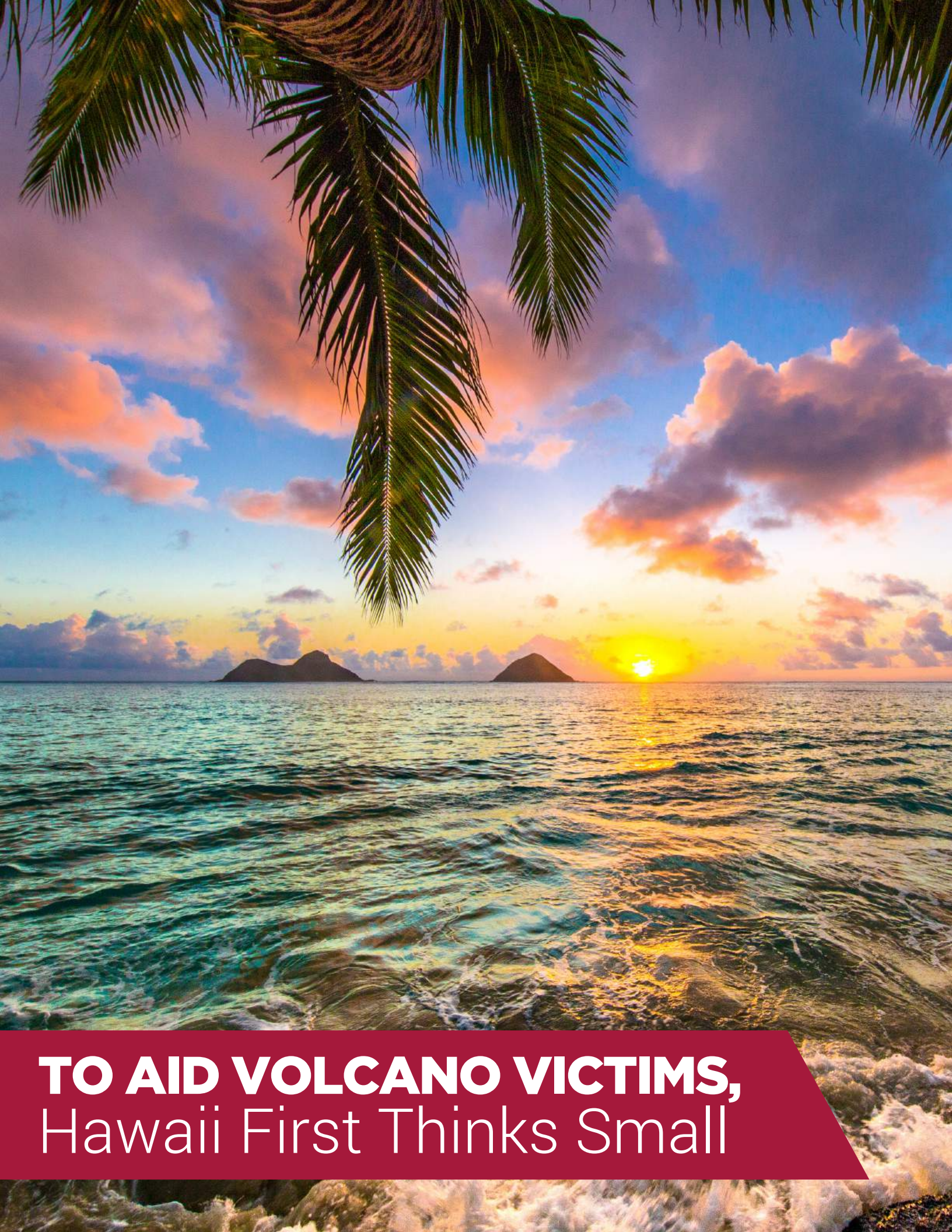
Helping CU members recover from natural disasters

Coming together with industry partners is far from the only — or even the most important — way credit unions have recently looked to help their members, however.

A volcano on Hawaii's Big Island erupted roughly two months ago, damaging homes and forcing thousands of residents to evacuate. While the White House has authorized federal emergency aid, residents are still in limbo due to challenges posed by lava flows and poor air quality — both of which are inhibiting disaster workers from reaching the affected areas.

In the July/August Credit Union Tracker™ feature story (p. 6), Laura Aguirre, president and CEO of [Hawaii First Federal Credit Union](#), discusses how the CU is working to help members displaced by the recent volcanic activity.





TO AID VOLCANO VICTIMS,
Hawaii First Thinks Small

“A lot of these people work for the hospitality industry as tour bus drivers or at a hotel ... When the hotel reservations go down, their hours are cut. So, it's having an overall effect on the island. ”

— LAURA AGUIRRE,
President and CEO of Hawaii First FCU

Credit unions help their members through a long list of life's most cherished events, from saving for college to buying a home or other long-term financial goals. It's not just about personal banking, though. Credit unions can also assist members with finding new housing arrangements when unexpected, unwanted life events occur — like recovering from the aftermath of a natural disaster.

Many Hawaiian residents are dealing with one of those unexpected and unwanted natural disasters right now. A volcanic eruption on the archipelago's Big Island in early May sent lava flowing down from Mount Kilauea into nearby communities, causing severe damage to homes and properties and forcing nearly 2,000 residents to evacuate the area.

Although the volcano first erupted three months ago, it's still spilling lava onto the island. The lava flow has already

caused roughly \$372 million in private property damage, by some [estimates](#), and costing Hawaii's tourism market roughly \$222 million in losses.

In addition to emergency agencies, the volcanic activities have prompted local credit unions, like [Hawaii First Federal Credit Union](#), to mobilize and help affected residents. In a recent interview with PYMNTS, Laura Aguirre, president and CEO of Hawaii First FCU, discussed how the CU, which serves more than 8,000 members and holds approximately \$40.1 million in assets, is reaching out to the public to help stabilize their financial lives — and why the first priority is often finding housing solutions for residents who have been displaced.

A big push for small housing units

One of the biggest roadblocks for impacted residents working to repair their communities is the uncertainty surrounding the current situation.

Many homeowners are stuck waiting for word on the extent of the damage to their properties, which assessors must review before disaster relief or insurance claims can be paid. Unfortunately, the ongoing lava flow makes this a particularly challenging task for residents, emergency responders, damage assessment teams and insurance companies. Even taking a helicopter to the affected region can be costly and dangerous because of the smoke and poor air quality, Aguirre pointed out.

“Everyone’s in a stagnant place right now, waiting to see what to do to, because there’s no going back,” she said.

To make matters worse for those displaced, finding affordable housing can be a tall order. Rental properties are in short supply, Aguirre said, so residents must rely on temporary shelters.

Hawaii First is approaching the housing crunch by thinking small. The credit union recently launched its Pathways to Rebuilding Lives (PRL) program, designed to address the needs of members impacted by lava flows. Its mission is to explore new housing solutions for

“Everyone’s in a stagnant place right now, waiting to see what to do to, because there’s no going back.”

displaced residents by reaching out to contractors who are willing to develop “efficiency dwellings.” These units are small — approximately 400 square feet — and include a kitchen and a carport.

These smaller homes can provide an alternative housing solution to emergency shelters. Because of their size and lower profit potential, however, many traditional lenders do not want to fund loans for these types of properties. That reticence means these homes present a way for CUs and other community-minded organizations to get involved. Nonprofit groups, including Hawaii Island United Way, have also funded small housing projects.

“As a small credit union, we may be able to fund these mortgages,” Aguirre said.

In addition to small housing developments, Hawaii First is also awaiting word from Hawaii County and the state of Hawaii regarding the potential of offering direct access to land parcels for displaced residents. This land would then be used for temporary housing or other relief efforts.



Popping up to help members

Kilauea's eruption has damaged more than just homes in the region, though. Images have caused tourists to cancel vacations, which has taken a toll on local residents' incomes.

"A lot of these people work for the hospitality industry as tour bus drivers or at a hotel," Aguirre explained. "When the hotel reservations go down, their hours are cut. So, it's having an overall effect on the island."

To retain tourists, government officials are working to raise awareness that the state is still open for business. In the meantime, Hawaii First is holding pop-up events to meet with members in person and provide them with financial aid and a fiscal snapshot via its PRL program.

Aguirre said Hawaii First's staff has a chance to work with locals at these events and assess their financial status and goals. Its PRL program then uses financial planning software to help individuals establish their own financial goals based on their unique situation, regardless of how the volcano has impacted those plans.

"We put together goals and the objectives to get through the next week," she said. "Once those are done, we are able to fund them some money."

The funds range from \$500 to \$2,000 per family, and are unrelated to any future damage assessment payments. They can be used to help residents make a deposit on a new housing arrangement, make a utility payment or buy basic living supplies.

An 'opportunity' to assist members

While the recent eruption is hurting Hawaii's economy, it isn't the first time the state has dealt with economic hardship. Aguirre said the challenge posed by the volcano's impact matches that of the economic downturn in 2008, an event that, like the volcano, forced many consumers to cancel or suspend vacation plans.

"That affected everyone on the island, when everyone stopped travelling," she said.

Its effects may not be unprecedented, but Kilauea's eruption has forced Hawaii First to consider new approaches and resources to address displaced members' needs, get lives back on track and find ways to make finances more stable.

"We've never faced an opportunity like this," Aguirre said. "This is just bringing out the very best, as we consider new and different ways to assist the displaced."

It's also an opportunity for Hawaii First to engage with the community through pop-up events, and ask affected individuals how the CU can step in and help them to recover. Perhaps most importantly, it offers the credit union and others in the area the chance to showcase how they rise to the occasion to address many of life's unexpected challenges.





NEW CREDIT UNION INNOVATIONS

Texas Tech FCU overhauls customer experiences

A credit union in Texas is working to boost its member experience by investing in its infrastructure. Texas Tech Federal Credit Union of Lubbock recently [announced](#) a partnership with omnichannel solutions provider NCR to improve member engagement. NCR has provided Texas Tech FCU with its Digital Insight™ solutions and interactive teller machines (ITMs) as part of the pair's

agreement. The deal also gives the CU access to Q-Flow, a multi-channel appointment booking service designed to manage customer reception experiences, interaction management, appointments and other functions. It also allows members to book in-branch appointments ahead of time, and check in to those appointments online.

Helping CUs instantly issue cards

Texas Tech FCU and NCR weren't alone, however, as two other companies recently [announced](#) a member experience-focused collaboration of their own. Financial and EMV chip card solutions provider CPI Card Group Inc. has integrated its Card@Once solution with data core processor FLEX to bring instant issuance to CUs.

This will allow FIs to print EMV-enabled payment cards for members who visit physical branches, and do so in a matter of seconds.

With the integration in place, customers who need to replace their debit cards will no longer have to wait to have them shipped to their homes. CU employees will instead be able to print the cards with the tap of a button, without manually sending card numbers and other info to a processor.

VyStar CU adds payment card protections to mobile app

Meanwhile, in Jacksonville, Florida, financial services technology provider Fiserv recently [enabled](#) a local CU to launch its own card-based innovation. The company worked with VyStar Credit Union to design and implement a new mobile banking platform, an offering which includes new alert and card control functionality for VyStar's debit card users.

The VyStar Mobile Banking App, powered by Fiserv, now offers a Card Control feature, enabling members to set controls on their personal and business debit cards, including real-time transaction alerts, spending limits, budget management, card activation and deactivation and data sharing — transaction amounts, location and merchant and transaction types — among other functions. It is also available for VyStar's Health Savings Accounts and Home Equity Line of Credit (HELOC) cards.

At ACUC, GrooveCar showcases online auto buying

Other credit unions are seeing how digital tools can upend the auto-lending model. Online auto loan platform GrooveCar recently [displayed](#) its portfolio of solutions,



including its CU Xpress Lease leasing program for credit unions, at the 2018 America's Credit Union Conference (ACUC) in Boston, Massachusetts.

CU Xpress Lease has been used to fund more than 105,000 vehicle leases valued at approximately \$4 billion since 2006, according to GrooveCar, and works to help credit unions remain competitive as a financing option during an auto leasing transaction. The software offers tools for CU members who are in the market for a new set of wheels, helping to inform the car shopping process with trade-in value features, loan and refinance calculators, saved searches and more.

CO-OP takes digital transformation on the road

The 2018 ACUC has wrapped up, but credit unions will still have an opportunity to see the latest tech innovations at an upcoming series of conferences. The 2018 CO-OP THINK Roadshow [kicks off](#) in Boulder, Colorado, on July 17, giving industry professionals a chance to engage with technology experts and thought leaders on a wide range of issues.

Roadshow speakers will discuss topics like AI, open banking, the role of data in fueling CU growth, the growing need for integration, the ways consumer FinTech trends are shaping credit union innovations and how to respond to these demands using seven strategies outlined by CO-OP. Future Roadshow conferences are planned for Detroit, Des Moines, Irvine, Philadelphia and Boston.

CO-OP releases white paper on the 'how' of digital transformation

CO-OP also recently released a new [white paper](#) aimed at helping CUs pursue their digital transformation agendas. The paper, "Seven Strategies to Accelerate Your Digital Transformation," provides guidance for CUs positioning themselves for growth in a digital world and aims to help CUs understand each of the included strategies for accelerated digital transformation and why they're critical to success in the digital era. It also offers suggestions for how CUs can begin implementing these strategies within their organizations. The free white paper can be downloaded at CO-OP's white paper landing page.

MERGERS AND PARTNERSHIPS

Sioux Valley, Coulee Dam FCU partner with Fiserv

A pair of credit unions are taking steps to pursue their own digital transformation agendas with new partnerships. Sioux Valley Community Credit Union of Sioux City, Iowa, and Coulee Dam Federal Credit Union of Coulee Dam, Washington, recently [announced](#) they would work with technology provider Fiserv to improve their



member experiences and streamline their IT processes. Both will move to Fiserv's Portico Core account, a processing platform providing integrated digital and mobile banking solutions, as part of the agreement.

Each credit union has its own reasons for pursuing a Fiserv partnership, according to a recent press release. The integration enables Sioux Valley CCU to leverage the tech firm's offerings, pursue its growth strategy and streamline vendor relationships, according to CEO John Parks. Meanwhile, Coulee Dam FCU's chief information officer, Shannon Burge, said the partnership would help expedite the CU's internal processes for online banking, loan origination and other functions.

NAFCU partners with CUProdigy, DefenseStorm

While Fiserv partners with credit unions from Florida to Washington, another CUSO has announced a pair of new partnerships to better serve its members. The National Association of Federally-Insured Credit Unions (NAFCU) [named](#) fellow CUSO CUProdigy as its newest Preferred Partner for Core Processing, a move to help CUs with their

core processing needs. CUProdigy offers an application program interface (API), web- and cloud-based core processing platform designed to enable simpler third-party connectivity.

NAFCU also **launched** a collaboration to help credit unions address cybersecurity concerns. It named banking cybersecurity and compliance solutions provider DefenseStorm as another Preferred Partner for cloud-based cybersecurity solutions, allowing CUs to more efficiently scale their IT and compliance staffs and prove to regulators that their operations are aligned with industry standards.

Leverage Point, Your Marketing Co. form CU marketing agreement

Some CUSOs are turning to collaborations for new capabilities or features, but a different type of partnership was recently formed to help credit unions maximize their advertising and marketing dollars. Public relations firm Leverage Point recently **announced** a partnership with Your Marketing Co., a digital marketing and brand strategy company that caters to CUs and community banks. Both will work to help FIs determine the best strategy to maximize exposure across earned, paid media and media, according to the agreement. The will also offer a one-stop shop for those in need of assistance in telling their brand stories, and provide marketing, creative services and access to public relations professionals.

PenFed, Cardtronics expand relationship to ATM Network

As Leverage Point and Your Marketing Co. forge a new agreement, another CU player has **turned** to an existing

partnership to expand its ATM footprint. PenFed Credit Union of McLean, Virginia, has chosen ATM network operator Cardtronics to operate its more than 135 U.S. branch-based and off-premise ATMs, as well as those on military bases in Guam, Puerto Rico, and Okinawa, Japan. PenFed is the second-largest credit union in the U.S., boasting more than 1.7 million members around the globe.

The two firms also agreed to renew their ATM Branding partnership, expanding surcharge-free ATM access for eligible PenFed members. The PenFed name and logo will





appear on machines located at more than 180 big-brand pharmacies in the eastern U.S., including CVS, Rite Aid, Target and Walgreens. This most recent announcement builds on the companies' existing relationship, which dates back to 2013.

Nutmeg State FCU acquires DaLand Solutions

Many CUSOs from around the space looked to partnerships to offer new features or tools, but one new entrant was **formed** by a recent acquisition. With 39,000 members and approximately \$450 million in assets, Nutmeg State Financial Credit Union of Rocky Hill, Connecticut, recently acquired DaLand Solutions, a provider of CU-specific technology and professional services. Under the terms of the acquisition, DaLand will now operate as a wholly owned CUSO of Nutmeg State FCU.

The pair previously collaborated in 2015, when DaLand became a customer of Nutmeg State. Operating as a wholly owned CUSO will provide DaLand access to

resources that would otherwise be out of reach, and Nutmeg State FCU reportedly plans to structure the CUSO to pursue a wide range of technology initiatives.

Niagara's Choice, NFMMC FCU complete merger

Another partnership was forged between a pair of Niagara Falls, New York-based credit unions. Niagara's Choice Federal Credit Union and Niagara Falls Memorial Medical Center Federal Credit Union (NFMMC FCU) recently **announced** that their previously planned merger had received regulatory approval via a majority vote by the latter's members. The **result**, effective as of June 4, is a CU with \$190 million in assets that will cater to approximately 24,000 members across the Niagara Falls region, and pursue initiatives in mobile and online banking, credit and debit cards and other financial services, according to NFMMC FCU's board of directors. A soft opening has already taken place and a grand opening is planned for later this year.

RULES & REGULATIONS

CUNA throws support behind marijuana business legislation

Elsewhere in the CU space, CUNA has voiced **support** for laws that could make life easier for the legalized marijuana industry, backing a trio of proposed bills that aim to define how credit unions can serve companies operating legitimate marijuana businesses. The bills include the Strengthening of the Tenth Amendment

Through Entrusting States (STATES) Act, which would allow CUs and other FIs to accept deposits and offer credit and payment services to those involved in legalized marijuana commerce; the Secure and Fair Enforcement (SAFE) Banking Act of 2017, designed to offer legal protection from federal regulators for CUs and other FIs engaged with legitimate marijuana businesses and the Senate SAFE Banking Act, which seeks to shield involved CUs from federal banking regulators.

CUNA seeks CFPB exemptions for CUs

CUNA is taking a different approach to lobbying for new financial regulations, however — outside the legislative arena. In a recent [white paper](#), the organization outlined a series of recommendations in response to a Consumer Finance Protection Bureau (CFPB) request for information, urging the agency to examine rules implemented with a “one-size-fits-all approach” that unfairly hurt CUs and force many to recall or end certain financial products.

The CUSO called on the CFPB to streamline the rules that apply to FIs like larger and traditional banks, or to provide exemptions for credit unions. It specifically advised the CFPB to implement a cost/benefit analysis on regulations that apply to CUs, to be transparent in its use of data and to work with the National Credit Union Association (NCUA) regarding credit union rule making.

Adjusted regulations allow CUs to consider AVMs

While CUNA urges the CFPB to reconsider future CU regulations, a loosening of an earlier rule could help the market become more active in real estate lending. Regulators recently raised a [threshold](#) for real estate transactions, potentially making it easier for credit unions to integrate automated valuation models (AVMs) into the underwriting process.

AVMs combine mathematical modeling with databases of existing properties and recent real estate transactions to calculate values, allowing appraisals to be completed days earlier than usual. Regulators have raised the threshold for transactions requiring a human appraisal from \$250,000 to \$500,000, possibly doubling or tripling the number of loans that qualify for AVMs, depending on a CU’s local market. The regulation change could also increase competition for first mortgages and home equity lines of credit among credit unions, meaning more applications for both through their lending websites.



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