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CUs ASSUME NEW ROLE IN

AML FIGHT

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CUs attempt to balance members' needs with legal obligations in AML fight

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ACKNOWLEDGEMENT

The Credit Union Tracker™ is powered by CO-OP Financial Services, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the report's methodology and content.



The credit union (CU) market has clearly felt the move to embrace more advanced digital technology. Several CUs have adopted solutions likely to change member engagement, while at the same time enabling more informed customer services.

PSECU, the largest CU in Pennsylvania, is adopting technology designed to provide a more seamless and fluid digital member experience. It recently [announced](#) a partnership with financial services firm Kony Inc. to use the latter's Digital Banking Platform. The partnership will help provide PSECU members a frictionless experience through mobile, web, ATM and call center channels.

CUs are also leveraging technology to keep their digital presences compliant with the Americans with Disabilities Act (ADA). South Dakota-based MED5 Federal Credit Union (MED5 FCU) recently [launched](#) a redesigned website via a collaboration with FinTech OMNICOMMANDER. In addition to offering a more user-

friendly online experience, the new website also follows the technology provider's four-step ADA compliance process.

Web and mobile technologies are not the only elements changing how CUs engage with members, however. The market has embraced a sweeping array of solutions in recent weeks, all aimed at strengthening member connections.

CU industry developments

A New England CU's solution adoption could push the pace at which members deliver feedback to their financial institutions (FIs). Northeast Credit Union (NECU), which represents more than 130,000 members in New Hampshire and Maine, recently [upgraded](#) its HappyOrNot member satisfaction terminals. The three-tiered tablet models allow NECU members to enter comments during their in-person visits and make input available to executives and branch managers in near-real time.

Another collaboration could change how consumers interact with a CU's ATM. Actors Federal Credit Union (ActorsFCU) is [collaborating](#) with ATM solutions provider Paramount Management Group to deploy the latter's digital media solution at 250 ATMs in New York City. The offering features a built-in, software-connected camera that captures customers' profile data – ages, genders, times, dates and weather, among other elements – and can display advertising based on users' profiles. The camera does not capture users' images or other personal information, however.

Finally, a Lake Mary, Florida-based CU has [entered](#) an education-focused collaboration. CFE Federal Credit Union was recently named Valencia College's preferred banking partner. It will provide banking services to

Valencia's students, faculty and staff under the five-year agreement, and open a "micro-branch" run by Valencia students by 2020.

AML Fight Puts CUs In Law Enforcement Roles

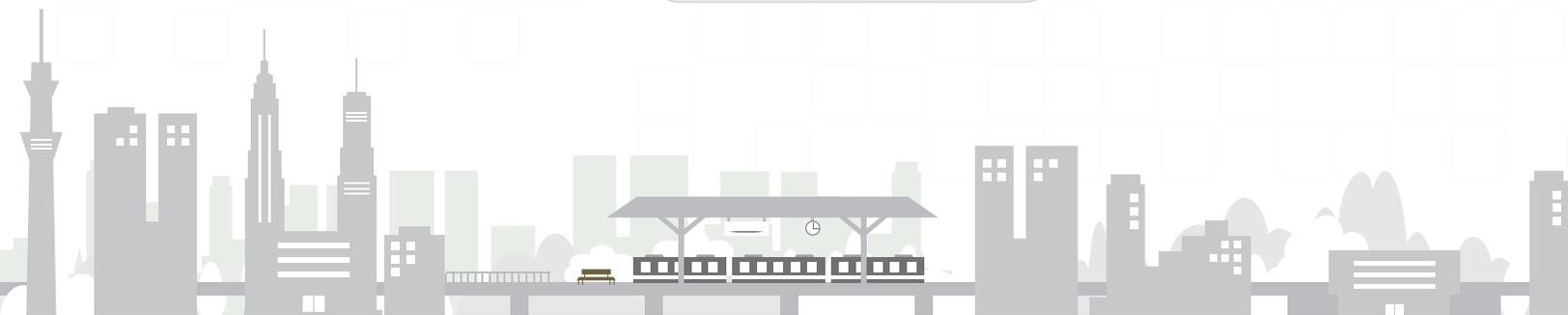
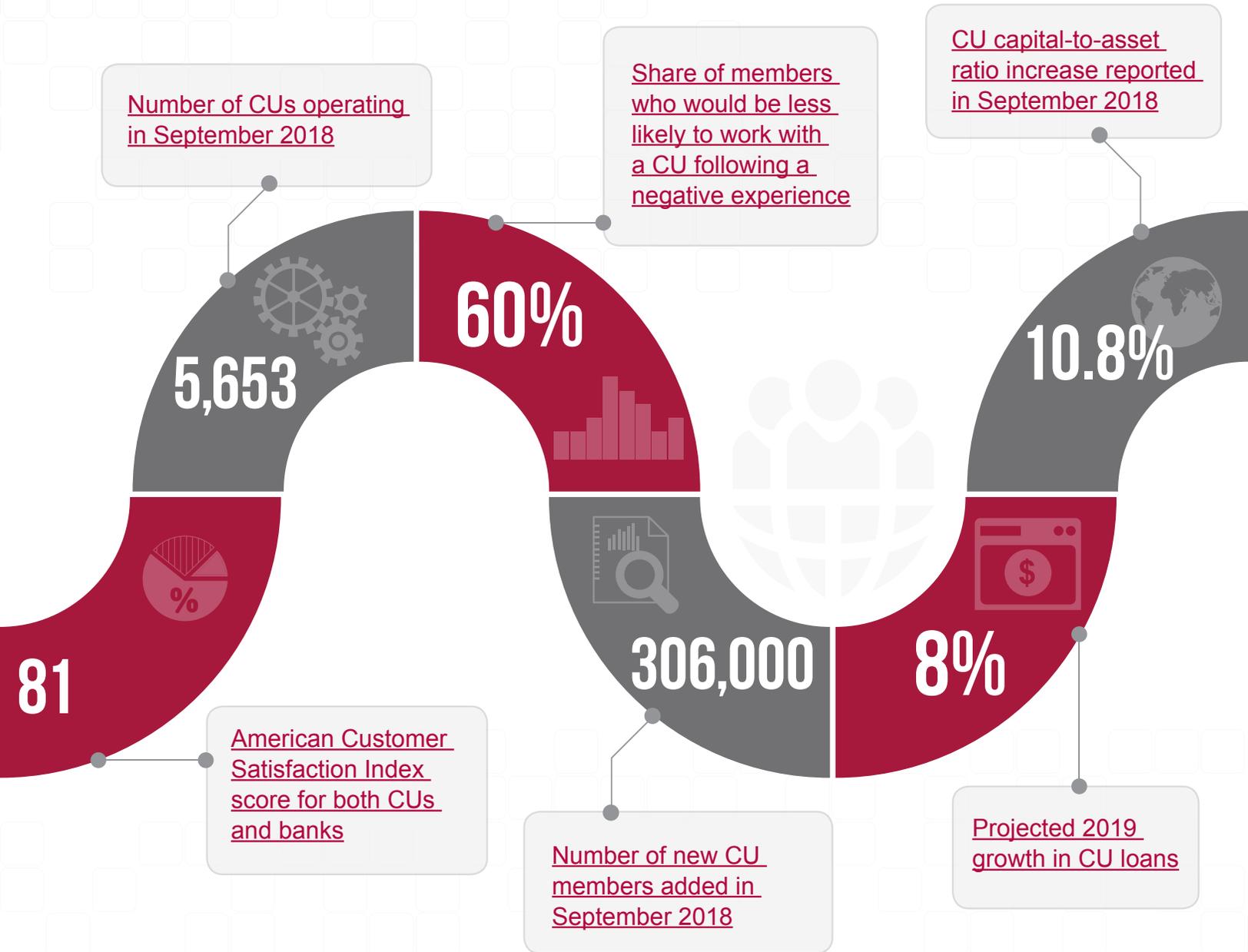
Students aren't the only ones learning new ropes. Because CUs are bound by the rules and regulations outlined in the Bank Secrecy Act (BSA), they must constantly boost their anti-money laundering (AML) efforts, requiring CUs to act as law enforcement agencies.

In this month's feature story (p. 6), Colleen Kelly, general counsel for the [Credit Union National Association](#) (CUNA), discusses CUs' obligations under AML/BSA and the "two-way street" between CUs and law enforcement agencies.



BY THE NUMBERS

WHAT'S INSIDE



CUs ASSUME

NEW ROLES

IN AML FIGHT





“ The investigation [that] determines if [a transaction is] suspicious or not takes a lot of time, effort and resources. ”

COLLEEN KELLY

general counsel for the Credit Union National Association (CUNA)

As cooperative FIs, CUs are primarily focused on providing affordable financial services to their members. While service to their members is at the core of every CU’s mission, it is not their only obligation.

CUs, as well as banks, are bound by the rules and regulations laid out in the Bank Secrecy Act (BSA), which requires CUs to assist regulatory agencies and bodies in preventing and detecting money laundering and tax evasion. Because the law boosts AML efforts among FIs, it is sometimes referred to as AML/BSA.

While CUs understand their AML/BSA obligations, requirement compliance can be more challenging for

some than for others. CUs with a greater amount of financial resources available, such as staff who are versed in AML/BSA compliance, are often more capable of meeting their obligations without spreading themselves too thin.

Regardless of how much strain AML/BSA regulations may put on them, CUs are still obligated to comply with them. This does, however, force CUs to step outside their preferred roles as FIs and instead act as law enforcement agencies, Colleen Kelly, general counsel for the [Credit Union National Association](#) (CUNA), told PYMNTS in a recent interview.

Counting currency transactions

AML/BSA regulations require FIs to implement customer identification programs (CIPs), or know-your-customer (KYC) checks. KYC requires CUs to perform their due diligence by determining whether members are the individuals they claim to be, regularly testing their controls and reporting all transactions greater than \$10,000.

Requirements like these reach into every level of a CU's operation. Everyone from front-facing staff, to back-end workers, to workers in the lending department and even to senior management and the board of directors, must be well-versed in BSA requirements.

"BSA affects so many departments in FIs," Kelly said. "We need to make sure every staff member who could be touched by BSA obligations is well-informed and regularly trained."



“It’s a two-way street ... It’s not just that they give us red flags ... they also want us to stay on top of things as well.”

According to Kelly, one of the most challenging parts of BSA compliance is staying on top of currency reporting requirements for cash transactions greater than \$10,000, as these can trigger suspicious activity reports that require investigation. In the course of fulfilling their BSA obligations, investigators might ultimately determine that the event is not, in fact, suspicious. If this is the case, the CU will not have to file a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN).

Even so, she added, determining whether an SAR is warranted can spread CUs thin.

"The investigation [that] determines if [a transaction is] suspicious or not," she explained, "takes a lot of time, effort and resources."

Cooperation among co-operatives

While BSA obligations can strain CUs, the market appears to be getting some relief, thanks to a recent development.

In early October, a group of five federal agencies — FinCEN, the Federal Reserve Board, the National Credit



Union Administration, the Federal Deposit Insurance Corporation and the Comptroller of the Currency – released a [report](#) outlining how CUs and community banks can share resources to keep up with AML efforts and streamline BSA compliance.

The ability to share resources between CUs could help various players remain compliant with BSA without assuming a heavy financial burden. These new rules allow staff with strong knowledge of BSA requirements to visit other CUs to help them improve their operations.

Kelly also pointed out that staff members who perform in-house audits cannot be involved with BSA operations, meaning that in-house BSA officers are unable to perform testing at their own institutions.

“You might be able to have someone from another FI, another CU, who understands BSA come in and let [the CU] know where there might be gaps,” she said.

Kelly added that many CUs have been frustrated that they cannot use their own BSA professionals to audit and test themselves. Therefore, the ability to share resources for BSA compliance is a welcome change. She also noted that the policy is still new, however, and requires further observation to determine if it helps CUs meet their BSA-related obligations.

BSA: ‘A two-way street’

As Kelly described it, remaining in compliance with BSA can be like chasing a “moving target,” since the regulations can change quickly. In addition, staff who are trained in BSA compliance need to be aware of new threats and trends that law enforcement agencies are keeping tabs on.

“We continually get red-flagged,” she said, “if they find new signs [or] new suspicious things we should be looking for.”

As criminals and other bad actors look for new opportunities to infiltrate the U.S. financial system, law enforcement agencies, including Homeland Security and Immigration Customs and Enforcement (ICE), will continue to guard against new threats and provide guidance to FIs. When new threats do emerge, CUs and banks alike will have to update their BSA training to address them.

Kelly noted that law enforcement also expects CUs to report notable trends, including those that can’t necessarily be explained. Reporting unusual activity,

even if it's not necessarily suspicious, could inform law enforcement down the road if it ends up revealing a broader pattern of illegal behavior.

"It's a two-way street," she said. "It's not just that they give us red flags ... they also want us to stay on top of things as well, because, as FIs, we can see things before they develop into criminal activity."

This two-way arrangement makes CUs essential partners for law enforcement when it comes to screening for criminal activity.

"We understand that BSA regulations prevent and combat money laundering, which finances terrorist activities, human trafficking and a lot of [other] atrocities around the world," she said. "We know how important that is and we want to be part of the solution."

Kelly realizes the importance of making every effort to meet AML/BSA requirements, but recognizes that those same requirements can take a toll on how CUs fulfill their core mission – providing financial services to their members.

"We are not law enforcement. That's not our job and not our responsibility," she said. "It is a struggle [to] try to do both."

In the end, Kelly hopes that CUs can balance these two, sometimes competing, priorities. For now, however, CUs must continue to remain compliant with all regulations outlined under AML/BSA.





NEW CU INNOVATIONS

PSECU, Kony collaborate to enhance digital experiences

Pennsylvania's largest CU has announced a partnership to offer an enhanced digital banking experience. PSECU will work with digital banking solutions provider Kony Inc. to more quickly respond to its members' omnichannel needs. A [news release](#) noted the CU will use the Kony Digital Banking Platform (DBX) – which delivers an omnichannel experience to mobile, web, ATMs and call centers – to help members experience seamless transitions as they shift between payment channels.

MED5 FCU debuts ADA-compliant website

Meanwhile, Rapid City, South Dakota-based MED5 FCU recently [launched](#) a new website featuring custom animation from FinTech OMNICOMMANDER, which provides CUs with web design, social media, branding and outsourced marketing services. The redesign aims to offer improved functionality to help members make more informed financial decisions, according to a news release announcing the launch.

In the same release, OMNICOMMANDER founder and CEO Eric Isham said the site was designed to serve mobile users and offer a more user-friendly online navigation experience. MED5 also invested in the site to remain ADA-

compliant, a growing concern as several CUs face website accessibility litigation. OMNICOMMANDER claims to have developed a four-step process to ensure websites meet ADA requirements.

TruHome offers LendingConnect for members

While MED5 FCU unveils its updated website, a major credit union service organization (CUSO) recently [announced](#) a new solution of its own, one aimed at making lending easier for its members. TruHome Solutions of Kansas City, Missouri, which previously provided mortgage solutions through Encompass by Ellie Mae and MSP by Black Knight, recently added LendingConnect by LoyaltyExpress to its offerings.

A news release announcing the deal claimed TruHome would fully integrate with the LoyaltyExpress digital mortgage platform, unveiled in October. LendingConnect acts as an application manager, automating elements to expedite and streamline lending for both borrowers and lenders. TruHome also recently [added](#) seven CUs to its membership ranks: Campus Credit Union, Cooperative Credit Union, Dade County Federal Credit Union, Mesquite Credit Union, Southwest Financial Federal Credit Union, Texoma Community Credit Union and Volt Credit Union.

YCUP to help CUs adopt peer-based digital planning

Some CUs are poised to use streamlined lending solutions, but others are hoping to work with analysis solutions. Your Credit Union Partner (YCUP), a consulting firm that works with more than 160 CUs in the U.S., recently [announced](#) it

will partner with fellow CU consulting firm Mark H. Smith Inc. (MHSI) to offer clients access to interactive peer offerings. The latter's tools enable CUs to review historical analysis and consider data factors like loans, deposits, delinquencies and rates to see how their products compare. CUs can then use the insights to adjust their offerings.

CO-OP offers holiday shopping tips for CUs

The holiday shopping season also presents an opportunity for CUs to adjust their own offerings. As CO-OP Financial Services noted, Black Friday sales in the U.S. reached \$7.9 billion last year – a year-over-year increase of roughly 18 percent. As shoppers continue their spending throughout the holidays, CO-OP is offering CUs [strategies](#) to help



them make the most of the season. Recommendations include analyzing where members spend money during the holidays and building rewards programs based on those insights. CO-OP also suggests creating a daily communication plan that encourages members to keep their CU-issued payment card at the top of their wallets. Additionally, CUs should use the holiday shopping season to educate members about the importance of financial wellness and responsibility, and they should continue engaging their members beyond Black Friday and Cyber Monday through social media.

CO-OP also noted that CU members are doing more shopping online this year than in previous years. A recent analysis found that CU members' credit and debit card purchases through digital channels between Black Friday and Cyber Monday increased by 2 percent from last year. CO-OP's analysis reached a similar [conclusion](#) to an Adobe Analytics report that found this year's Black Friday sales saw more than \$2 billion generated from smartphones, and that the average amount of money spent per cardholder also increased.

During this period, CO-OP reminded CUs to communicate smart shopping strategies with their members. These [strategies](#) included asking members to be aware of their billing cycle spending limits, updating their account information to avoid problems with purchases and requesting to have their CU monitor their accounts and send alerts if suspicious activity is detected.



NECU improves its digital feedback solution

A New England CU recently implemented its own technology update to help members more easily share their feedback. Northeast Credit Union (NECU), which represents more than 130,000 members in New Hampshire and Maine, recently [upgraded](#) its HappyOrNot member satisfaction terminals across its 20 branch locations.

The revamped Touch terminals offer three-tier tablets enabling members to provide comments to their local branch offices, according to a news release. They also track CUs' organizational response efforts by category, including wait time, employee professionalism and loan rates, among others. The HappyOrNot Touch terminal is polled every few minutes, making near-real-time data available to NECU executives and branch managers through web-based or mobile portals.

Canadian CU offers international money transfers

One CU to the north is working to make it easier for members to send money internationally. First West Credit Union of British Columbia, Canada, has [announced](#) a cross-border transfer solution, SendGlobal, designed to help members send money to friends and family around the world. The solution was built on tunl, a platform built by Canadian financial solutions provider FICANEX.

SendGlobal enables First West members to transfer money to recipients in more than 80 countries. Recipients may pick up their funds at more than 145,000 global locations, have funds sent directly to their bank accounts or have cash delivered. The solution utilizes existing payment rails that support the EXCHANGE Network's national ATM network, which is owned and operated by FICANEX.

MERGERS AND PARTNERSHIPS

Paramount, ActorsFCU partner on digital media solutions

In other ATM news, Paramount Management Group has [announced](#) a long-term agreement with ActorsFCU, one that sees the latter deploying the former's digital media solution – a digital ATM featuring a built-in camera – across its network of roughly 250 New York City ATMs.



The software-connected camera captures customer profile data like age, gender, time of day, date of visit and the weather, among other points.

The solution will not record users' images or other sensitive information, however. It does display advertising based on a user's profile, and relays relevant information to the advertiser, such as the number of users who saw the ad and how long each viewed it. News of the partnership follows a pilot of Paramount's digital media solutions at select ActorsFCU ATMs, and the solution will run independently of the machines.

SCU, St. Louis Blues sign sponsorship agreement

Meanwhile, Scott Credit Union (SCU) is now feeling the blues – but in a good way. The CU caters to roughly 140,000 members in Missouri and Illinois, holds more

than \$1.2 billion in assets and recently **entered** a five-year sponsorship with the St. Louis Blues NHL hockey team. The agreement gives SCU naming rights to the new Rinkside Club & Pub 67 at the Enterprise Center and access to in-venue advertising opportunities.

This is not SCU's first professional sports sponsorship agreement, however. The CU has also collaborated with the St. Louis Cardinals, the city's MLB franchise.

Mountain America, BYU partner on humanitarian causes

Athletic partnerships seem to be the latest CU craze, as another pairing was recently formed at the collegiate level. Mountain America Credit Union of West Jordan, Utah, has **announced** a partnership with Brigham Young University Athletics focused on funding humanitarian efforts. Mountain America will donate \$500 to the American Red Cross for every BYU football field goal and \$50 for every three-point basket made by the men's basketball team during the 2018-2019 season, according to a news release. The CU presented a \$6,000 check to the American Red Cross at a BYU football game last month, which Greater Salt Lake Area Chapter executive director Margie Woodruff said would help the nonprofit respond to local disasters.

Valencia College partners with CFE

BYU isn't the only higher education institution partnering with a CU, however. CFE Federal Credit Union of Lake Mary, Florida, was recently **named** the preferred banking partner of Orlando-based Valencia College. It will offer banking services to students, faculty and staff under the five-year agreement, and provide financial literacy programs to educate members on topics like vehicle and



home ownership insights, budgeting and identity theft prevention.

The partnership will also help educate students about CUs and banking. CFE plans to open a "micro-branch" on the Valencia campus by 2020, a location that will be run by students to help them gain real-world banking experience. It already has several such branches operating at nine Central Florida high schools, and Valencia's career center will list internships, job openings and help students set up CFE employee shadowing.

Founders extends investment services to LPL Financial

Other CU alliances are focused on expanding investment services' reach. Financial services firm Founders Investment Services, part of Founders Federal Credit Union (Founders FCU), recently **unveiled** a partnership with retail investment advisory firm and independent broker-dealer LPL Financial LLC. Under the deal, Founders

Investment Services will join LPL Financial's broker-dealer and corporate registered investment advisor (RIA) platforms. The CU serves more than 200,000 members at 29 different locations in North and South Carolina and handles more than \$300 million in client brokerage and advisory assets. Founders FCU will now be able to offer investment and wealth management services at all its branch locations, according to the company.

RULES AND REGULATIONS

NAFCU takes aim at bank lobbyists

In regulation news, a major CUSO recently took swipes at CUs' banking industry rivals. Dan Berger, president and CEO of the National Association of Federally-Insured Credit Unions (NAFCU), recently [accused](#) bank lobbyists of attempting to "mislead policy discourse" on the Community Reinvestment Act (CRA). The federal law encourages depository banks to address local community members' financial needs, especially those of lower-income households.

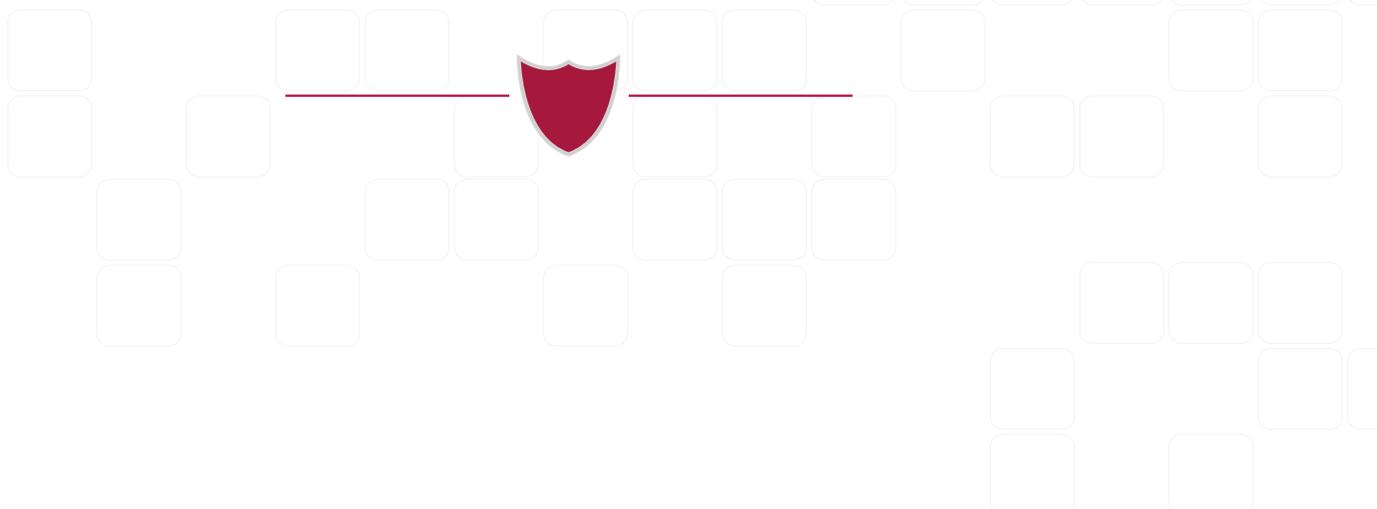
The CRA does not currently apply to CUs, but banking industry representatives have argued they should fall under its rules. Berger said banks have been making

claims with "weak evidence," and have been caught "red handed" denying loans to applicants from certain ZIP codes or socioeconomic conditions. As a result, these FIs are attempting to misdirect attention toward CU industry regulations rather than implement reforms, he claimed. Berger urged policymakers to instead pursue an updated Glass-Steagall Act and Volcker rule to rein in such potentially risky behaviors.

CUNA praises FHFA ahead of UMBS launch

In other lending news, a major CU trade organization has [voiced](#) support for the Federal Housing Finance Agency (FHFA). CUNA has applauded the agency for its efforts to address investor concerns regarding the Uniform Mortgage-Backed Securities (UMBS) prior to its June 9, 2019-scheduled launch.

FHFA [announced](#) in June that the Federal National Mortgage Association (FNMA), commonly called "Fannie Mae," and the Federal Home Loan Mortgage Corporation (FHLMC), or "Freddie Mac," would issue the new UMBS common security in place of to-be-announced mortgage-backed securities. CUNA delivered a letter in which it praised the FHFA for establishing a "procedure for addressing investor concerns about the potential for price variation between entities' offerings due to misalignments in their activities," according to a news release.



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