Special Report: Fintech

Credit Union Management

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PROPELLING THE FUTURE

Fintechs help fill gaps, simplify service and educate members.

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FINTECH COMPANIES HELP CREDIT UNIONS FILL GAPS, SIMPLIFY SERVICE AND EDUCATE MEMBERS.

BY CELIA SHATZMAN

No one can predict the future. But the closest thing credit unions have to a crystal ball just might be fintechs. Since fintechs are all about cutting-edge technology, the companies in this space are often able to touch on the latest developments in the finance world well before CUs can.

That's why fintechs are propelling the future of financial services. In our special report, three industry leaders share their thoughts on how fintechs are impacting CUs—including helping fill technology gaps, simplify service strategies and educate members in new ways.

MIND THE GAP

One thing fintechs can sometimes do for CUs is to provide a service better than CUs can alone.

"No longer does a credit union have to do something themselves," says Brian Scott, chief growth officer for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "A credit union can be more responsive and more adaptive to changing market conditions by forming partnerships.

"For example, you see credit unions dabbling in bitcoin," he explains. "NCUA is not allowing credit unions to sell, manage or hold bitcoin. But they can partner with a fintech that does, thereby providing that service to their members.

By partnering with a fintech, CUs can quickly get into the game without having to build up the technology themselves, Scott adds. "Now, all of a sudden, the credit union is a destination for a member to conduct financial services for which they may not have gone to the credit union in the past."

A CU's ultimate goal is to build great relationships with its members. The right fintech partnership "creates more depth and more reason for members to come back to the credit union," Scott says.

It's up to credit unions to find the areas that are most valuable for members, however. This also applies to content, whether it's a widget that extends an app's functionality, an application programming interface that enables apps to talk with each other, or a plug-in that provides a digital solution or an asset for the CU's website.

"It's easy to add content now because of those types of tools, where even five or 10 years ago, you had to link out," Scott explains. In the past, such a connection would look like an external partnership or add-on to members, but "now, more and more, it looks like it's part of the credit union."

The timeframe for forging fintech partnerships is getting tighter and tighter.

"The time to incorporate fintech into your digital strategy is not years from now—it's months or maybe even weeks," Scott says. "You can adapt much more quickly to changing market conditions, so you're not creating an 18-month digital strategy—it may be a 12- or six-month digital strategy because it can change so quickly, and your ability to integrate partners can happen much more quickly."

However, while fintechs can be assets to CUs, it is crucial to do the research needed to ensure the right partnerships are forged.

"I see a lot of credit unions stretching for a cool fintech," Scott says. "They'll say, 'They do a lot of really neat things, so we're going to partner with

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AI Becomes Productive (*cumanagement.com/0722ai*) them.' But they forget to ask if their members really do have a need for what that fintech is offering."

Once an authentic need is identified, credit unions should find the best fintech partner to fill it. "It is important for a credit union, as they are looking at partnering with different fintechs, to do their due diligence and to talk to all of their other existing providers about those fintechs because it's a space that's changing rapidly," Scott says. "A startup fintech may have a great product idea, but behind the scenes, the technology may not quite be there."

After a concept and the related technology have checked out, a credit union can move forward with a fintech partner to enter a new arena it might not have had access to otherwise. Such powerful partnerships can help credit unions successfully forge the future.

SIMPLIFYING SERVICE

There are many reasons to value the relationship between a credit union and a fintech organization. But according to Shanon McLachlan, vice president of CUES Supplier member Jack Henry (*jackhenry.com*), Monett, Missouri, and president of the company's Credit Union Solutions division, the top reason is strengthening connections between credit unions and their communities through technology and services. This is the idea of delivering the products and services members need, when they need them.

Ultimately, McLachlan says, success comes down to the ability to simplify service for credit unions and their members.

A fintech partnership can help boost member relationships by offering more real-time and self-service access. "If done well, it allows the 'self-service activity' to have the same effects of 'in-person service,' allowing the credit union to meet members at their time of need, in their channel of preference," McLachlan says.

A solid fintech relationship also has the potential to make a significant impact on how CUs serve their communities, he adds.

"Technology can provide deeper member insights into their financial relationships, instruments they utilize through the credit union—or through other providers—and the transactions that flow through those instruments. This gives credit unions a unified and consolidated view of how members are spending, saving, borrowing and investing, all with the ability to manage those transactions from one location," McLachlan says. "Credit unions can offer education for all ages and levels about what financial responsibility looks like and how to manage their financial lives. There are multiple products and services out there that do this; it can be online, in person or both."

To make the most of a fintech partnership, McLachlan recommends being open in three dimensions: "First, technology: Ensure robust and inclusive APIs that are readily available. Second, culture: Ensure ease of doing business with both functionality and service, and all that comes with it. Third, community: Have an engaged community that supports, enables, mentors and collaborates."

How is fintech simplifying member-credit union interactions? By making interactions easy and intuitive, McLachlan says. "We can streamline processes by eliminating duplication and removing unnecessary information or efforts," he notes. "We can also drive consistency and repeatability for the niche being addressed, which simplifies traceability and auditability. All of this is being done while prioritizing the experience for members and users."

A well-thought-out fintech partnership can have a unique impact on a credit union's digital growth and strategy too.

"Availability, capability and extensibility allow the credit union to grow with its digital goals and rapidly advancing needs," McLachlan says. "Fintechs need to be able to quickly adapt to the intersection of market demands and credit union strategies."

It all comes back to simplifying financial services and providing a seamless member experience. Fintechs and credit unions can work together to provide the tools members need while allowing anytime, anywhere access.

AN EDUCATION

A blend of passion with purpose, strong core values, transparency and integrity, mixed with the willingness to collaborate and work hard are the ingredients for success with fintech partnerships, says Joe Saari, founder/chairman of CUES Supplier member Financial Fitness Group (*financialfitnessgroup.com*), San Diego.

"When you combine all of the above with creativity, a drive for innovation and the entrepreneurial spirit, the sky is the limit for what you can achieve," he says. "When well-aligned, successful fintechs will help their credit union partners provide innovative solutions to better serve members' needs.

Saari cites Financial Fitness Group as an example. "We help our credit union clients provide their members instant, unbiased education and tools for all their members' common questions about money. This process helps credit unions attract, build and cultivate deeper relationships with their members.

CUs are stars at helping members improve their financial lives, Saari adds. "They work closely with members and have a strong understanding of the needs and challenges. Meanwhile, when a credit union chooses the right fintech partner, they have an opportunity to leverage innovative technology, tools and agile development efforts to find the best way to truly engage and serve members."

Additionally, fintechs are helping accelerate innovation in credit unions' digital strategies, Saari underscores.

"By leveraging the spirit of entrepreneurship and the agility that smaller, early-stage firms can provide, credit unions are working to come up with powerful programs to compete with much larger (and well-funded) banks or other organizations," Saari says. "In a way, credit unions leveraging fintechs aim … [for] the agility of David versus the much larger and bureaucratic Goliath of big banks, brokerages or insurance firms."

As the needs of credit union members change with the times, fintechs can help. Take fraud protection, for instance, a growing concern in an increasingly digital world.

"There are dozens of firms actively working to help empower credit unions and others to help better protect their members against potentially fraudulent activity," Saari says. "The more nimble and creative structure of smaller entrepreneurial firms in the fintech space gives these organizations some distinct advantages versus in-house efforts to help with fraud protection."

Another important role fintech can play in the future is helping lead the industry to provide opportunities for greater financial inclusion. Saari says, "By leveraging technology to help engage members who are often overlooked or taken advantage of by larger firms, credit unions can combine their passion for making a positive impact with proven results to help drive and effect change."

Celia Shatzman *has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

PSCU

Leveraging Fintech Collaboration

By Scott P. Young, Vice President, Innovation & Design, PSCU

As financial services become increasingly digitalized, the adoption of financial technology (fintech) products continues to become more prevalent among both the financial services industry and consumers. Fintech disrupters and innovators are now largely recognized for the opportunities they represent, rather than seen as threats or competition as in the recent past, as many credit unions begin to embrace fintech partnerships as a means to improving their own offerings.

The Lowdown on Fintechs

The term "fintech" is primarily used to describe small start-up companies that develop innovative technological solutions in areas including digital payments and big data. They are usually designed to resolve a specific functionality gap in the industry or enhance an experience that exists today but that is often overly complex. They typically isolate a niche experience that needs enhancing and build a more intuitive, easier-to-use digital solution. Since fintechs are often solely focused on solving only one or two problems, they can dedicate all their time and resources to refining and achieving those particular solutions.

Flipping the Script

At first glance, fintechs would appear to be additional competition for credit unions. Upon closer inspection, they represent a significant opportunity. Fintechs can make it easier for credit unions to compete with the advanced technology offered by larger financial institutions through identifying and solving specific gaps. Today's consumers expect a personalized and digital-first experience, and fintech partnerships can give credit unions the ability to provide the cutting-edge solutions needed to help enhance the overall member experience and meet those member expectations. Providing the most sought-out, innovative payments solutions consumers have access to through the big banks – for example, contactless and mobile payments management – is crucial for credit unions to remain competitive in the marketplace and retain members.

Powerful Partnerships

PSCU – the nation's premier payments credit union service organization (CUSO) – was quick to realize the value fintechs could bring to its Owner credit unions and became an early adopter of fintech collaboration. Through strategic partnerships, PSCU has been able to offer credit unions the tools, experiences and services members are seeking. For example, PSCU's partnership with Amount – a fintech focused on next generation digital account opening and lending solutions for some of today's largest financial institutions – is helping the CUSO and its Owners resolve the pain point surrounding the often lengthy process for account opening and lending approval. With Amount's data automation and advanced identity verification technology, consumers can quickly and easily apply for credit cards from anywhere and be approved instantly. Not only does it make the process faster and easier, but it also provides consumers who are not yet members with the ability to apply for credit union membership as a part of the credit card application process, driving new member acquisition.

Another example is PSCU's recent acquisition of Juniper Payments, the largest cloud-based, non-bank third-party provider of inter-bank transaction and reporting systems in the country. This partnership expands the CUSO's value-added services to support additional payment types. It gives PSCU access to multi-tiered payments, enabling the CUSO to directly participate in faster and real-time payments, among others.

Finally, PSCU recently partnered with Curinos, a global data intelligence business. The fintech is working with PSCU to close a gap with which many credit unions have traditionally struggled: the challenge of obtaining necessary data to strategically manage their digital offerings. PSCU's Advisors Plus consulting team is utilizing the Curinos Digital Banking Hub – a centralized platform of digital banking journeys that allows financial institutions to review digital banking capabilities in the market – as part of its new Digital Consulting Practice. Through this collaboration, PSCU has added an extra layer of capabilities to its offerings to empower credit unions with a detailed analysis of member preferences and industry best practices.

Fintechs set the standard for member expectations in the financial services industry by introducing cutting-edge technology to market at a rapid pace. By forming strategic partnerships, credit unions can leverage fintechs' technology to keep up with their competitors and provide unparalleled member experiences. When done right, these partnerships can play a critical role in growing the bottom line and accelerating innovation.

__Scott P. Young__ oversees the Innovation, Design and Integration Teams at PSCU. With over 25 years of experience in payments, Scott started his career at First Data in Omaha before moving to Pentagon Federal Credit Union (PenFed) and more recently, Bank-Fund Staff Federal Credit Union before joining PSCU in late 2019. A passionate advocate for the credit union movement, Scott is also a leader in Diversity, Equity and Inclusion (DEI) efforts at PSCU and across the industry. Scott is a graduate of the University of Nebraska.

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Financial Education as a Value Proposition for Credit Unions

For Employees and Members

Written By Joe Saari, Founder, Financial Fitness Group

The lack of financial education, especially after COVID-19, has many people at a disadvantage. With 80% of people living paycheck to paycheck and under strong financial and employment insecurity, it is critical now more than ever before to increase overall financial knowledge. Imagine the advantages that can come with having a strong grasp of how financial solutions work. Increased financial education helps individuals make smarter financial decisions, such as paying off debt faster, and investing in assets that grow. The financial landscape is changing at light speed, and some of the shifts can be overwhelming. Members need information that is actionable and easy to understand so they can maintain control of their money and plan for their future goals. Meanwhile, employers want to know what they can do to help their employees navigate and alleviate their financial stresses.

Credit unions have expressed a demand for financial education geared toward their employees and members alike. Increasing financial literacy is vital to credit union employers and the community at large; informed employees and members foster a more robust, well-connected community while making smart decisions for their future. Community outreach will help grow your credit union's membership base and boost your ability to attract new members.

But did you know that it can also help your credit union improve member retention rates? You can provide quality experiences and services from well-trained, knowledgeable staff to keep members coming back and feeling valued.

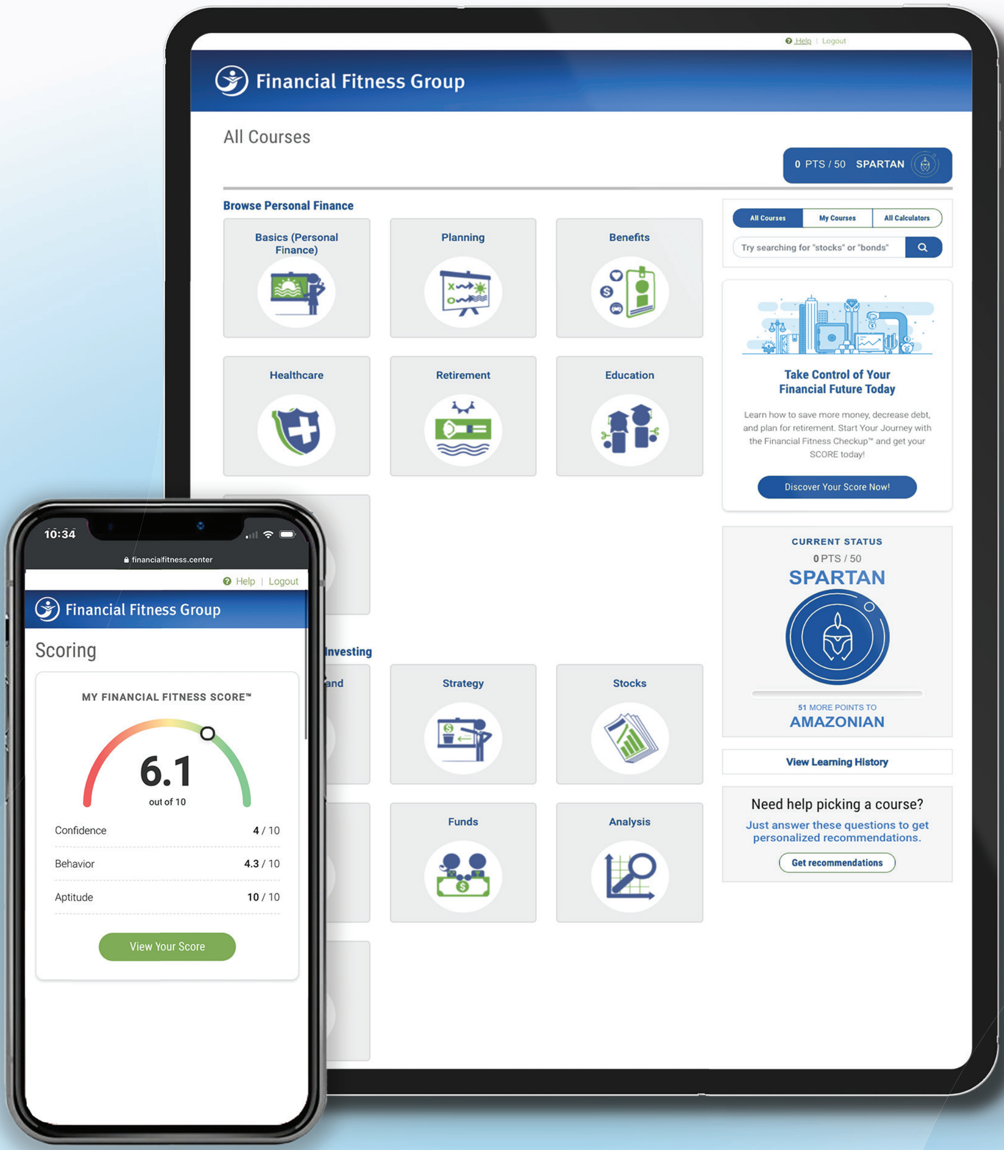
Employees are better positioned to answer member questions and make referrals when they understand how financial products and services work. Over many years, data from several credit unions have shown a positive correlation between employee financial education and referrals. As an example, an employee who has studied mutual funds in a financial literacy course might suggest a mutual fund to a member who is seeking a higher return on his or her money. Another example could be an employee directing a member to an in-house financial planner who can help him or her achieve a specific financial goal. Members feel more confident when they sense that credit union staff can provide solutions with authority and expertise. These are key elements to strengthen customer relationships and boost business for your credit union.

In sum, here are four reasons why financial education is a valuable asset for credit unions:

- Financially literate credit union employees can empower members to address their economic challenges.
- There is up to 70% improved aptitude, behavior, and employee confidence, which can translate into more referrals and even upsells.
- Decreased debt, fewer late fees, and less financial stress from both employees and members.
- It can also grow your credit union's membership base, boost your ability to attract new members, improve brand reputation and even create employee job satisfaction.

Ultimately, credit unions can't afford to ignore financial literacy. Financial education isn't just a responsibility —it's an opportunity! It's a crucial part of the value proposition you offer to your members, and it will strengthen your credit union in the long run.

Financial Fitness Group



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