Looking Back

In times of crisis, the tension created by competing priorities can be overwhelming, but it can also lead to greater clarity of purpose. It is the actions we take in each present moment that give life to our mission, while tomorrow yields new opportunities for us to shape brighter futures for the people we serve. This issue looks back at Filene’s last fiscal year and how the work we have done together has helped our industry find balance in the face of uncertainty and create new opportunities to grow as a business while supporting the well-being of our communities.

While Moving Forward

There has never been a greater need for credit unions. Over the years, there have been so many moments of celebration in our great credit union industry. Yet this year has presented us with one crisis after another, shaking our public health, economic, social, and political systems to their core. Some is a repetition of what we have seen before, some is new and different. In this uniquely challenging environment, some things will rise, and some will fall. Some ideas will not survive, and some will be born out of this time.

I feel strongly that the work credit unions have always done and are still doing amid a global pandemic, has never been more needed. And to meet that need, credit unions across the country have stepped up with more clarity of purpose to serve and support their members and communities in huge and numerous ways. That is what we at Filene are celebrating this year, the impact and action of our nation’s credit unions!

In this, our annual member impact report, we outline the ways in which Filene is your partner to grow your impact, to help you deliver your products and services in ever more excellent ways, and to prepare you for resilience and sustainability long into the future so you can always be there to meet the needs of your members and community.

Filene has worked hard to usher in a new era of research (see Research on page 4) to support your executive leadership teams in the work they do to make your credit union a leader in its field.

It’s not just research however—it’s research done differently (see Incubation on page 6) so you don’t have to shoulder the risk of new ideas alone in your quest to be more innovative for your members.

And if there’s anything the pandemic taught us, it’s that solving big challenges requires a new mindset (see Advisory Services on page 8). So, we’ve upped our game in how we convert our research and insights into tools and resources for you, at the level you need, to make lasting and impactful change in your organizations.

Ultimately, we are all wired for connection (see Communities on page 10) and this year has pushed us to turn challenges into opportunities to connect deeper (see Events on page 12). We invite you to join us in our efforts now and into the future so we can stay connected for the long run.

This year, like no other, has brought forward the tension we face daily between our heads and our hearts. You stand committed to your business and to your community, and Filene stands committed to you in finding solutions to the complex problems we will continue to face together as we shape a new future and new moments for celebration.

Thank you!

Mark Meyer
President + CEO

“To discover the new responsibilities of this new epoch, and to act in accordance with those new responsibilities, is the most practical and most important problem which confronts us now.”

— Edward Filene
Ushering in a new era of research.

Four years ago, Filene first introduced the concept of Centers of Excellence to help organize research around the most pressing issues facing the future of credit unions. A lot has changed in four years. A lot has changed in four months!

Based on feedback from hundreds of credit unions and their partner organizations, Filene identified six key focus areas to provide credit unions with actionable research to continue to make a significant impact and transform the credit union industry in the years to come.

The new Centers will build on a significant body of research that has strengthened the credit union system and delivered impactful results to consumers. As the Centers of Excellence for Organizational Entrepreneurship, Consumer Decision Making, and Performance & Operational Excellence come to a close we are grateful for our partners who helped make this research possible and the Fellows, Dennis Campbell, Hope Schau and Huggy Rao, who brought this research to life to help credit unions think forward and change lives.

Six New Centers of Excellence

- Diversity, Equity & Inclusion
  Launched January 2020
- Consumer Financial Lives in Transition
  Launched February 2020
- Emerging Technology
  Relaunched June 2020
- Data Analytics & the Future of Financial Services
  Launched September 2020
- Community Social Impact
  Launched October 2020
- Innovation & Incubation
  To be launched December 2020

Filene’s Think Tank

Representing nearly 40 credit unions and credit union system organizations, the Think Tank serves as one arm of Filene’s Research and Incubation Advisory Council alongside the prestigious Inner Circle. Launched in May 2020, the Think Tank serves as the voice of credit unions and the credit union system with the objective of driving Filene’s innovative research and incubation agenda for the industry while growing and strengthening credit unions’ capacity to improve consumers’ financial lives (see page 31 for more).

By the Numbers

- Research reports and actionable tools developed to transform organizations: 31
- COVID-19-specific outputs to strengthen credit unions: 22

Thank You to our Exiting Filene Fellows for their Contributions

Huggy Rao
Filene Fellow, Center of Performance & Operational Excellence
Atholl McBean Professor of Organizational Behavior and Human Resources
Stanford University

Hope Schau
Filene Fellow, Center of Consumer Decision Making
Eller Professor of Marketing at the Eller College of Management
University of Arizona

Dennis Campbell
Filene Fellow, Center for Organizational Entrepreneurship
Dwight P. Robinson, Jr. Professor of Business Administration
Harvard University

“I READ NEARLY EVERY PAPER THAT COMES OUT AND SHARE [THEM] WITH MY TEAM TO HELP US UNDERSTAND WHAT IS RELEVANT IN THE INDUSTRY. I LOVE THE WAY FILENE IS BOLD ENOUGH TO CALL OUT WHAT NEEDS TO BE CALLED OUT. WE SOURCE FILENE’S WORK OFTEN.”

ERIKA ROMENESKO, CUNA MUTUAL GROUP

DIVE DEEPER

PODCAST

Ep 65: Introducing Dr. Quinetta Roberson
Filene sits down with Dr. Quinetta Roberson, the Fellow for Filene’s first Center of Excellence launched in 2020, the Center for Diversity, Equity & Inclusion.

BLOG

An Interview with Lisa Servon
Filene shares more about the launch of the Center of Excellence for Consumer Financial Lives in Transition led by Dr. Lisa Servon of the University of Pennsylvania.

See page 15 for more research insights from FY20.
Financial Well-being Incubator

Building on the success of the Reaching Minority Households Incubator (RMH) work and with the support of Visa, Filene hosted workshops, created an implementation guide, and launched an online learning tool for ITIN Lending.

52 credit unions or leagues have committed to implementing or growing ITIN Lending at their credit union.

“ITIN lending is a win-win for the member, the credit union, and for the community. It’s a way to offer products that meet the financial needs of our community that are really good for the bottom line.”
Brent Rempe, Allegiance CU

Report #500:
Filene’s founders saw a need within the cooperative finance industry for thoughtful, objective and impactful research. The first twenty years of Filene were focused on one thing, conducting research but research alone would not be enough.

The culmination of a five-year long relationship with Visa to seek, test, and scale alternative products to reach minority households was a success in more ways than one. The Pathways to Financial Well-being report tracked the significant impact of the RMH Incubator in the lives of twenty people. In a similar way, it also marked a significant milestone for being Report #500 in Filene’s archive.

“Never did we dream that we would get to 500 studies. From one study to another to another, we were building all of the time. And now we are at 500 studies and look at what we are talking about, financial well-being. I think our reports should be judged ‘do they make a difference.’ And in my opinion beneficial to ordinary people.”
Bob Hoel, Filene’s first Executive Director

DANIELLE FRAWLEY, FORT COMMUNITY CU

Growth Incubator

Through a partnership with CMFG Ventures, the FinTech Catalyst Incubator identified, tested and evaluated four promising financial technology concepts and companies.

More than 3,000 credit union members were a part of testing up and coming FinTech products to help credit unions innovate.

“If our movement is going to keep up with or thrive in an ever-changing world, we must be open to new products and new ways of doing business. Participating in Filene’s Incubator shows we are innovative and that we want to be a part of the future of the credit union movement.”
Ben Bauer, Simplicity CU

PROVEN INCUBATORS
TO ACCELERATE INNOVATION AND REDUCE RISK FROM TESTING NEW SOLUTIONS

Research done differently. The world is changing in unpredictable ways and credit unions need to be proactive about preparing for that uncertain future. Those who worked with us over the past year learned something of value about their work and the needs of their community in every instance.

To reduce the front-end risk of testing new products and ideas, Filene ran two incubators to explore the desirability, feasibility, and viability of new and novel concepts.

By the Numbers

Credit unions tested and scaled solutions to drive change for their credit unions.

108

DIVE DEEPER
PODCAST
Ep 61: Align ISA Research and Results
Hear insights from the architects of the first test in the FinTech Catalyst Incubator, plus the credit unions practitioners who tested this concept.

TOOL
ITIN Lending Online Learning
This Online Learning tool captures the key learnings from a series of in-person workshops held across the United States on how to help financial institutions implement or expand their ITIN lending offerings.

filene.org/incubation

See page 16 for more on report 500.
Big challenges often require a new mindset. There is no one-size-fits-all solution for your credit union’s biggest challenges. Filene’s library of more than 170 prototyped ideas reinforces your unique needs. Innovation cannot wait until tomorrow, but you don’t have to go it alone. The COVID-19 crisis merely accelerated the trends in technology and changes in consumer behaviors we saw coming on the horizon. During this critical time, Filene supported credit unions, leagues and industry leaders in their quest to deliver products and services in new and innovative ways, and to create a new culture in their organizations—one that approaches challenges with a mindset based on innovation in order to better understand and solve for emerging consumer, community, and credit union needs.

Advisory services includes access to: Filene’s speaker’s bureau, Custom Research, Strategy facilitation, and workshops focused on Innovation and Member Experience.

When a unique situation requires support from Filene, you can commission custom research to find solutions specific to the biggest questions facing your organization.

“THANK YOU AGAIN FOR ALL THAT YOU GUIDED US WITH THESE LAST 6 MONTHS. I APPRECIATE THE TIME YOU PUT INTO US TEACHING THE INNOVATION PROCESS. IT IS A LIFE CHANGING EXPERIENCE THAT WILL HELP OUT WITH MY OWN PROBLEM SOLVING AT HOME AND AT ASCENTRA.”

ASCENTRA CREDIT UNION

“...THESE INTERVIEWS ARE GOING TO BE SO HELPFUL IN SHAPING OUR FUTURE STRATEGIES AND ENGAGEMENT WITH OUR MEMBERS AND NEW MEMBERS. YOU DID AN AMAZING JOB IN SPEAKING WITH OUR MEMBERSHIP.”

SERVICE CREDIT UNION

500
Credit union innovators were trained in the Filene methodology to implement innovation and strategy at their credit union.

13
Custom research projects delivered in FY20 ranging from member financial well-being to brand equity.

filene.org/custom

DIVE DEEPER

PODCAST

Ep 69: How Innovation Turns Failure into Opportunity
Erin Coleman, Senior Director of Advisory Services, shares why innovation matters in a tried-and-true business like financial services, how an organization becomes innovative, and if the rules on innovation have changed.

RESEARCH REPORT

Artificial Intelligence by Design
In partnership with State National, this custom research project explores AI through the design lens to expand the conversation beyond technology and prompt consideration of the end user’s needs and preferences.
By the Numbers

Humans are wired for connection. We have a basic need to belong to groups and form relationships—and we spend much of our lives doing just that. What we don’t often measure is the power that those connections give us to make an impact on the world around us.

The Crasher Network inspires and builds a pipeline of future leaders for the credit union industry. In the wake of COVID-19, The Cooperative Trust and Crash Program successfully adapted to a 100% virtual community and program.

As emerging leaders become established leaders, Filene’s i3 program continues to be an innovation accelerator connecting the brightest minds to strengthen the credit union industry. We welcomed 23 credit union leaders to the 2019 cohort last September.

The challenge of moving an in-person event to a virtual one just became an opportunity. On March 11, the WHO declared the novel coronavirus outbreak a pandemic and we started to come to terms with the many ways this would affect our daily lives, including in our roles at work. For Event Managers that meant pivoting on a dime to make sure we could still deliver on the promise of the value of our events in a new and virtual way.

There were a lot of questions, but the one answer we knew for sure was that it was likely our research events would not be happening in-person in the near future. The challenge became how to bring the same excitement, perspective, growth, and learning while sitting apart, isolated in front of our screens. Thanks to technology, nimble speakers, cutting-edge content, and engaged attendees, we successfully delivered two virtual research events to close out our fiscal year.

The average research event attendance jumped from 85 to 406 when we went virtual. In-person gatherings will come back, but it’s clear the opportunity to engage virtually is a model worth continuing.

COMMUNITIES

TO INSPIRE DEVELOPING FUTURE LEADERS

EVENTS

OPPORTUNITIES FOR DEEPER INDUSTRY CONNECTIONS

The average research event attendance jumped from 85 to 406 when we went virtual. In-person gatherings will come back, but it’s clear the opportunity to engage virtually is a model worth continuing.

141

Emerging leaders crashed industry events through Filene’s Crasher program.

28%

Of Filene’s i3 alumni are currently in a C-suite position.

“I BELIEVE THE LEARNING AND CHANGE TOOLS THAT I RECEIVED DUE TO MY PARTICIPATION IN THE i3 PROGRAM PLAYED A SIGNIFICANT ROLE IN ME BEING SELECTED AS THE CEO HERE AT ALTRA.”

STEVE KOENEN, ALTRA FEDERAL CREDIT UNION

“I NEVER KNEW THAT CRASHING THE GAC WOULD “CRASH” MY EMOTIONS BY HEARING MY FELLOW CRASHERS EXPRESS THEIR EXPERIENCES OF CRASHING AND CATAPULT MY PASSION FOR CREDIT UNION ADVOCACY! I AM STILL TAKING IT ALL IN AND I NOW HAVE A DEEPER UNDERSTANDING OF THE IMPACT CREDIT UNIONS HAVE ON THEIR MEMBERS AND COMMUNITY.”

CRASH THE GAC 2020 PARTICIPANT

“I APPRECIATED THE PIVOT TO A DIGITAL FOCUS AND LOOK FORWARD TO MORE. I WOULD NOT HAVE BEEN ABLE TO ATTEND IN-PERSON EVEN IF THE ENVIRONMENT ALLOWED.”

NEW CREDIT UNION EXPERIENCE EVENT ATTENDEE

By the Numbers

The average research event attendance jumped from 85 to 406 when we went virtual. In-person gatherings will come back, but it’s clear the opportunity to engage virtually is a model worth continuing.

478%

Increase in attendance from in-person to virtual events.

filene.org/crash

filene.org/i3

filene.org/events

DIVE DEEPER

2021 EVENTS

RESEARCH EVENT
DATA ANALYTICS & THE FUTURE OF FINANCIAL SERVICES
January 26–27

RESEARCH EVENT
CONSUMER FINANCIAL LIVES IN TRANSITION
April 27–28

RESEARCH EVENT
DIVERSITY, EQUITY & INCLUSION + COMMUNITY SOCIAL IMPACT
June 22–23

RESEARCH EVENT
EMERGING TECHNOLOGY + INNOVATION AND INCUBATION
August 9–10

MEMBER EVENT
big.bright.minds.
October 26–27

filene.org/events
Episode 55
A Conversation with AACUC’s Renée Sattiewhite

“Instead of looking at it as a diversity and inclusion problem, let’s look at it as a diversity and inclusion solution. There is talent everywhere and we just don’t know where to find it. With AACUC we want to be the go-to organization for diversity and inclusion.”

Episode 60
Competing and Winning on MX with Dennis Campbell

“Instead of looking at it as a diversity and inclusion problem, let’s look at it as a diversity and inclusion solution. There is talent everywhere and we just don’t know where to find it. With AACUC we want to be the go-to organization for diversity and inclusion.”

“Inclusion is about the opportunity for everyone to be fully contributing members, and meaningfully contributing members, of an organization.”

Episode 65
Introducing Dr. Quinetta Roberson

“This is the idea of focus. We are deliberately not going to be all things to all people. We are going to deliberately be bad about the things our customers care less about in order to be best in class at the things they care most about.”

Episode 66
Managing Misinformation in the Midst of a Pandemic

“The first step for credit unions is to be aware of what’s going on. They need to gather their own information on what scams are targeting their members in addition to reiterating good technology hygiene.”

DEI Road Map
filene.org/508

ITIN Lending
filene.org/itln

As one of the tools that ensures we are relentlessly pursuing inclusion and belonging, I often reference the Center for DEI’s Road Map to Activating Diversity, Equity & Inclusion. In addition, we make reference and share the ITIN Lending Guide to credit unions wanting to know more about ways to implement ITIN and the why and how behind it.

Hustlepreneurs Blog
filene.org/hustlepreneurs

CU Support for DV Survivors During COVID Blog
filene.org/supportdvsurvivors

COVID-19 has introduced us to the new term ‘shcession,’ highlighting the pandemic’s outsized negative economic impact on women. Addressing targeted interventions like digital payment tools that can positively impact women’s economic lives inspires forward thinking and helps us in our own ideation at PSCU.

Victor Miguel Corro, CUDE CEO
Víctor Miguel Corro is a member of Filene’s Think Tank

Credit Union of the 21st Century
filene.org/459

De-imagining The Credit Union of the Twenty-First Century has shaped much of the thinking in DCUC’s strategic planning in terms of how we promote emerging technology, diversity and inclusion, and new business models that serve our military.

Tony Hernandez
President and CEO
Defense Credit Union Council
DCUC is a sponsor for the Center of Excellence for Emerging Technology

Merry Patnik
SVP, Industry Engagement
PSCU
PSCU is a sponsor for the Center of Excellence for Consumer Financial Lives in Transition

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De-imagining The Credit Union of the Twenty-First Century has shaped much of the thinking in DCUC’s strategic planning in terms of how we promote emerging technology, diversity and inclusion, and new business models that serve our military.
When the COVID-19 pandemic swept across the United States, credit unions began working harder than ever before to be a strong support system for their members. Just as credit unions supported their members and community, Filene’s team created the COVID-19 Resource Hub to help credit unions support members and build business resiliency during the COVID-19 crisis.

VISIT filene.org/resourcehub to see how these resources can help you, your credit union, and your community.

The hub allows you to easily search by category.

**COVID-19 RESOURCE HUB**

We are focusing our resources, ideas and networks to help credit unions maximize their impact on members’ financial and physical well-being.

Credit unions have an opportunity to support their members and communities by implementing programs that aid financial well-being.

We’ll help your credit union think through the right strategies and take the right actions now to thrive in a more secure future.

**How can I support Long-term Well-being in Members’ Lives?**

Pathways to Financial Well-being

Financial institutions play a critical role in building stronger communities, especially in building trustworthy, enduring relationships with vulnerable populations. Several key lessons from the Pathways to Financial Well-being report highlight the benefit of credit union staff using consumer engagement tools in their day-to-day interactions with consumers. **Read more on page 16.**

**What impact will the COVID-19 crisis have in the coming months and years?**

Credit Unions and the Coronavirus: Notes on the Impacts and Implications of the COVID-19 Crisis, Part 2

The second part of the COVID-19 Special Report series looks specifically at how credit unions have responded to members’ immediate needs; how financial well-being is being re-centered in the credit union value proposition; how credit unions will need to innovate and evolve their service delivery models; and how the credit union business model will be challenged in the future. **Read more on page 18.**

**Do strategies focused on member experience impact credit union performance?**

Member Experience and Service Excellence, Part 2: Do Strategies Focused on Member Experience Impact Credit Union Performance?

Credit unions who focus on member compatibility and make use of MX data have improved member satisfaction and higher asset growth. This report is the second of three reports exploring credit union MX and examines survey data from credit union leaders to assess current credit union MX efforts and practices. **Read more on page 20.**

**Can you predict and prevent credit union failures?**

Factors Contributing to Failures of Credit Unions and Banks, 1980–2018

Looking at close to 40 years of data, this report identifies the key factors associated with failures, why credit unions outperformed banks in this area, and what we can learn to prevent future failures. We review credit unions and banks across asset size ranges and time periods to identify lessons learned and potential predictive tools you can use. **Read more on page 22.**

You Asked.

**You Asked.**

**WE ANSWERED.**

Pathways to Financial Well-being

Filene tracked the outcomes of three lending programs through the lives of 20 people who participated in the Reaching Minority Households (RMH) Incubator. In this report, we share the experiences of those individuals and develop a model for how financial institutions can better support consumers in achieving financial well-being.

EXECUTIVE SUMMARY

In 2015, Filene Research Institute launched the Reaching Minority Households (RMH) Incubator to identify programs that could help financial institutions like credit unions and community banks more effectively reach and support financially vulnerable households and communities of color. With the support of Visa and the Ford Foundation and in partnership with dozens of credit unions, Filene tested the relative demand, consumer impact, scalability, and financial sustainability of five different lending products designed to improve financial access for these populations. Among the products tested were alternatives to payday loans, small-business microloans, and a non-citizen ITIN (Individual Taxpayer Identification Number) lending program. In total, 40 credit unions issued 58,482 loans totaling $84.8 million (M), impacting 18,559 consumers.

WHAT IS THIS RESEARCH ABOUT?

We also detail the benefits of access to financial services and provide a rich qualitative dataset that shows the complexity of conditions structuring financial inclusion. We emphasize how access must be accompanied by other interventions over time to lead to financial well-being. In allowing loan recipients to reduce their financial vulnerability in the short term, RMH program participation also resulted in a broadening of perspective or opportunity that led to longer-term impacts. These include the following outcomes:

→ Reduction in immediate financial vulnerability alongside the development of a clear pathway to future financial well-being.
→ Engagement by participants across multiple touchpoints with institutions and programs during the programs and beyond.
→ Changes in participants’ material prospects in the financial system (external changes) that were accompanied by changes to participants’ beliefs and behaviors (internal changes).
→ Goal setting, planning, and reflection by participants as part of their experience in the programs.

We conclude the report with a strategic discussion about issues that financial institutions face when trying to build such pathways to sustained consumer and community impact.

WHAT ARE THE CREDIT UNION IMPLICATIONS?

Financial institutions must understand that long-term consumer impact requires converting short-term gains into strategies and supports for individuals to imagine or envision longer-term success, plan for larger financial goals, take action, and see improvements in their future financial well-being. Inclusion—basic access to financial services—can result in immediate need reduction. But to take root, access must also be paired with a more substantive sense of security, capability, and resilience.

Ultimately, access to credit is a necessary but not sufficient condition for improved financial well-being. Financial inclusion unfolds over time and in fits and starts; similarly, financial well-being is not an all-or-nothing proposition. Accordingly, financial institutions must begin to support consumers in a sustained manner along multiple dimensions of financial vulnerability. To aid financial institutions in designing products and support services with the goal of creating long-term, positive change for consumers in need, we introduce a Pathways to Financial Well-being model. This model encourages financial institutions to incorporate the complex dimensions of financial vulnerability and well-being in their routine engagement with consumers.

Pathways to Financial Well-being Model:

Stability and Security: capacity to absorb shock and adapt to changing circumstances.
Access to Financial Services: capacity to access and use high-quality, low-cost financial services, including credit.
Knowledge and Confidence: capacity to navigate financial services and control one’s finances.
Planning and Decision-Making: capacity to make complex decisions and plan for the future.

To operationalize this model, we urge financial institutions to take on new roles and reimagine themselves as a service provider, a coach and an advocate.

Through the stories of a small group of consumers, this report provides a practical guide and inspiration for those striving to improve their community’s financial well-being. Will you be one of these leaders?
Credit Unions and the Coronavirus: Notes on the Impacts and Implications of the COVID-19 Crisis, Part 2

In this three-part Special Report, Taylor C. Nelms and Stephen C. Rea provide preliminary analysis of the COVID-19 pandemic’s effects on workers and consumers, and the implications it bears for credit unions. Part two reviews evidence as of June 2020 and focuses on concerns for financial services.

EXECUTIVE SUMMARY

What impact will the COVID-19 pandemic have on consumer and cooperative finance in the coming months and years, and what role will credit unions play in mitigating its effects? The second part of this Special Report reviews how the crisis may affect financial services providers, particularly credit unions. It looks specifically at how credit unions have responded to members’ immediate needs; how financial well-being is being re-centered in the credit union value proposition; how credit unions will need to innovate and evolve their service delivery models, focusing on digital financial services; and how the credit union business model will be challenged as organizations navigate a depressed, low-rate economic environment.

WHAT IS THIS RESEARCH ABOUT?

The combined public health and economic crisis occasioned by the coronavirus pandemic requires a strategic re-set for financial services providers, including credit unions.

As they responded to the COVID-19 crisis, credit unions focused, first, on emergency relief and crisis management. Right now, credit unions are rightly emphasizing employee safety and security, maintaining services, and providing support to members, especially those facing financial stress. Many are also finding ways to support their communities, such as through matching employees’ donations to relief programs.

The message we have heard across the credit union system has been consistent: Now is the time to re-focus on your people—your employees and members—and to invest in business continuity and business resiliency so as to further your mission and support your community.

WHAT ARE THE CREDIT UNION IMPLICATIONS?

At the same time, the implications of the COVID-19 crisis will be far-reaching, and credit unions must begin to prepare to confront upheavals and turbulence across the full footprint of their business, from the front line to the back office, up and down the organizational hierarchy, and across all channels, physical and digital. In many ways, impacts fall outside the bounds of typical business continuity planning. In one survey of more than 1,000 financial institutions, over half of US banks and credit unions are expecting “extreme” or “severe” impact to their communities. As one credit union CEO explained, “Forward looking, most credit unions will be okay this year, but it’s the 24–36-month horizon that is most concerning. What can we be doing today to sustain ourselves and grow for the future?”

As we take stock, then, it is important to think both short- and long-term, and, as Callahan & Associates argues, “the definition and measurement of success likely needs to change.”

There will soon come a period for recovery, then stability, and finally the potential for longer-term and potentially more thorough transformation. Today, many credit unions are already beginning to lay the groundwork for longer-term strategic assessment and operational change.

In Part 3, we will turn our attention to the broader context of shifts in work life, social and economic life, and political life.

THE COMPANIES THAT FLOURISHED POST-RECESSION WERE THOSE THAT BALANCED DEFENSIVE AND OFFENSIVE MOVES, CHOOSING TO “REDUCE COSTS SELECTIVELY” BY FOCUSING MORE ON OPERATIONAL EFFICIENCY THAN THEIR RIVALS DO, EVEN AS THEY INVEST RELATIVELY COMPREHENSIVELY IN THE FUTURE BY SPENDING ON MARKETING, R&D, AND NEW ASSETS.
Member Experience and Service Excellence, Part 2

Credit unions have at their disposal many strategies to improve their members' experience, but few devote resources to enhancing member compatibility. This report shows that credit unions that make use of member experience data and focus on compatibility have improved member satisfaction and higher asset growth.

EXECUTIVE SUMMARY

Credit unions like to make their members happy, and it shows: the sector has historically excelled in measures of customer satisfaction when compared with other financial service providers, but that gap has closed recently. To deliver value to members, a credit union needs to balance a challenging series of competing demands. Members want good value, friendly service, low-friction technology, and convenience, which forces the organization to make trade-offs when allocating resources and deciding where to focus—especially while maintaining financial sustainability and growth.

There are successful strategies and practices that credit unions can borrow from other service-oriented industries. In this second report of a three-part series on improving the credit union member experience (MX), we explore the effectiveness of three of these strategies: making use of MX data, focusing to better fit member compatibility, and providing operational transparency.

WHAT IS THIS RESEARCH ABOUT?

Filene surveyed credit union leaders about their members' preferences and level of satisfaction, as well as the institution's practices around data collection and improving the member experience. In particular, we asked leaders whether and how much they employed any of three strategies to improve members' experience:

- **Focusing on MX data**, with regular and varied collection practices and the use of MX data to guide operational strategy.
- **Member compatibility**, narrowing the organization's focus to members who are likely to benefit the most and accepting that the credit union should not try to be all things to all people.
- **Operational transparency**, the practice of showing members the work that goes on behind the scenes to deliver a product or service.

Most credit union leaders report that their members are fairly satisfied with their experience, but leaders also acknowledge substantial opportunities for improvement. When it comes to the three strategies we investigated, practices varied widely. Many organizations reported obstacles that limited their ability to use MX data, including a diverse membership, lack of clarity around who their target member is, and lack of usable reporting systems and training.

As for member compatibility and operational transparency, less than one-quarter of the credit unions we surveyed reported a strong focus on compatibility, and very few said they had adopted any aspects of operational transparency.

By combining our survey results with credit union call report data and applying statistical analysis, we found that credit unions that focus either on MX data or on member compatibility have members who are substantially more satisfied. Additionally, credit unions with higher member satisfaction or a strong focus on member compatibility see much faster asset growth. Being largely untried, operational transparency has yet to show measurable impacts on credit union performance high-quality, low-cost financial services, including credit.

WHAT ARE THE CREDIT UNION IMPLICATIONS?

Credit unions looking to increase their members' satisfaction and drive faster growth should consider using these three strategies:

- **Collect and use MX data regularly.** These data point to your strengths and areas for improvement, and are useful for measuring how adjustments you make are working. In conjunction with other research, these data can also help you construct a profile of your core membership to support focus on member compatibility.
- **To better address member compatibility, learn who constitutes your core membership and who you are as a credit union.** First, identify your core membership by understanding your current members: What are their needs? Which of your products and services do they use most? Second, understand who you are as a credit union: What are your most successful product lines and your most used delivery services? Find the overlaps between your compatible membership’s needs and your credit union’s strengths to narrow focus and resources.
- **Identify areas to provide operational transparency.** Where can you “lift the veil” and show members the work you are doing on their behalf? For example, how can you provide regular updates on loan applications or show progress as tech support works to resolve known glitches? Use operational transparency to build trust and encourage patience. Offering well-managed spaces for interactions and process sharing can increase engagement and loyalty.
Factors Contributing to Failures of Credit Unions and Banks, 1980–2018

Why do depository institutions fail? Do credit unions and banks fail at the same rate? What if there was a predictive tool to help prevent institutions from closing their doors?

EXECUTIVE SUMMARY

This report modeled nearly 40 years of data to identify the key factors most closely associated with failures, why credit unions outperformed banks in this area, and what we can learn to prevent future failures. We review credit unions and banks across asset size ranges and time periods to identify lessons learned and potential predictive tools.

WHAT IS THIS RESEARCH ABOUT?

During 1980–2018, asset-weighted credit union failure rates were far lower than those of banks: 0.10% vs. 0.22%. By all measures, credit unions fail less often than similarly sized banks. Since federal insurance for credit union shares was launched in 1971, 3,192 credit unions and 1,977 banks have failed, resulting in losses worth $3.1 billion (B) to the National Credit Union Insurance Fund (NCUSIF) and $154B to the Federal Deposit Insurance Corporation (FDIC) (both adjusted for inflation and expressed in 2018 dollars).

During the financial crisis, credit union failure rates increased far less (from 0.18% to 0.27% annually for the extended periods before and including the financial crisis) than banks’ (from 0.05% to 1.02%).

WHAT ARE THE CREDIT UNION IMPLICATIONS?

What factors are most closely associated with failures of credit unions and banks? Our research uncovered that the key triggers reflect CAMELS ratings. Depository institutions were more likely to fail when they had the following:

- Less capital.
- More delinquent loans.
- Lower returns on assets (ROAs).
- Smaller asset size.
- More noninterest expenses per assets.
- Very fast asset growth.
- More concentrated asset portfolios.
- Higher state unemployment rates.

But along with commonalities, there was a key difference between credit unions and banks. We conclude that during the financial crisis, bank failures rose more than credit union failures because banks took more risk. There is a fine line between taking risks and having bad outcomes. Building a glass house in a hurricane zone would mean taking a risk. In years without hurricanes, you would not experience any bad outcomes. Once a hurricane does sweep in, having built a glass house is not more or less risky, but it does hasten bad outcomes.

To develop consistent measures of risk, we used failure prediction models. While not a crystal ball, these models can provide valuable insights. They can help credit union executives and regulators take early action to prevent failures, and even earlier action to reduce failure risk. They can also combine multiple failure-related factors into a single overall measure of failure risk, or risk taking, that can be compared across financial institutions or over time.

Credit unions—and banks—have the CAMELS framework as a guideline to help monitor and ensure their success. However, using failure prediction models, executives and regulators can leverage data to better quantify and monitor the risks that threaten their institutions’ long-term viability.
Filene’s FY20 revenue increased by 10% over prior year thanks to generous donors providing over $5 million towards sponsorship of Filene’s six Centers of Excellence which are 73% funded as of 6/30/20. Membership contributions were unchanged over the prior year in part due to COVID-19 as we shifted our Q4 focus to outreach and support for our members, providing real-time, relevant resources to help navigate these difficult times. Our program service revenue was also negatively impacted, declining by 47% as Advisory Services, historically delivered in-person, were cancelled or postponed. Operating expenses increased by 9% but were less than planned as Filene shifted from in-person events to virtual, delivering savings in travel and event costs. Our investments in technology and people enabled the successful migration of the Filene team to remote working in March 2020 with no downtime and has us well-positioned to operate into the uncertain future.

### REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and Grants</td>
<td>$9,364,093</td>
<td>$7,828,453</td>
</tr>
<tr>
<td>Program Service Revenue</td>
<td>$710,822</td>
<td>$1,328,640</td>
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<tr>
<td>Other</td>
<td>$105,933</td>
<td>$115,471</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$10,180,848</strong></td>
<td><strong>$9,272,564</strong></td>
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### EXPENSES

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<tr>
<td>Program Services</td>
<td>$5,852,778</td>
<td>$5,348,934</td>
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<tr>
<td>Membership Development and Fundraising</td>
<td>$1,316,344</td>
<td>$1,175,246</td>
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<tr>
<td>Support Services</td>
<td>$1,309,325</td>
<td>$1,232,025</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$8,478,447</strong></td>
<td><strong>$7,756,205</strong></td>
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### NET ASSETS

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<tr>
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<tbody>
<tr>
<td>Beginning</td>
<td>$10,427,124</td>
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<tr>
<td>Ending</td>
<td>$12,129,525</td>
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Detailed FY 2020 Audited financial statements and 990 filings are available on guidestar.org.
Some of the finest thinkers in the credit union system serve on our board. Under their direction, Filene Research Institute continues to drive change for credit unions and their members.

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On December 17, Filene’s founding chair of the board, RC Dick Robertson passed away at the age of 90. Cheers to the family of RC—because of him credit unions, their members and communities are better.

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A SPECIAL THANK YOU TO OUR INNER CIRCLE CONTRIBUTORS

A+ FCU
Alaska USA FCU
Alliance Catholic CU
Bank-Fund Staff FCU
Bellwether Community CU
Bethpage FCU
Canadian CU Association
Canvas CU
CDC FCU
Charity FCU
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Kohler CU
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SaladAmerica CU
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Star One CU
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Symitar
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Topside FCU
Travis CU
The Golden 1 CU
Town & Country FCU
Trellance
Tucumces FCU
Universal 1 CU Inc
West Community CU
Wright-Patt CU Inc

VISIONARIES

FILENE SUPPORTERS FY20

LEADERS

A+ FCU
Alaska USA FCU
Alliance Catholic CU
Bank-Fund Staff FCU
Bellwether Community CU
Bethpage FCU
Canadian CU Association
Canvas CU
CDC FCU
Charity FCU
CommonWealth One CU
CU of New Jersey
Downey FCU
Education-First FCU
ELGA CU
Evergreen CU
Excite CU
Financial Center CU
First Northern CU
First Technology FCU
FIS
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Greater Iowa CU
Heartland CU
Infinity FCU
Johns Hopkins FCU
Kays FCU
Kinetic CU
Kohler CU
Local Government FCU
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Marine Savings FCU
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The Filene Research Institute Think Tank serves as one arm of the Research and Incubation Advisory Council connecting a group of influential CEOs and senior executives from credit unions and credit union system organizations to Filene’s research and incubation agenda and activities. Members of the Think Tank serve as the voice of credit unions and the credit union system to deepen Filene’s relationship with and understanding of the needs and challenges of credit unions, partner organizations and consumers.
EVERY EMPLOYEE AT YOUR CREDIT UNION CAN CREATE THEIR OWN PERSONAL ACCOUNT THROUGH A SIMPLE TWO-STEP PROCESS.

AS A FILENE MEMBER, YOU HAVE UNLIMITED ACCESS TO VIEW AND DOWNLOAD FILENE’S ARCHIVE OF RESOURCES, INCLUDING:

- Research
- Toolkits
- Workshops

PLUS OTHER ACTIONABLE RESOURCES TO LIFT YOUR ORGANIZATION'S PERFORMANCE.

EVERY EMPLOYEE AT YOUR CREDIT UNION CAN CREATE THEIR OWN PERSONAL ACCOUNT THROUGH A SIMPLE TWO-STEP PROCESS.

1. VISIT filene.org
2. SELECT "CREATE AN ACCOUNT" IN THE UPPER RIGHT HAND CORNER.