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# CREDIT

## UNION Tracker™



## CREDIT UNIONS HELP LEGALIZED Marijuana Businesses Put Down Roots

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# WHAT'S INSIDE



Consumers need access to financial education if they want to lead stable financial lives. As such, several credit unions (CUs) recently headed back to school to promote greater financial literacy to members — and students.

Teachers Credit Union of South Bend, Indiana, recently came to a five-year [agreement](#) with the Hamilton Southeastern School district, which serves 21,600 students. It will provide cash management services to improve the district's financial operations in exchange for exclusive naming rights for two high school football fields in the region.

Meanwhile, another CU partnership promises to bridge not just the divide between financial services and sports, but also between the U.S. and Canada. WFCU Credit Union of Windsor, Ontario, was [recently](#) named the official CU of the Detroit Lions, the first Canadian financial institution (FI) to partner with the team. The deal also marks the first time a Canadian FI has been named the official partner of an NFL franchise.

Credit union collaborations extend far beyond education and sports, however. In recent weeks, CUs have joined together to improve lending services, enhance data insights and help meet compliance requirements.

## Recent CU industry developments

When issuing loans, some CUs have their heads in the cloud. 1st Community Federal Credit Union of San Angelo, Texas, [became](#) the first CU to offer a cloud-based loan origination system (LOS) from credit union service organization (CUSO) Sync1 Systems. The latter, owned by the CU, claims its LOS can help CUs speed up and streamline the lending process, from application to approval.

Another technology partnership aims to help credit union members make more informed financial decisions through actionable data insights. Ent Credit Union of Colorado Springs, Colorado, recently [released](#) a suite of digital money management (DMM) solutions from provider MX. The offerings allow members to track

spending, aggregate information from multiple accounts, set budgets and accomplish other financial tasks.

While some innovations help members manage finances, others are aiding them in remaining compliant with state and federal regulations. The Credit Union National Association (CUNA) has selected compliance software solutions provider Quantivate to establish a platform that integrates solutions and centralizes requirements.

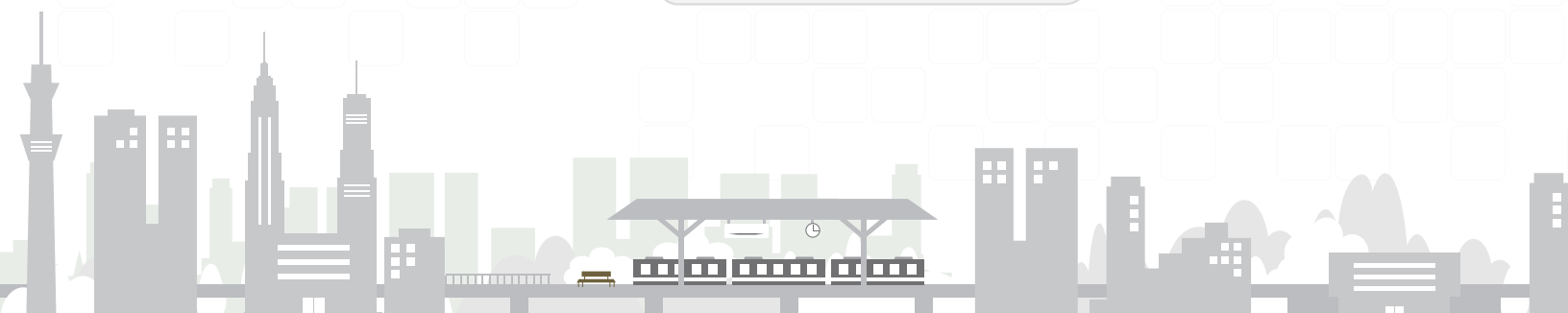
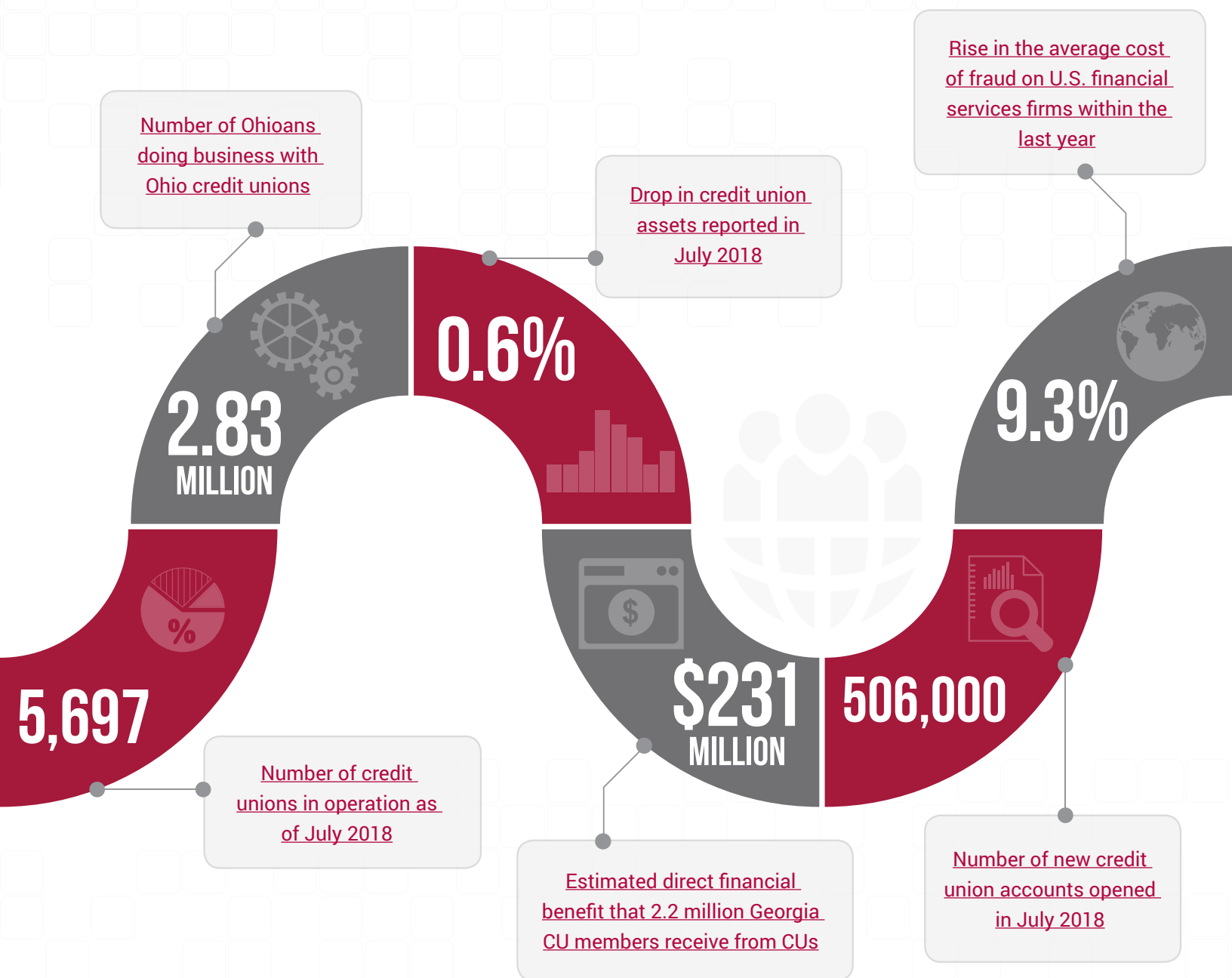
### **A helping hand for legalized marijuana business**

Shifting regulations have allowed legalized marijuana businesses to open shop in Massachusetts, where the first retail licenses were recently authorized by the state's regulatory agency. Legalizing marijuana and helping

merchants run a valid operation present a wide array of challenges, however, and such merchants often struggle to receive support from legitimate FIs.

GFA Federal Credit Union of Gardner, Massachusetts, recently stepped forward to offer these businesses financial services. In this month's Tracker feature story (p. 6), CEO Tina Sbrega explains how the CU's history of serving French-Canadian immigrants informs its recent move to help emerging marijuana merchants.







**CREDIT UNIONS HELP LEGALIZED**  
Marijuana Businesses Put Down Roots





“ I think the credit union industry plays a very vital role in serving the underserved. ”

**TINA SBREGA,**  
CEO of GFA Federal Credit Union

On October 4, the Massachusetts Cannabis Control Commission (CCC) [issued](#) its final four recreational marijuana licenses to businesses, meaning legal marijuana will soon be available for purchase.

Massachusetts joins a handful of states, including Colorado, Washington and Maine, that have taken steps to legalize recreational marijuana. Legal use does not necessarily mean legitimate business, however, and this emerging and often-controversial industry may quickly encounter financial roadblocks, which credit unions (CUs) are uniquely suited to address.

A few weeks before the CCC issued its final licenses, [GFA Federal Credit Union](#) of Gardner, Massachusetts,

[announced](#) it would be willing to work with legalized marijuana businesses, extending financial services to the industry and providing marijuana retailers with the same financial benefits used by traditional businesses.

GFA joins a small, but steadily growing, group of CUs that are offering financial services to this emerging market. Based on the latest [data](#) from the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN), there are approximately 100 credit unions nationwide currently working with legalized marijuana businesses.

In a recent interview with PYMNTS, Tina Sbrega, GFA's CEO, explained how the decision harkens back to the CU's history of catering to the unique financial needs of the underbanked.

"I think the credit union industry plays a very vital role in serving the underserved," Sbrega said. "Part of our mission is to improve the quality of life in our communities. So, when we started talking to our board of directors about entering the cannabis banking space, we really looked to our mission statement."

### Helping a green industry give up the green stuff

As marijuana was, previously, a banned substance in the state, those interested in purchasing and selling it relied on cash. Recreational marijuana may be legal now, but many FIs remain reluctant to conduct business with marijuana retailers, due to the industry's controversial nature. This forces many operations to continue using cash.

GFA, however, will offer basic financial tools to these businesses, including access to online banking, checking

“The industry is looking for basic banking services ... If you think about any retailer or manufacturing firm, the last thing they want to worry about is, 'What are we going to do with all this cash?'”

accounts, debit cards, cash management and payroll services. By offering these financial services and tools, GFA is hoping to help put marijuana merchants on the path to financial legitimacy.

"The industry is looking for basic banking services," she said. "If you think about any retailer or manufacturing firm, the last thing they want to worry about is, 'What are we going to do with all this cash?'"

Making digital banking tools available to marijuana merchants allows them to shift away from cash — a move that could make the industry safer for both businesses and their staff.

"[Marijuana retailers] want to think about growing their businesses, enhancing operations and taking care of their employees," she said. "They don't want to spend half their day moving money around and worrying about their employees getting paid in cash."







GFA spent time researching how Colorado was affected after it legalized recreational marijuana in 2012: The state's marijuana businesses were often beset by break-ins, robberies and even murders. As a result of this research, helping the industry shift away from cash is a public safety measure.

"That was really our driving force," Sbrega said. "[We believe] somebody has to provide banking services for this legitimate industry."

### **Serving an unbanked industry**

Offering financial services to a traditionally unbanked industry dates back to GFA's beginnings. The CU was

founded in 1938 to offer financial services to French-Canadian immigrants who moved to the Gardner area to work in manufacturing plants. Before GFA, immigrants struggled to find a bank that would offer financial services to non-citizens. Its desire to work with the emerging marijuana market parallels why GFA was founded in the first place.

"Here we are, 80 years later," she said, "finding ourselves in a position where we feel it's important to serve an underserved or underbanked community."

It's not uncommon for CUs to work with non-traditional businesses, such as marijuana retailers. They are often more willing to work with small businesses that might be overlooked by more traditional banks.

"Some of the small-business loans that we make would be shunned by a larger financial institution, because it's not a large enough loan request to satisfy their needs," Sbrega said.

As mission-driven organizations, CUs are positioned particularly well to address the financial needs of enterprises that traditional banks might dismiss.

### **Understanding the risks**

Recreational marijuana may be legal in Massachusetts, but it remains banned at the federal level, which puts pressure on marijuana businesses and their financial

partners to ensure they follow regulations regarding marijuana-related money.

“This is a taxed business, yet the Department of Revenue and the IRS don’t accept cash,” Sbrega said, describing one of the tax, regulatory and compliance-related roadblocks these businesses face.

GFA has consulted with Colorado-based Partner Colorado Credit Union and its subsidiary, Safe Harbor Private Banking, which provides marijuana businesses with banking and compliance services, to ensure that it is complying with all relevant regulations. GFA will also follow compliance guidelines and take steps to ensure it only engages with legitimate retailers.

“We want to make sure every ‘t’ is crossed and every ‘i’ is dotted,” Sbrega said.

Despite these challenges, Sbrega is optimistic that GFA will be able to provide marijuana businesses with the necessary financial resources, reducing their reliance on cash and the risks associated with it.

“My hope is to provide legitimate banking services to meet the needs of a growing industry,” she said, “and that we can form business partnerships with the industry.”

It won’t be an easy road for marijuana retailers, but the support of a mission-driven CU can go a long way toward clearing the smoke.





## NEW CREDIT UNION INNOVATIONS

### NWCUA, IP Services partner on cybersecurity, IT solutions

A CUSO and an IT and cybersecurity solutions provider recently came together to help CUs maintain vigilant against cybersecurity threats. The Northwest Credit Union Association (NWCUA) — which represents more than 180 credit unions in Idaho, Oregon and Washington — and IP Services have announced a partnership to provide cybersecurity and IT system management solutions for member CUs. The latter offers an integrated set of

processes and controls to deliver uninterrupted systems and business performances, according to a press release. The solutions will also help members meet compliance and security requirements.

### 1st Community FCU offers LOS services

Another CUSO and FI pairing has looked to implement a new loan origination solution. 1st Community Federal Credit Union of San Angelo, Texas, became the first CU to offer Sync1 Systems' cloud-based LOS to streamline the lending process and increase an application's speed through the approval stages.

The move was driven, in part, by the technology behind 1st Community FCU's previous LOS, which was aging,



according to a news release. The CU owns Sync1 Systems, which provides CU members with access to cloud-based lending technologies.

### **MX offers financial insight mobile services for Ent Credit Union**

While 1st Community FCU launched a loan-issuing solution, Ent Credit Union of Colorado Springs, Colorado, recently **debuted** a solution to improve members' daily financial lives. It will now use digital money management (DMM) solutions from data solution provider MX in its Money Insight tool.

With the DMM solutions in place, members can aggregate accounts across FIs, track spending, create budgets and more effectively manage their debts, the CU claimed. Ent is also making the solution available to its 300,000 members for free through its mobile and online banking channels, according to a news release.



### **CO-OP reveals first THINK 19 conference speakers**

Credit unions hoping to implement DMM, lending, fraud prevention or other services will soon have a chance to consider innovation opportunities at CO-OP Financial Service's annual THINK 19 conference. The conference gathers CU thought leaders to provide guidance and consider new ways to adopt digital solutions.

CO-OP **announced** the conference's first two keynote speakers earlier this month, including author and entrepreneur Seth Godin and author and celebrity chef José Andrés. Godin is the founder of publishing platform Squidoo and the author of "Linchpin" and "What to Do When It's Your Turn (and It's Always Your Turn)." Andrés, meanwhile, is a pioneer of the Spanish tapas food movement in the U.S. and the founder of the restaurant organization Think Food Group. He also authored "We Fed an Island," which outlined his efforts to deliver food to Puerto Rico following last year's hurricanes.

## MERGERS AND PARTNERSHIPS

### **Educators Credit Union taps CUNA Brokerage Services financial services**

One credit union is looking to a new partnership to provide its members with a wider range of financial offerings. Wisconsin-based Educators Credit Union has announced it would make CUNA Brokerage Services

available to its 170,000 members through its Educators Investment Services program. According to a [news release](#), offered services include retirement planning, wealth management, mutual funds, education funding, 401(k)/pension rollovers, life insurance and long-term care insurance, among others.

### TCU forms partnership with Hamilton Southeastern Schools

In other education news, Teachers Credit Union of South Bend, Indiana, recently forged its own [alliance](#) with a local school district, entering a five-year agreement with Hamilton Southeastern Schools. The CU will provide cash management services to improve its financial operations, and is expected to provide Hamilton Southeastern — which represents 21,600 students across 12 elementary, four intermediary, four junior high and two high schools — with more than \$1.3 million in annual support. A press release announcing the deal noted the CU also acquired exclusive naming rights to the Fishers High School and Hamilton Southeastern High School football fields.

### Detroit Lions selects WFCU as official credit union

Elsewhere on the gridiron, the Detroit Lions NFL franchise has named WFCU Credit Union as its official credit union, a [partnership](#) that allows both to offer financial literacy education to members in Ontario's Windsor-Essex schools. WFCU is planning school assemblies hosted by the Detroit Lions Football Education association, featuring appearances by members of the team and its mascot, Roary. The assemblies will cover topics including financial literacy and anti-bullying, and offer contests and giveaways.

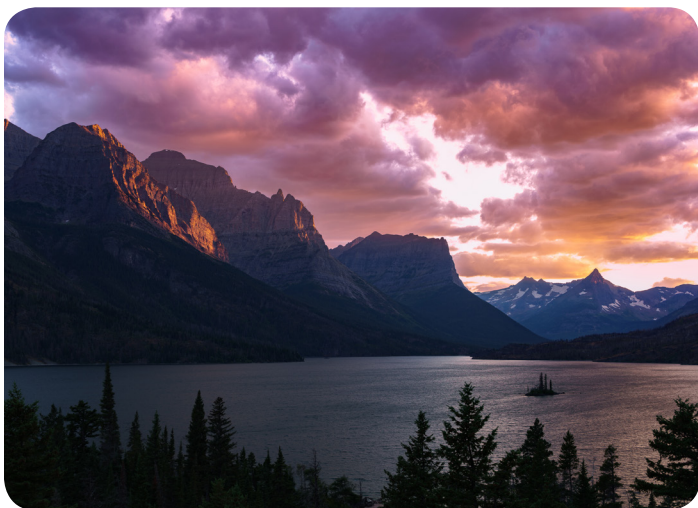


The partnership, which began this season, will extend through the 2020 season and give WFCU the banner of “Official Canadian Credit Union” of the Lions. The partnership makes WFCU the first Canadian financial partner in the franchise’s history, and marks the first time a Canadian FI has been named the official partner of an NFL team.

### Wescom Credit Union lands UCLA naming rights

Football is not the only sport seeing new CU partnerships. Wescom Credit Union of Pasadena, California, recently reached a 10-year agreement to rename UCLA’s Pauley Pavilion basketball arena to the Edwin W. Pauley Pavilion presented by Wescom. The [agreement](#) is valued at \$38 million, part of which will be diverted to preserving and maintaining the Pavilion, which has been in operation since 1965.

Under the agreement, Wescom will post its signage outside the facility to officially mark its rebranding. The CU will also be able to offer financial education



services to UCLA faculty and student athletes, and provide a “Financial Wellness Program” for incoming UCLA students. The naming rights build upon an existing Wescom-UCLA relationship. The credit union is the official banking partner of UCLA’s Campus Life program, the UCLA Alumni Association, UCLA Athletics and the Rose Bowl.

### **CommunityWorks, Self-Help announce merger**

Elsewhere, a pair of CUs are building upon their existing relationship. Greenville, South Carolina’s CommunityWorks Federal Credit Union recently [announced](#) a merger with Self-Help Credit Union of Durham, North Carolina. Originally chartered in 2014 by the CommunityWorks nonprofit community loan program to provide financial services to unbanked or underbanked populations, CommunityWorks FCU serves nearly 1,500 members and holds 765 loans valued at approximately \$4 million.

In a statement, CommunityWorks FCU chairman John Malone said the merger was necessary because “research demonstrated it would take over a decade to raise enough funds to offer mortgage loans.”

### **Rocky Mountain, River Valley to offer private deposit insurance**

Two other credit unions recently [announced](#) a shift in their deposit insurance offerings. Rocky Mountain Credit Union of Helena, Montana, and River Valley Credit Union of Miamisburg, Ohio, have come together to move away from federal insurance offerings and toward private ones from member-owned share guaranty corporation American Share Insurance (ASI). The move will enable both to choose private deposit insurance instead of federally backed offerings. ASI already provides insurance to more than 50 CUs in Ohio, and the partnership makes Rocky Mountain Credit Union the first in its state to switch from federal to private deposit insurance.

## **RULES & REGULATIONS**

### **CUNA selects Quantivate as new provider**

While Rocky Mountain and River Valley move away from federal insurance, a major CUSO has made a similar change of its own. The CUNA recently [announced](#) it had selected government, risk and compliance software solutions provider Quantivate to create a new platform to offer integrated compliance solutions. It will centralize



state and federal compliance requirements in a single location, allowing both CUNA and credit unions to collectively meet obligations and reduce related burdens.

A news release announcing the decision noted that state and federal regulators' ever-shifting rules puts immense pressure on credit unions to meet set standards. The CUNA Board commissioned the industry-wide compliance solution's development in 2017, calling for input from CUNA staff and compliance advisory groups.

### **New Fed regulation adopts presumption of alteration for paper checks**

In other compliance news, the Federal Reserve recently amended rules governing how FIs address check alteration when a physical copy is unavailable for inspection. The rule acknowledges that physical copies of paper checks are likely to be unavailable for inspection in the digital age, and adopts a presumption of alteration when a substitute or electronic check includes an alteration — or is derived from an original check issued with an unauthorized signature.

The Uniform Commercial Code (UCC) currently calls for institutions that receive altered checks during forward collection to conduct warranty claims against the banks that transferred them. If a forged check is delivered, the delivering FI is charged with identifying the culprit, making depositories responsible for losses related to altered checks and paying institutions responsible for those resulting from forgeries. The new rule includes presumption of alteration in certain cases, such as disputes between institutions, but only when one FI has transferred an electronic or substitute check to another. The rule goes into effect on Jan. 1, 2019.



### **CUs, community banks can pool resources to fight money laundering**

Credit unions recently received the green light to work with community banks in the fight against money laundering. A working group comprised of representatives from the Federal Reserve, Federal Deposit Insurance Corp. (FDIC), U.S. Department of Treasury, Office of the Comptroller of the Currency (OCC) and the National Credit Union Administration (NCUA) has been created to establish anti-money laundering (AML) processes. Its first regulation allows credit unions and community banks to pool resources for AML compliance, enabling these FIs to better protect against financial crimes while also keeping costs low.



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### Feedback

We hope you enjoyed this Tracker and we welcome your feedback. Please feel free to contact us at [creditunion@pymnts.com](mailto:creditunion@pymnts.com).

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