

CREDIT UNION TRACKER®

JANUARY 2022



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Clearview Federal Credit Union on maintaining personalization in the age of digital banking

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Finding the path to meeting members' digital-first expectations

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■ DECEMBER 2021
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EDITOR'S LETTER

Consumers continuing to weather the pandemic now expect digital-first experiences in all aspects of their lives, from ordering takeout to applying for loans. This mass migration toward digitization has significantly affected the financial space, with entrants such as digitally savvy financial institutions (FIs), neobanks and FinTechs offering products and services that meet consumers' new needs.

Credit unions (CUs) are working hard to keep up and are fast-tracking their digital initiatives to compete, all while aiming to maintain the characteristics that endear them to members. That has paid off, and 80% of CU members say they are highly satisfied with their CUs' innovations, while the portion of members who would consider switching to new FIs for innovative products has fallen 11% in the past year.

There is no one-size-fits-all approach for CUs to retain existing members and attract new ones during this digital shift. They may benefit by developing unique product profiles and services tailored to their members and their local communities. Whether providing specialized products to families with teens or developing services suited to small businesses, CUs can offer experiences and customer service skills that stand out from the pack and create value for their members.

CUs can personalize interactions with members even in their digital offerings. Data analysis and artificial intelligence, in particular, can help CUs ensure that their offerings and services hit the mark. Many credit unions take cues from members' newfound appreciation for emerging payment methods and offer products such as digital wallets, peer-to-peer (P2P) payments and innovative lending solutions.

Not all credit unions can develop digital-first banking services in-house, however, and third-party providers are stepping in to fill in the gaps for many CUs. White-label solutions and partnerships with FinTechs, for example, can give CUs an edge in putting the latest technology at members' fingertips. CUs' implementation of digital strategies in the future will significantly impact whether they can keep members from switching primary FIs and whether they can win back members who have already sought products and services elsewhere.

Thought Leadership Team
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■ Feature Story

Clearview Federal Credit Union On Maintaining Personalization In The Age Of Digital Banking

The pandemic has pushed consumers to use mobile and online platforms more frequently, and businesses of all types have stepped up to offer solutions across these channels. Credit unions have been particularly invested in innovation to keep their members' personalized banking needs on track despite the disruption.

Members at [Clearview Federal Credit Union](#) are now accustomed to these digital solutions and have begun to settle into a new normal more than a year later, said Bill Snider, the CU's vice president of digital strategy and marketing. He noted that usage of those channels is not just robust: It is still growing. Continuing to build members' enthusiasm and appreciation for digital innovation requires keeping their evolving needs in mind rather than simply implementing the latest technology because it is there.

"Sometimes that next flashy thing is cool, but you really have to balance that," Snider said. "The thing that we always look at is, is there a solution, a service, that today only exists in the physical world? Then let's make sure it's also available online. And if it's available online, let's make sure that it's available as well in the app so that everything is consistent."

Keeping the cross-channel experience consistent for members also involves investing in the right tools. Snider said that Clearview, for example, has a unified video banking platform, [Clearview Live](#), that is available via the CU's website, mobile app and interactive teller machines (ITMs). The services provided are consistent across interfaces, though members must use ITMs for cash transactions. Clearview has had ITMs for several years, but Snider explained that the pandemic prompted the CU's expansion to video banking.

"We launched [Clearview Live] during the pandemic because we saw that need," Snider said. "People could not get out, or maybe they didn't want to get out, but they still needed to talk to somebody and still wanted to be able to interact."



Snider said the solution has helped many members who have moved from the Pittsburgh area, where all its branches are located, but want to continue banking with Clearview. Some members use Clearview Live to call in weekly in the same way they made weekly branch visits, he explained, enabling bank personnel to build a rapport with members thousands of miles away.

“Year to date, from 2021, we talked to folks on video banking from 48 different states,” Snider said. “It really allows people to belong to Clearview who might have moved out of the area, really didn’t have a connection to Clearview, and that connection is now back.”

STAYING CONNECTED IN A DIGITAL AGE

As CU members turn more and more to online and mobile banking channels, they also have more opportunities to bank with other FIs. This factor, paired with credit unions’ need to keep up with the latest technologies, makes it more difficult for CUs to maintain close relationships with members, some of whom may never visit a physical branch. ITMs and video banking can solve some of these concerns, but harnessing modern tools to analyze and track member data can deliver insights to CUs that allow

them to know and understand members better than ever before.

Marketing financial products to members previously involved mass mailings and generic outreach, but advancements in data analytics have changed that. Credit unions can now approach members with products tailored not just to their age ranges or incomes, but also to their individual needs.

“The days of batch-and-blast are over,” Snider said. “The days of, ‘Hey, it’s auto loan Tuesday, we’re going to send an email,’ that’s gone. We use data to make sure we send the right message at the right time to the right people. We know what products they have from us, and we have third-party data that tells us if they’re more open to new products.”

Snider said that members’ engagement with products allows credit unions to see what is working and not and adjust as needed. Still, he explained, CUs must possess a data-driven mindset to best use these insights. Credit union executives need to listen to members and avoid disregarding data based on their gut feelings, as acting on this information can reinforce the personalized relationships for which CUs are known.

“Not only are we having those personal connections, which you can never replace, but even if somebody decides not to walk into a branch or call somebody, we still know them,” Snider said.

DATA AND ANALYTICS MAKE THE MEMBER EXPERIENCE MORE PERSONAL

Third-party data can also help credit unions know whether members are procuring products such as car loans or mortgages from other FIs. CUs without these insights may not realize that a member was even in the market for these products, and they can use this knowledge to reach out and ensure that a member is aware of the loan options the CU offers.

“When our front-line folks talk to somebody, they’re having even more meaningful conversations because, yes, they have that personal knowledge of them, maybe from calling them before, but now they have additional information that they can use to make that conversation even better,” Snider said.

The digital transformation creates new ways for consumers to bank and establishes fresh competition for credit unions, but that does not mean that CUs must sacrifice personalization to keep

up. Technologies such as mobile wallets, instant-issue cards and ITMs are just tools. Rather than changing how CUs serve their members, those tools can become an extension of the characteristics that have drawn members to CUs for decades.

“Not only are we having those personal connections, which you can never replace, but **even if somebody decides not to walk into a branch or call somebody, we still know them.**”



Q&A

DENISE STEVENS

Senior vice president, chief product
and digital officer



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How can CUs use emerging technologies to not only expand their digital offerings but also augment the personalization for which they are known?

“As tech giants like Amazon, Netflix and Spotify, among others, continue to develop highly personalized experiences, consumers now want and expect personalization across all facets of their lives. So it comes as no surprise that this type of customization is now expected from consumers’ financial partners. Credit unions have [several] channels to consider when it comes to delivering personalization. As just one example, setting up personalized, automated emails based on rules can successfully target segments of consumers who need additional financial assistance or reminders to maintain their financial health. Proactive and meaningful connections like this can reduce anxiety, strengthen engagement and increase loyalty through the entire lifecycle of the member relationship.

Leveraging the right tools and data to establish a different kind of engagement model driven by analytics — an opti-channel approach — enables credit unions to use data to create experiences specific to each member and their individual needs based on the value the member represents to the credit union. While current tools enable users to start activities in one channel and complete them in another, today’s members are conditioned to expect more. Integrating consumer-focused processes across all available channels and optimizing each channel experience will create intelligent engagement [where] experiences are more proactive and personalized. Harnessing member data to better understand how they interact with their institution, including when and through which channel they transact, will help fuel proactive connection via multiple channels.”



CU Innovations Aimed At Meeting The Challenges Of A Changing World

It is no longer enough for credit unions to compete with banks within the regions in which they operate. They must now be ready to go toe to toe with digitally savvy FIs and FinTechs that can offer services accessible anywhere and across any channel. Roughly half of CU members also bank with other FIs, even though many want to do all of their banking with a single institution. More than one-third of credit union members would be at least “somewhat” open to leaving their CUs for FIs that offer all the financial products they need, with more than half of millennial members saying this.

CUs that lack digital-first services and innovations must work to change that — fast. Some are losing ground as primary FIs, and member satisfaction has also dipped in recent years alongside the CU market share for auto and personal loans. Easy access to a physical banking touch point is also important for consumers, and 55% choose their FIs based at least in part on the convenience of a nearby branch. CU members also tend to be more community-focused in their FI choices and are more likely than other FI customers to look at factors such as teller helpfulness and an institution’s community involvement.

Innovating digital-first banking products, meeting members’ expectations for payment options such as digital wallets and investing in solutions that reinforce CUs’ reputations for personalization are all significant contributors to their success. This month, PYMNTS examines the strategies and opportunities available to CUs that can help them retain members and appeal to new ones in an increasingly digital world.

FIGURE 1: CHALLENGES THAT CUs FACE WHEN BRINGING INNOVATIONS TO MARKET

Share citing select factors as hindrances to their innovation efforts



Source: PYMNTS | PSCU Credit Union Innovation Study

PAYMENTS AS A PATHWAY TO PRIMACY

Credit unions have increased their investments in some digital innovations, such as mobile wallets, in which 80% of CUs said they were investing in 2021 — up from 54% in 2018. During that same time period, the percentage of CUs investing in contactless cards doubled from 21% to 42%. Increased investment in digital options is not ubiquitous, though. Since 2018, the percentage of CUs investing in P2P payments has shrunk from 40% to 4%.

Developing digital payment options that draw members back into the financial fold will be vital in helping CUs solidify their positions as members' primary or sole FIs. Payments account for 80% of consumers' interactions with their FIs, and 88% of CU members already engage with digital products through an FI — though not always with their CU. CUs are working hard to respond to that demand, however, and around twice as many are investing in contactless cards compared to the share that did so in 2020.

As FIs pivoted to digital channels during the pandemic, CUs faced the challenge of maintaining the personal touch and service that is often a main selling point for members. Social distancing limited the face-to-face interactions for which credit unions are typically known, but technology opened numerous avenues for CUs to still offer

personalized services. Digital self-service options based on data and analytics can enable CUs to reinforce members' sense of individualized attention.

Technology investments can play a crucial role in helping credit unions maintain personalization. ITMs, for example, offer services that once were solely the domain of in-person branches, such as money orders or bill payment, and they also provide video call capabilities that link members with employees. CUs can also leverage online and mobile app tools to offer video banking services. These products can augment the digital banking experience, enabling CU members to experience the personalization of face-to-face interactions without stepping foot into branches.

New hardware and software are not the only technologies allowing CUs to innovate. They can also harness digital-first banking practices to encourage loyalty and gain business with targeted products, such as banking solutions for teenagers and young adults that combine mobile banking with financial education. Business banking products, meanwhile, can improve back-office efficiency and give CUs another revenue stream.

TABLE 1: WHICH NEW PRODUCTS AND SERVICES ARE GETTING CU FUNDING**Share that cite select innovations as areas of investment, by year**

	2018	2019	2020	2021
Loyalty or rewards programs	29.4%	33.0%	77.2%	98.0%
Customized product offerings for members	21.6%	10.0%	44.6%	97.0%
Security, authentication or digital identity	48.0%	35.0%	41.6%	93.0%
Planning or budgeting tools	39.2%	9.0%	38.6%	85.0%
Mobile wallets	53.9%	54.0%	86.1%	80.0%
Fraud management and anti-money laundering	71.6%	69.0%	44.6%	69.0%
Mobile banking capabilities	0.0%	77.0%	70.3%	43.0%
Contactless cards	20.6%	31.0%	33.7%	42.0%
Small business credit	0.0%	24.0%	67.3%	36.0%
Voice assistants	0.0%	18.0%	11.9%	27.0%
Real-time payments	71.6%	76.0%	14.9%	10.0%
Installment credit	19.6%	50.0%	28.7%	7.0%
SMB payroll	0.0%	0.0%	4.0%	5.0%
P2P payments	40.2%	40.0%	26.7%	4.0%

Source: PYMNTS | PSCU Credit Union Innovation Study

CREDIT UNIONS PLAN FOR THE FUTURE

There are encouraging signs that credit unions' digitization efforts are shaping up. One [report](#) projects that just 15% of CUs had yet to unveil digital transformation strategies by the end of 2021, while approximately one-quarter of all banks said the same. CUs are [making](#) progress despite rapid and sweeping market changes, laborious bureaucratic processes and inadequate technical resources, and 80% of members agree that their CUs have successfully implemented innovations. Overall, CUs have primarily focused on innovating in loyalty and rewards, security and authentication, customized product offerings and planning and budgeting tools. In fact, 98% of CUs have invested in loyalty and rewards programs in the past year.

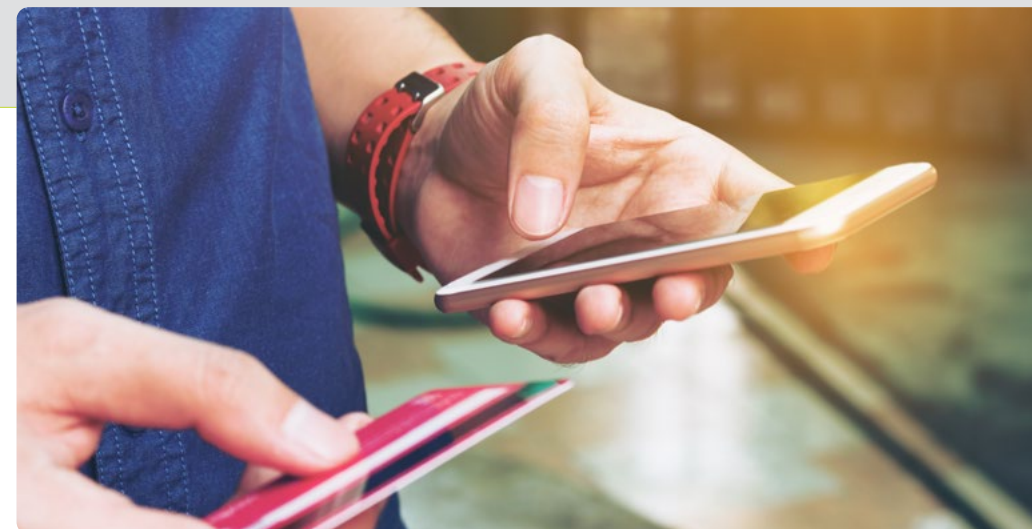
Regardless of these efforts, experts in the space [agree](#) that most CUs lag behind their peers in innovation. Getting on track with the transformations occurring in the banking sector will require CUs to make significant digital strides, from investments in technology upgrades to complete infrastructure rebuilds. CUs will need to take an honest look at the digital experiences they offer and work to eliminate friction points, putting digital architecture in place to consolidate and leverage their data to give members the services and products they want.

CU DIGITAL INNOVATION TRENDS

NCUA OPENS UP ACCESS TO CRYPTOCURRENCY MARKETS FOR CREDIT UNIONS

The cryptocurrency market is a hot topic among FIs, and credit unions in the United States are getting the go-ahead from federal regulators to get in on the action. New guidance from the National Credit Union Administration (NCUA) **permits** credit unions to offer members access to digital assets such as cryptocurrencies via partnerships with third-party service providers. The NCUA arrived at its decision after noticing that credit union members were increasingly taking money out of their CUs to purchase digital assets, and that there is a rising desire among members to explore crypto markets through their primary FIs.

The move would also allow CUs to build additional revenue streams. The NCUA **statement** specifically asserts that credit union members should be allowed to “buy, sell and hold various uninsured digital assets with the third-party provider” outside of their credit union. The panel does not necessarily consider the guidance complete, however, and noted that additional guidance might be needed as digital asset markets develop.



REDWOOD CU ROLLS OUT APP-BASED DIGITAL CARD ISSUANCE TO MOBILE WALLETS

Other digital payment methods are also on the rise, with mobile wallets gaining on credit cards in many markets. Recent **research** found that 29% of transactions in North America were made via mobile wallets in 2020, while 32% were conducted via credit card. Mobile wallet use is projected to account for more than 40% of transactions by 2024. It is becoming critical for FIs to enable mobile wallet solutions for customers, and credit unions are getting the message that they need these solutions to compete with neobanks and other digitally oriented institutions.

California-based Redwood Credit Union, for example, began offering digital issuance for both credit and debit cards in October and now allows members to push digital debit cards to their mobile wallets. Though Redwood CU has offered instant cards at branches for some time, digital issuance intends to make the process more convenient in addition to helping members and the CU save time. It also enables members to integrate their mobile wallets and existing CU accounts more easily. The Redwood CU said that 58% of its members currently do their digital banking exclusively via its mobile app.

WHITE-LABEL PREPAID ONLINE AND MOBILE SOLUTION DEVELOPED BY PSCU AND ENACOMM

Mobile banking apps and digital technologies are becoming must-haves for credit unions as they plot their digital transformations amid a sea of digitally focused competitors. Some service providers are working together to help CUs ease into the space. Credit union service organization PSCU recently **partnered** with FinTech enablement company ENACOMM to create white-label solutions for CUs seeking to develop prepaid online and mobile app banking tools. Credit unions can brand the prepaid mobile app and website platform offerings, allowing them to save costs and reduce the time needed for development. The solutions also offer advanced tools and security methods, such as biometrics and two-factor authentication.

The website platform and prepaid mobile app offer similar functionality to create a recognizable and complimentary cross-platform user experience. CUs can also use the web platform to provide members with breakout information about their finances and accounts, card activation and linking. The prepaid mobile app offers money-management functionalities, including smart budgets and alerts that notify members when they are approaching spending limits. The prepaid app also automatically categorizes expenses, allows for goal tracking, enables mobile check deposits and gives members the ability to lock or unlock cards.

CHALLENGES CREDIT UNIONS FACE

CU MEMBERSHIP IS UP, BUT MEMBERS STILL LOOK TO OTHER FIs FOR SOME SERVICES

Credit unions continue to attract more members, but many still struggle to keep them from seeking out some banking products and services from other FIs. Solving this issue will require them to pair personalization and customer service acumen with the latest digital offerings to win back members trying out products from FinTech giants like Stripe, Square and others, Brian Scott, senior vice president and chief growth officer at PSCU, told PYMNTS during a recent **interview**.

Scott explained that CU membership grew 29% in 2020, partly due to credit unions promoting expanded digital service offerings for historically underserved communities. Still, more than half of members sought services from other FIs, meaning CUs must carefully consider which digital offerings are required to earn them back. Scott also said that credit unions are well-placed to leverage their strengths in serving small- to mid-sized businesses (SMBs). The pandemic has spotlighted local businesses, creating an upsurge in growth. CUs, he argued, have an opportunity to gain a foothold in the market by expanding and emphasizing their SMB-related offerings.

STUDY SHOWS JUST 12% OF SMBs ARE TAPPING CREDIT UNIONS FOR FINANCIAL SERVICES

The small business space may offer opportunities for enterprising credit unions, but they will have to do better to muscle past banks and corner a share of the market. Newly released research shows that CUs have **trailed** other FIs when serving small businesses' financial needs during the pandemic. The lion's share of SMBs have worked with banks to access financial products and services, with 49% choosing large banks and 45% choosing small ones. Another 23% report using financial services firms, and 12% have turned to CUs. Breaking into this market can be a game-changer in helping credit unions grow, as 89% of small businesses rely on loans and lines of credit for capital and 21% turn to credit cards for funding.

CUs need innovation that goes beyond digital to gain and retain members

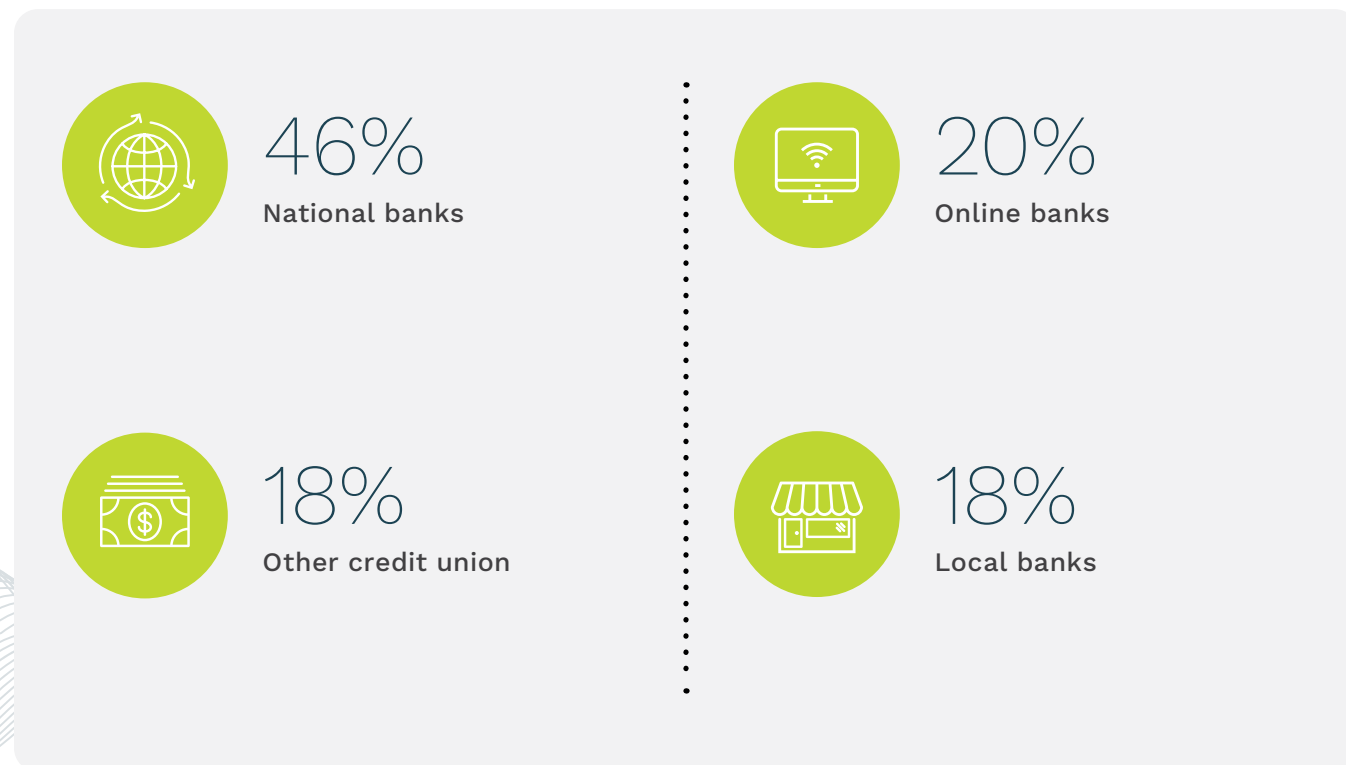
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Digital transformation has led to an increase in the number of FIs and FinTechs with which credit unions compete, and the pressure is on for CUs to ensure they are providing the latest technologies. At the same time, competitive products, trust and the personalized services for which they are known still play an important role in helping them gain and retain members.

CU members who obtain outside financial services, by type of FI they use

Approximately 55% of CU members turn to a secondary FI for financial products. National banks are the most common alternative, but CU members turn to various types of FIs to meet their needs.



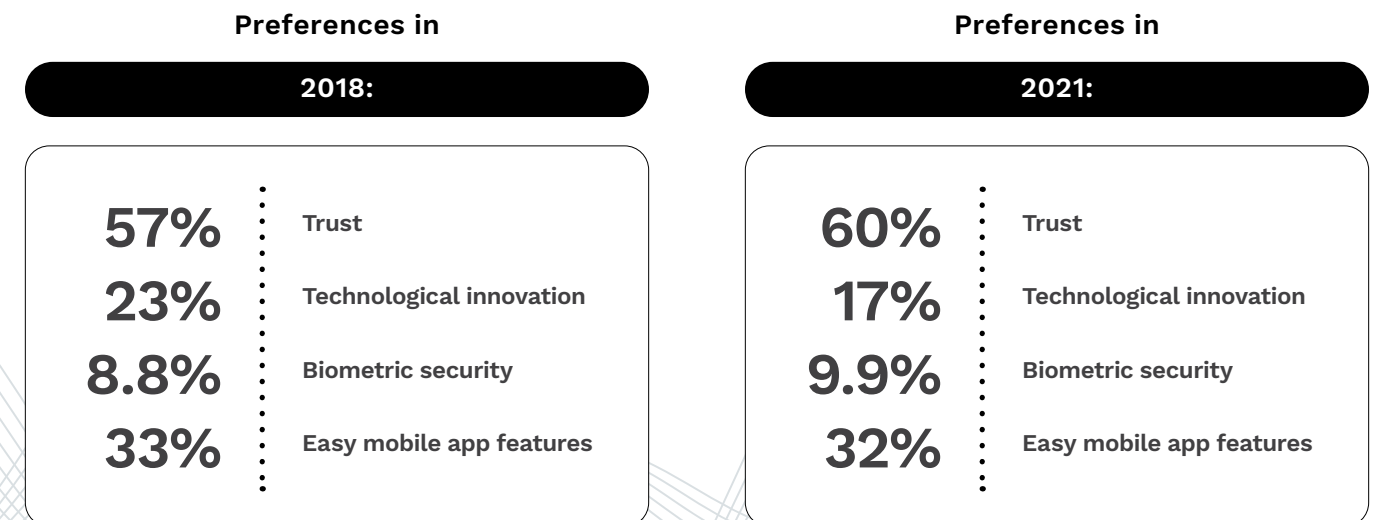
Reasons CU members obtain financial services from other FIs

Although 90% of CU executives believe members turn to other FIs for financial products because they are not offered by their CUs, cost, convenience and specialized services are also significant factors when CU members look elsewhere for services.



Changes in factors consumers consider when choosing where to bank

Digital banking services play a big role in where consumers choose to bank, but, as digital tools are more commonly available from most FIs, consumers are looking for other features that set them apart.



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