Mention how to get slides and other free resources if they're interested.

© Abound Resources, Inc

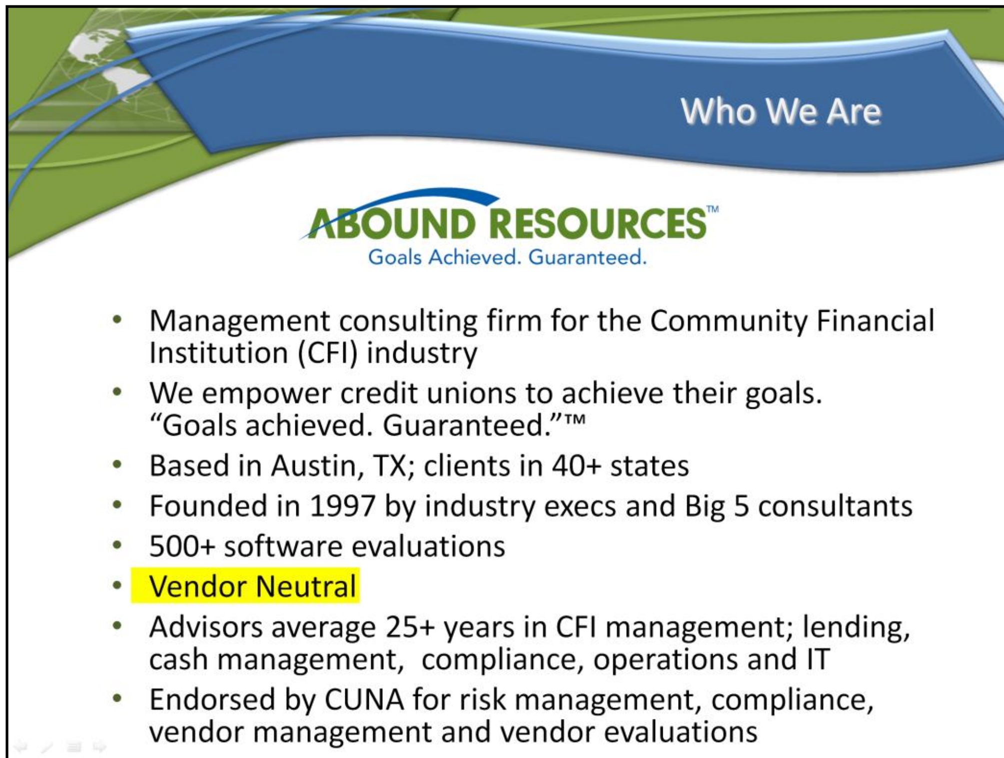
Speaker

- **Brad Smith – President, Abound Resources**

  - 20+ years experience helping community financial institutions achieve their business goals by integrating strategy, sales/marketing, operations and technology
  - 500+ vendor evaluation projects in de novos to multi-billion dollar institutions
  - Lead negotiator representing community financial institutions on 200+ software, hardware and outsourcing contracts valued at $150+ million
  - Former Manager of Deloitte & Touche's Community Bank Technology Consulting Practice
  - Advisor to several community bank and credit union trade associations

512-351-3700
bsmith@AboundResources.com

© Abound Resources, Inc
www.AboundResources.com


Who We Are
ABOUND RESOURCES™
Goals Achieved. Guaranteed.
• Management consulting firm for the Community Financial Institution (CFI) industry
• We empower credit unions to achieve their goals. "Goals achieved. Guaranteed."™
• Based in Austin, TX; clients in 40+ states
• Founded in 1997 by industry execs and Big 5 consultants
• 500+ software evaluations
• Vendor Neutral
• Advisors average 25+ years in CFI management; lending, cash management, compliance, operations and IT
• Endorsed by CUNA for risk management, compliance, vendor management and vendor evaluations

ABOUND RESOURCES™
Goals Achieved. Guaranteed.

- Technology – technology plans, vendor evaluations, contract negotiations, vendor management
- Operations and Payments – workflow improvement, efficiency studies, payments strategies
- Lending – loan process improvement, loan origination vendor evaluations and implementations
- Small Business – member business deposit and fee income growth programs, business lending programs
- Strategic Planning – strategic plans, risk tolerance planning, one page strategic plans, competitive differentiation
- Sales and Marketing – branch performance improvement, sales coaching and training, e-marketing strategies and campaign management
- Risk Management and Compliance – ERM, IT audits, information security assessments, compliance, BSA review

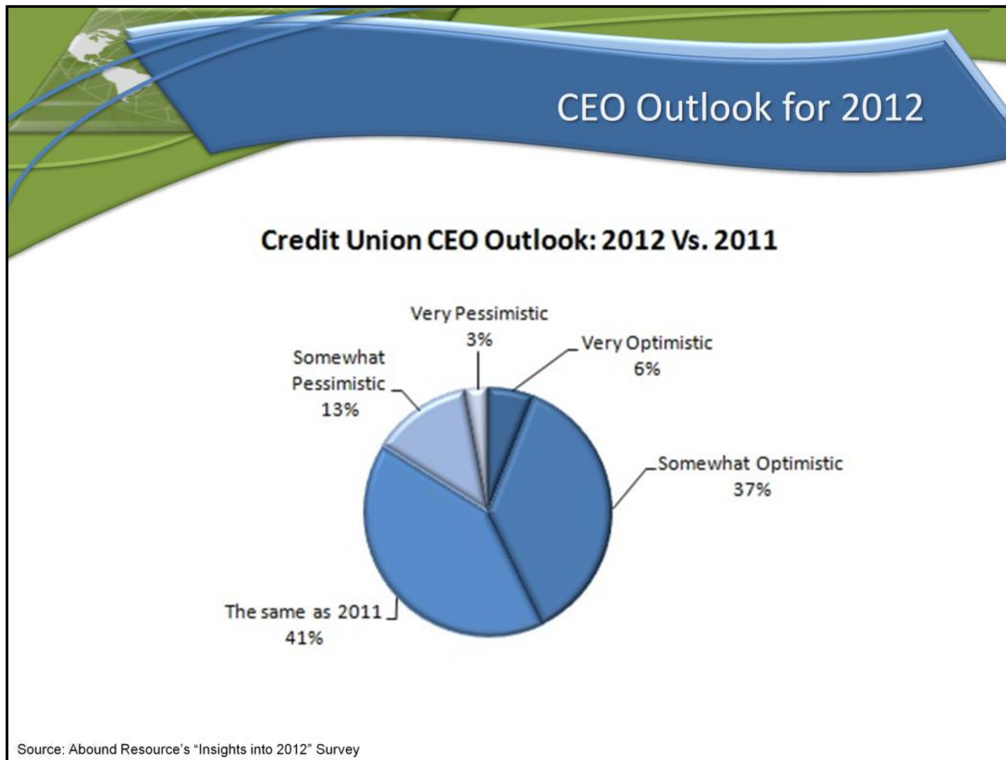
Mention free resources at our Free Resources library.
http://aboundresources.com/resource-library

© Abound Resources, Inc

Agenda

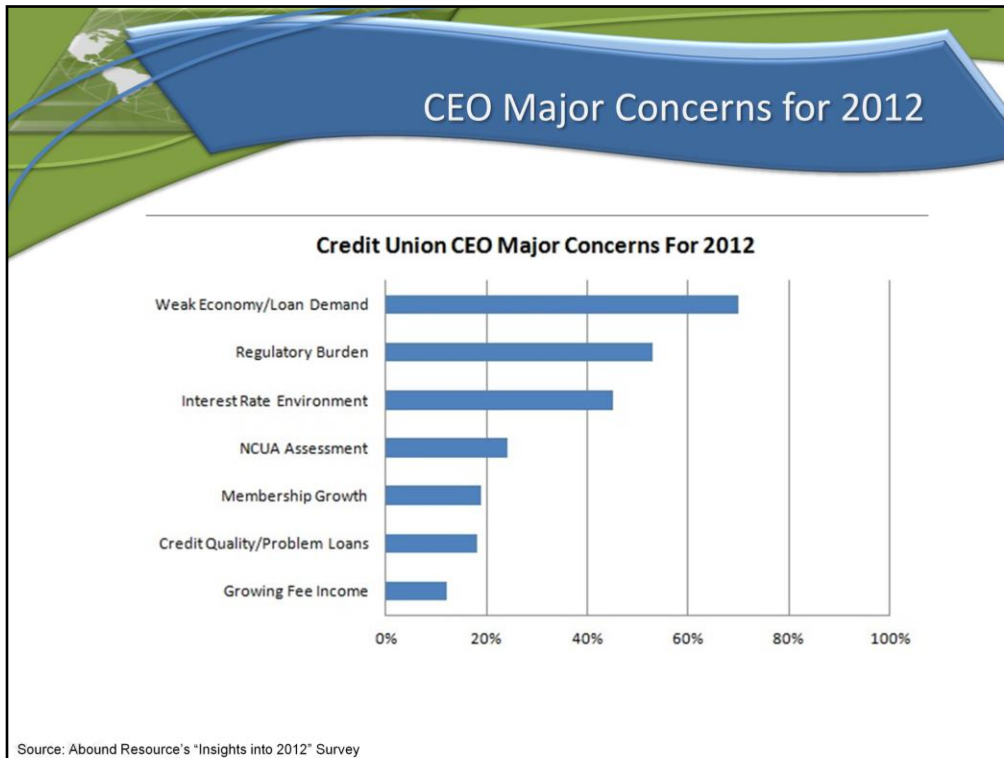
1) Annual Credit Union Survey Results
   A. CEOs
   B. CFO/COO/CIOs
2) Abound's Top 5 Strategies for 2012
3) What To Do Now

© Abound Resources, Inc



There's little doubt that it's still a difficult and challenging economic and business environment for credit unions but, as in 2010 and 2011, credit union CEOs remain a pretty optimistic bunch. Only 16% report that they are somewhat or very pessimistic about the next year. 43% are optimistic . These are very similar to what our survey a year ago found.

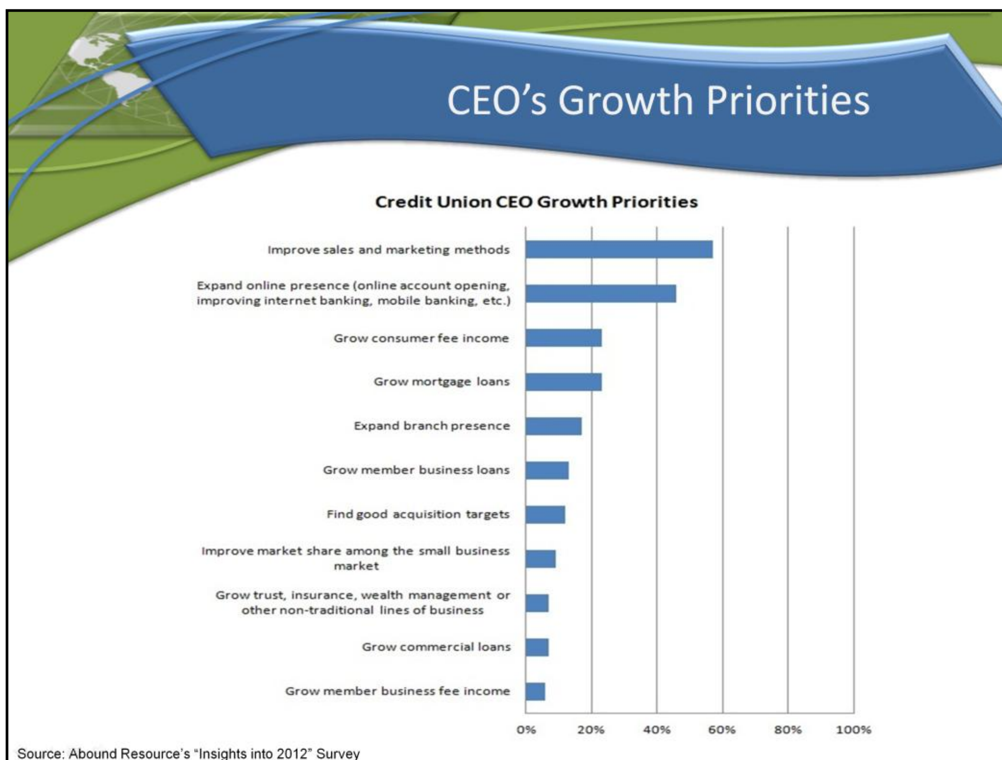
© Abound Resources, Inc



In our conversations with credit union CEOs, these executives convey an overall sense that the worst is over. They feel that the economy will continue to stumble along but it won't slip back into recession. The Dodd-Frank Act and the Durbin Amendment are now law and although CEOs don't like the current regulatory environment they, as they have so many times before, have largely accepted it and are moving forward on dealing with the new regulatory reality. The environment may not be good—and in fact many CEOs express anger about it— but at least much of the anxiety and uncertainty about what will happen in D.C. has subsided. Of course, the fear remains that the new Director of the Consumer Financial Protection Bureau (CFPB) will change all of that.

When we asked CEOs what their biggest concerns heading into 2012 are, they expressed the most trepidation about macro factors that are largely outside of their control, including a weak economy and loan demand (70%), regulatory burdens (53%) and the continued low interest rate environment (45%). Member growth (19%), credit quality/problem loans (18%) and growing fee income (12%) -– factors that the CEO can act upon and influence-- were less of a concern.

© Abound Resources, Inc



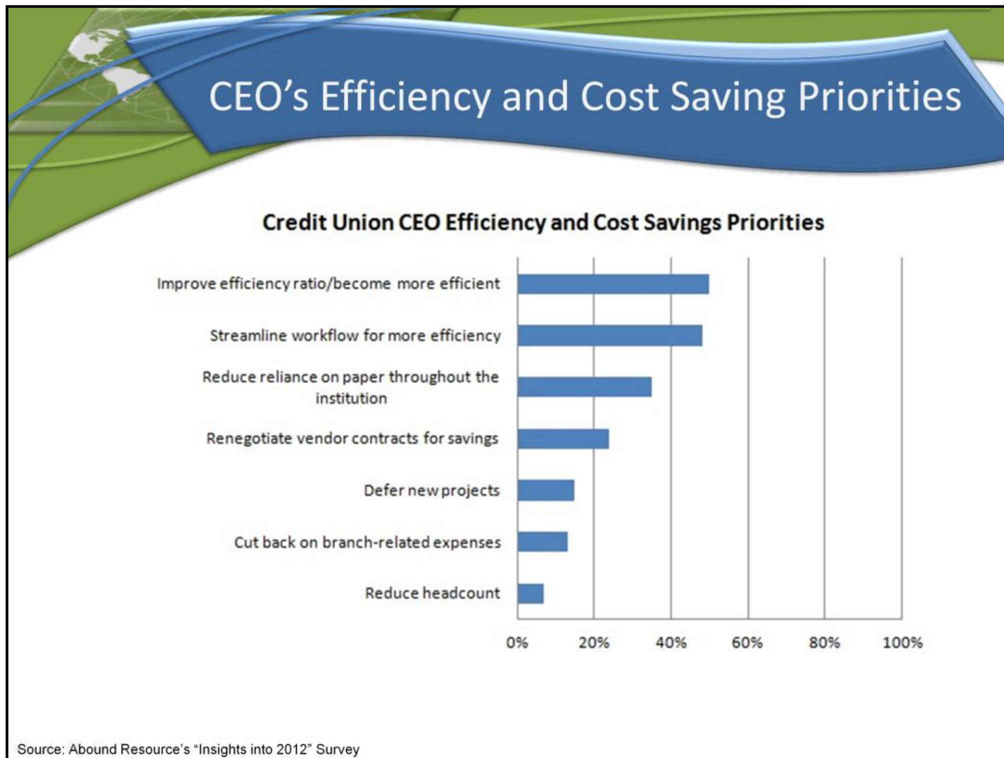
The number one growth priority for credit union CEOs in 2012 is improving sales and marketing methods (57%), a somewhat significant increase from 2011 (44%). We believe that sales and marketing has much room for improvement, especially in the burgeoning area of online marketing and social networking, and we're encouraged that CEOs share our enthusiasm in improving this aspect of their business.

There's a question though as to whether CEOs will commit investments and drive the cultural changes required to truly improve sales and marketing. Credit unions have given plenty of lip service to "improving sales" over the last decade, yet many continue to view it as a once-every-few-years training exercise. We'll share more thoughts on this in about 10 minutes.

Expanding online presence (46%) was the second most cited growth strategy even though the track record for actually growing membership via online delivery channels remains cloudy at best. The number of new accounts actually opened online has been disappointing for most credit unions. Often we'll hear credit unions justify adding or improving mobile and Internet banking with, "We need to have an online presence to attract younger members." However, the majority of credit unions do not establish actual targets or implement product and marketing strategies to target those prospects.

The most startling survey results surround fee income: only 23% of CEOs indicated growing consumer fee income as a priority and growing business fee income (6%) is dead last on the priority list. Fee income was a huge issue for credit unions going into 2011 due to the potential interchange fee caps proposed by the Durbin Amendment. Although that legislation will only impact institutions with more than $10 billion in assets, credit unions remain incredibly dependent on fee income. We are very concerned that fee income is such a low priority. NSF/OD income continues to decline while compliance, personnel and technology costs continue to climb. And now that the Fed has indicated it will keep rates flat for the next year or two, we know that spreads are not going to change much. Where is the revenue going to come from?

© Abound Resources, Inc



This year once again the top two efficiency and cost savings priorities are improving efficiency ratios/becoming more efficient (50%) and streamlining workflows (48%).

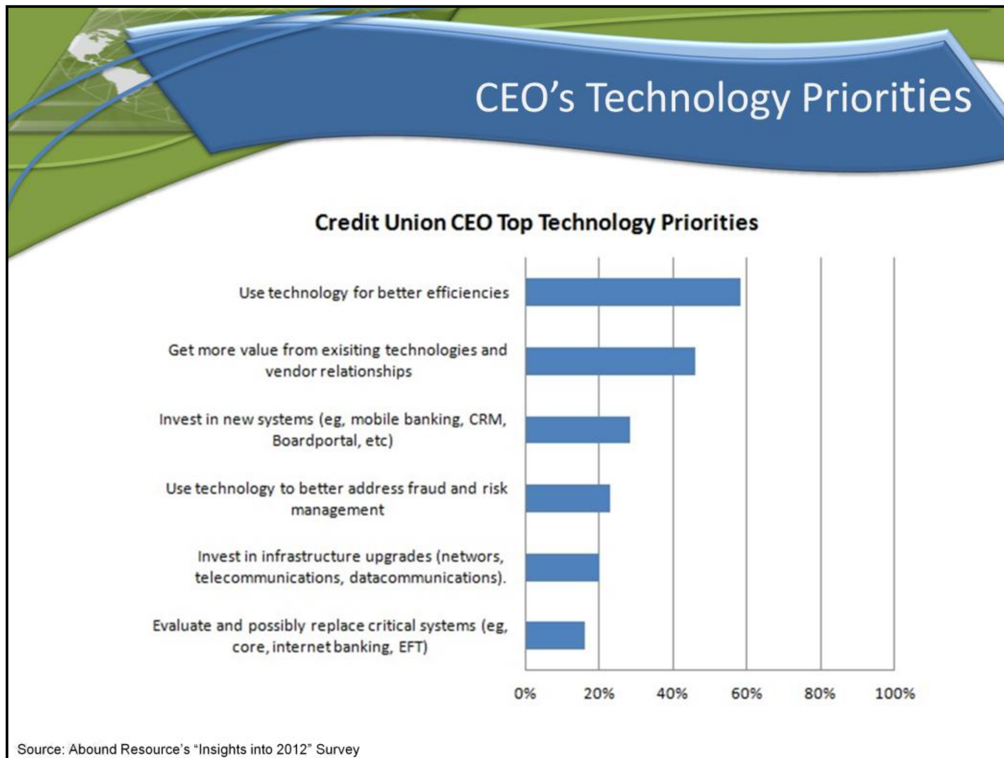
Renegotiating vendor contracts has become less important for CEOs since last year's survey. In 2011, 41% of CEOs named contract renegotiation as a priority compared to 24% in 2012. This decrease could be because credit unions believe they have already exhausted renegotiation as a cost savings strategy. However, our experience is that even credit unions that have asked for price reductions from their vendors continue to overpay for technology. There's a lot of money still left on the table and these remain among the easiest cost savings since they don't impact members or employees.

© Abound Resources, Inc

In today's regulatory environment, it's not surprising that addressing regulatory compliance requirements (61%) remains overwhelmingly the most pressing financial and risk management CEO priority for 2012, dwarfing improving lending policies and processes (31%).

Again, a prominent change from last year's survey is the lack of focus on replacing NSF/OD income with other fee sources. In 2011, replacing fee income was the number two concern for CEOs—this year it is only number seven on the list. Last year, the Durbin Amendment was a big worry for credit union CEOs but even with the Durbin Amendment laid to rest, as we stated earlier, Abound Resources believes that replacing fee income should be a higher priority.

© Abound Resources, Inc

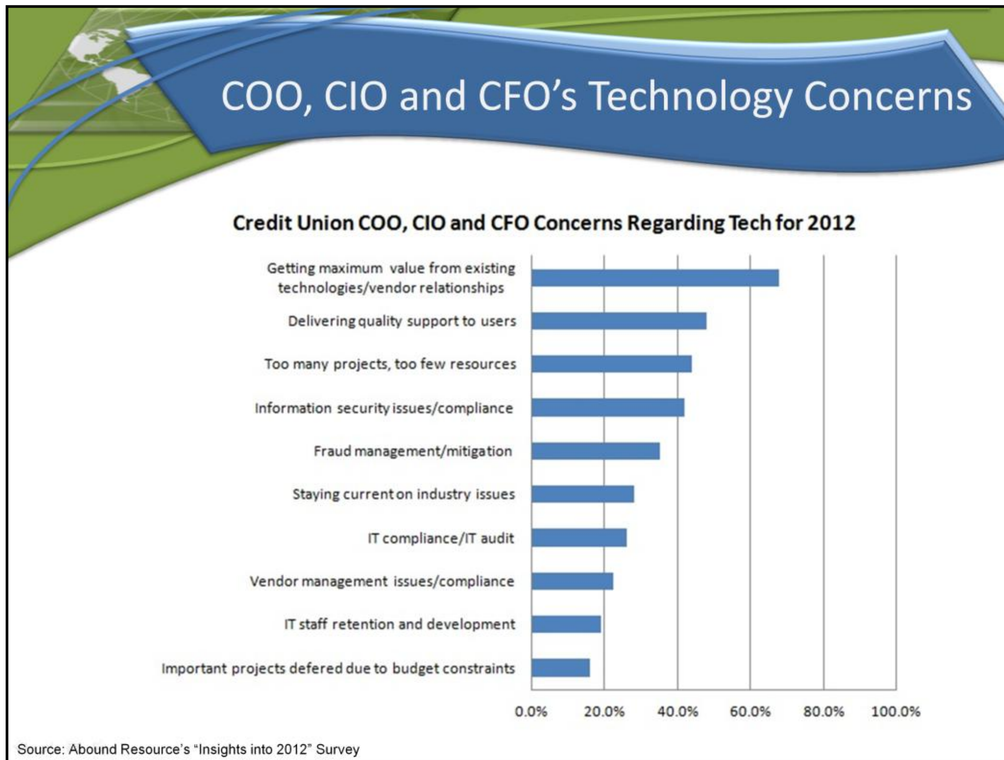


The technology priority story has remained consistent from 2011 into 2012 with using technology for better efficiencies (58%) once again topping the list of CEO technology priorities.

2012 could be another difficult year for vendors as credit union CEOs report more interest in using the technology that they already have rather than investing in new systems or upgrades (although as we'll show in a minute, CFO/COO/CIOs have a different view).

Based on our experience negotiating several hundred vendor contracts in 2011, it remains a buyers' market. And opportunistic credit unions can get great deals right now and probably through the first half of 2012.

But you can't lose sight of improving the utilization of the technology you already have.



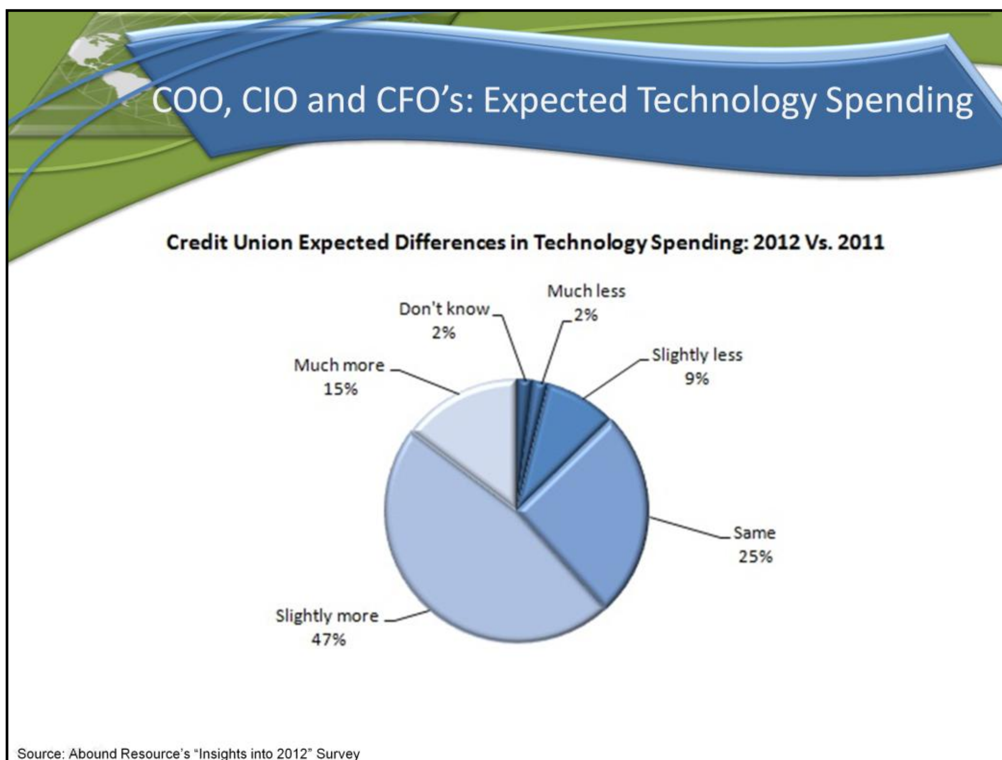
Now let's shift from the CEO view to the folks that actually own the technology function – the CFOs, COOs and CIOs.

For the third year in a row, the top technology concern for credit union finance, operations and IT executives is getting maximum value from existing technologies and vendor relationships (68%). In fact, the top five technology concerns remain constant between the 2011 and 2012 survey; however, the order of those concerns has changed. In 2011, the second most pressing concern was information security/compliance; in 2012 it's moved down to number four.

The good news is that it's very easy to significantly improve technology utilization (training, workflow redesign, parameter changes, etc.). The real challenge is getting both the business lines and the IT function working together. In our experience, poor utilization is as much a reflection of management styles and credit union culture as it is vendor failure.

Delivering quality support to users jumped three places from our 2011 survey to take the number two spot in 2012. Quality support has not historically been a high priority but we think the importance of improving use of existing technologies may be driving that increase.

© Abound Resources, Inc
www.AboundResources.com



Nearly two-thirds (62%) of COO, CIO and CFO respondents report that their technology spending will increase in 2012.

The reality in credit union tech spending is that there are a lot of "built-in" increases to non-discretionary spending such as increased volumes or increased # of users, inflation adjustments in contracts and increased personnel costs. So it makes it very, very difficult to actually cut technology spending since a lot of non-discretionary spending rises each year.

But I also think we'll see increases on the discretionary side (meaning new projects). Abound Resources is sort of an early indicator of credit union tech spending since credit unions typically hire us 3-12 months before they make big purchases. We saw a big spike in our business in the 4th quarter which would suggest credit union tech spending will start to rise in Q2. We saw a number of 2011 projects (namely mobile banking and online account opening) deferred until 2012 so there's some pent up demand that will be released. Also, the biggest driver of discretionary spending is core systems replacement. On average about 5-7% of credit unions replace their core each year, but virtually no one has done that for the last 18 months. So that activity is already starting to pick back up – in part because of Fiserv sunsetting one of its core products and some concerns in the OSI and Harland customer bases.

Here's something to point out to those CFOs, COOs and CIOs with technology budgeting responsibility. Less than 28% of CEOs expect major technology purchases in 2012 and may have unrealistic expectations about technology spending. If you haven't already done so through your technology plan and budget, we recommend that you reconcile technology spending priorities with your CEO right away.

© Abound Resources, Inc

COO, CIO and CFO's: Top 10 New/Replacement Purchases

Top 10 Project Priorities For Credit Union: New or Replacement Purchases	
Mobile banking	48%
ATM machines, hardware	42%
Mobile payments	39%
Remote deposit capture - consumer	39%
Online account opening	34%
Consumer internet banking	26%
Remote deposit capture/merchant capture - commercial	25%
Personal financial management (PFM) tools	25%
Loan oringination and underwriting systems	24%
Tablets, iPads	23%

Source: Abound Resource's "Insights into 2012" Survey

Credit union purchasing priorities remain largely the same from 2011 to 2012 with only a few exceptions. ATM hardware pushed into the top ten projects due to the ADA Standards for Accessible Design guidelines that take effect in March 2012. ATM upgrades have been a huge unpleasant "surprise" cost to credit unions and the money spent will unfortunately yield little return on that investments other than allowing them to comply with ADA legislation.

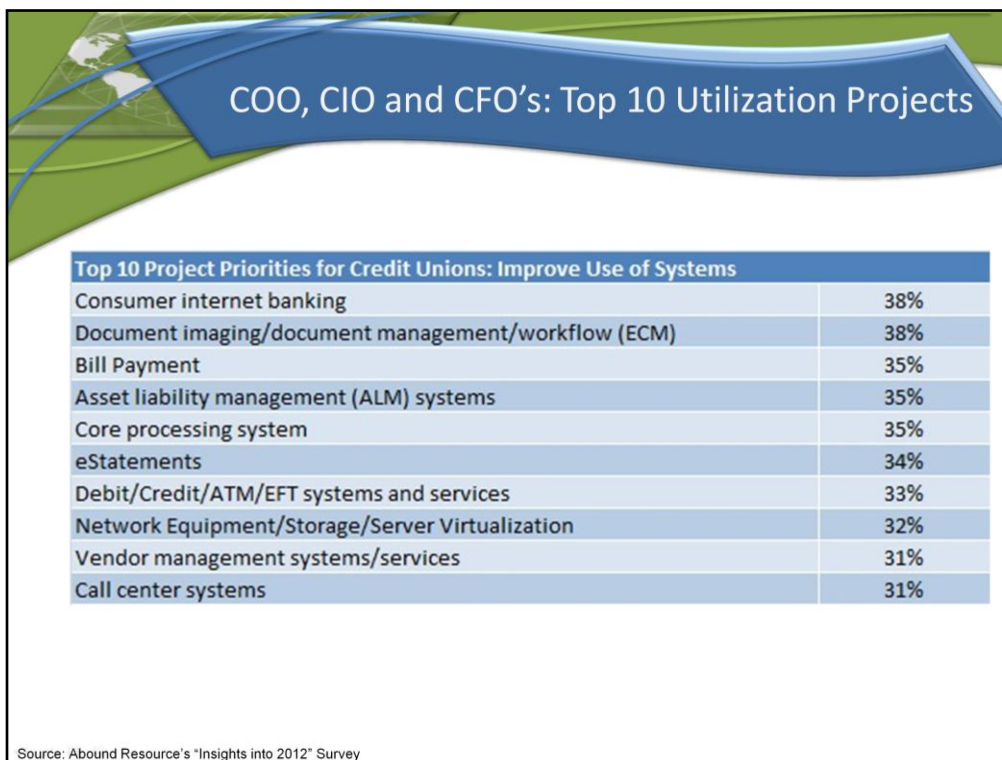
Many mobile banking projects in 2011 were deferred and now first time mobile buyers are asking if they even need a text or SMS version. With nearly 60% of US adults (Javelin Research) owning a smart phone, the question has become do you roll out your iPhone or Android app first. Also, how are you going to promote it when your employees may only know the Blackberry world.

The related question is what do we actually do in the mobile payments space. Is it just online bill pay through mobile? Is it person to person payments through Paypal? Is it mobile credit card akin to Google Wallet? Is it like the Starbuck's payment app? What exactly is it we're trying to accomplish, what do our members want, how do we secure it, how do we make money on it?

But here's my biggest concern. ***The top five technology projects for 2012 listed above won't move the needle on what CEOs are most concerned about - there's a risk that the COO, CIO and CFO is traveling down a different strategic path from the CEO.*** In a year of tight budgets, technology/strategy alignment is critical.

In another disconnect, only 28% of CEOs noted that they planned new technology purchases in 2012 yet 97% of COOs, CIOs and CFOs are planning new purchases.

© Abound Resources, Inc



Top 10 Project Priorities for Credit Unions: Improve Use of Systems	
Consumer internet banking	38%
Document imaging/document management/workflow (ECM)	38%
Bill Payment	35%
Asset liability management (ALM) systems	35%
Core processing system	35%
eStatements	34%
Debit/Credit/ATM/EFT systems and services	33%
Network Equipment/Storage/Server Virtualization	32%
Vendor management systems/services	31%
Call center systems	31%

Source: Abound Resource's "Insights into 2012" Survey

When asked about the systems they were most focused on improving utilization, the top 5 were:

•Internet banking, Document imaging, Bill pay, ALM, Core

Internet banking and bill pay are likely a penetration issue. With all the focus on improving online capabilities, our primary online channel is still grossly under used. Often, we'll see credit unions with less than 50% of their member checking accounts using Internet banking and only 20% of those using bill pay.

For those considering mobile, keep in mind that Internet banking use is the best indicator of mobile adoption. Typically you can guesstimate about 20% of your Internet banking users will become mobile users in the first 18 months. So if you have low IB penetration, you might consider addressing your overall online strategy before rolling out mobile.

And bill pay use is the single stickiest service you have so if your penetration is low, consider marketing campaigns, 90 second how to videos, incentives, etc. to drive penetration.

Most credit unions have document imaging, but many have never used the workflow component of those programs. In our experience, workflow is the #1 technology to support your efficiency improvements. Just be sure and redesign your workflows first before you automate them.

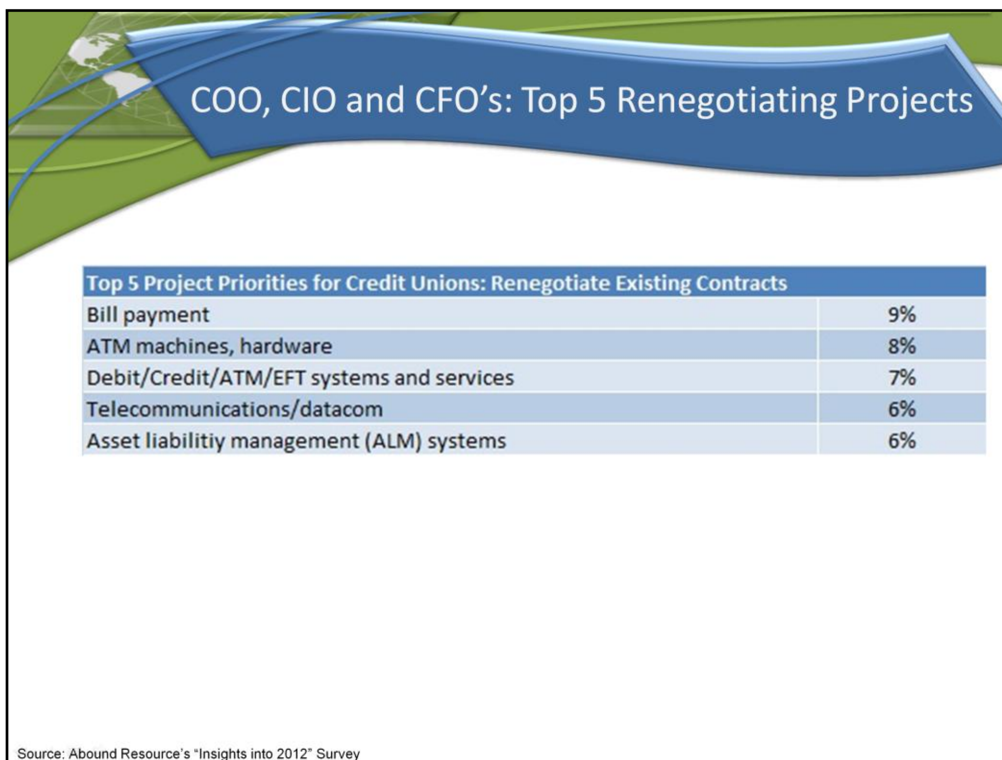
Remember the story about the two guys in the 1800s who wanted to speed up transportation. One guy looked at the problems with the horse drawn carriage. Horses averaged about 6 mph and required stops for rest and feeding. So he built a mechanical horse that could go 10 mph and didn't need rest stops. The other guy built a train.

Well, a lot of credit unions add workflow to the new accounts or loan origination processes and end up with a mechanical horse. They see incremental improvement and perhaps get their loan decisioning down from 2 hours to 1 or the new accounts process down from 30 minutes to 15. But to get your loan decisioning down to 7 minutes or your new accounts process down to 10 minutes with two upsless whether in branch, online or over the phone, you have to build a train. Redesigning the workflow coupled with workflow technology is how you get breakthrough efficiency and member service improvements.

ALM has become a big priority for CFOs both because the NCUA is pushing hard in this area and the low rate environment is here for at least another year. With such tight margins, funds management has become the difference between a good or lousy year.

And core is the big one. It's the largest expense line item in the second largest non-interest expense category, and you're probably paying more than you need to and only using 40% of it. We want you to both lower your spending here through contract negotiations and improve utlization.

© Abound Resources, Inc



Top 5 Project Priorities for Credit Unions: Renegotiate Existing Contracts	
Bill payment	9%
ATM machines, hardware	8%
Debit/Credit/ATM/EFT systems and services	7%
Telecommunications/datacom	6%
Asset liabilitiy management (ALM) systems	6%

The top 5 renegotiation plans are:

•Bill pay

•ATM machines

•EFT

•Telecom/datacom

•ALM

The per transaction costs of bill pay and EFT have come down greatly in the last 18 months and so has data and telecom so I'm pleased to see so many of you planning on renegotiating those contracts. (if we can help with any of those, we'd be happy to share with you what we think we can save you)

When looking at your ATM hardware changes, be sure and evaluate the total costs – machine upgrades, maintenance, servicing, etc. Many vendors are offering bundles that includes leasing charges for 5-7 year contracts. You probably have a lower cost of funds than they do so make sure you understand the individual prices and negotiate each one. Also, don't sign anything longer than 5 years.

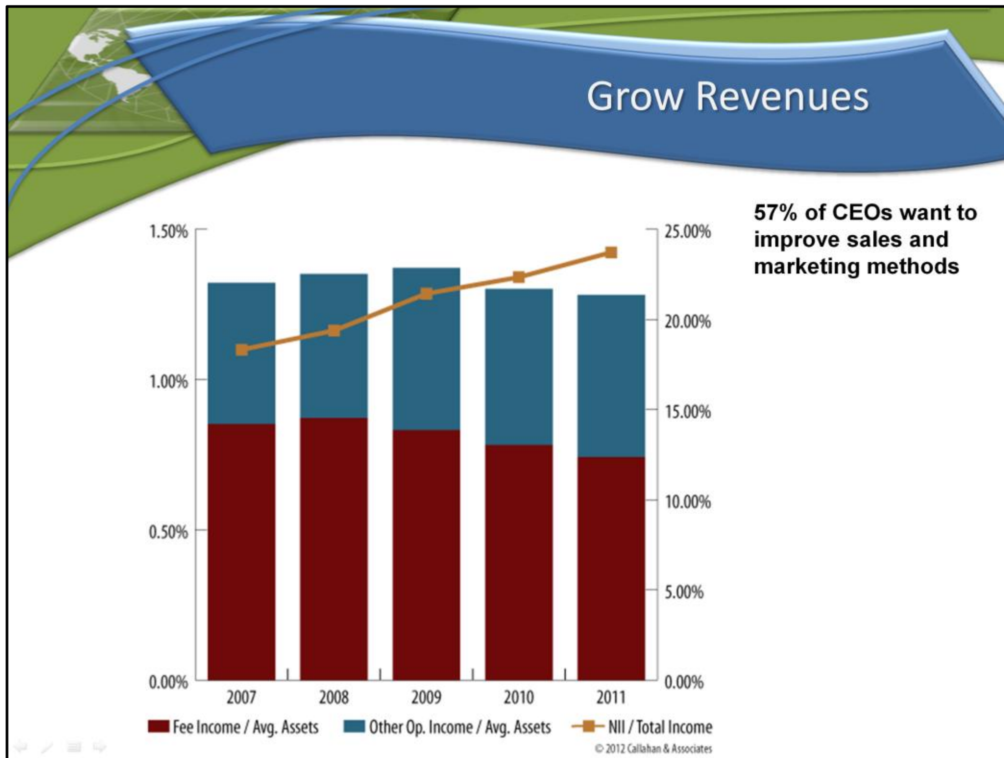
I was surprised to see ALM make the list.

© Abound Resources, Inc

Top 5 Strategies for 2012

- **Grow revenues** through advice-based sales and new fee income sources
- Redesign workflow and maximize vendor management for **improved efficiencies**
- Create a **technology plan** to support your strategic plan
- Explore **new compliance models** to cost-effectively address growing compliance burden
- Begin moving to an **enterprise risk management** model

© Abound Resources, Inc



So the industry posted a record net income of $6.5 billion, pre-assessment, at September 30, 2011. So if we hit record net income numbers, why are CEOs still focused on improving sales and marketing. Two reasons:

- this chart. Non-interest income, namely fees and cards, peaked in 2009 and has dropped since. At the same time non-interest income has become a bigger part of credit union's total income. It makes up nearly 25% of a credit union's total income now. So it's growing in importance yet dropping in dollars.

- and total revenues for the year (through Sep) dropped 4%. Net income was up, but that's because loan loss reserves were much lower in 2011 than in 2010.

Let me try and get you in the mind of a CEO. Imagine you had a 4% pay cut in 2011. But you ended up doing ok for the year because that water heater you knew you were going to have to replace ended up only costing $1,000. You thought it would cost $2,500. So are you happy that the water heater came in less than you expected or are you more concerned about that pay cut.

© Abound Resources, Inc

Grow Revenues (cont)

Marketing and Sales Basics

- Define your competitive differentiation
- Advise and guide, don't "sell"
- Create your sales and marketing plan, budget
- Set sales goals and incentive comp to reward success
- Train and coach, train and coach
- Reward and retain your best members

In our survey, CEOs said that improving sales and marketing methods was their number one priority. Experience shows, however, that it is much easier to talk about it than to actually do the hard work necessary to improve sales. Sales has always been a bit of a dirty word in credit unions. Credit union employees balk at the idea of being turned into a used car salesperson so they have instead evolved into order takers. If a member knows what he or she wants and is willing to visit a branch, employees are pretty good at guiding the member to the best product and opening the account (i.e.: taking their order). But what about those members who don't know what they need? Or those who don't know you have a similar product to the large national bank they just called for a quote? Or those who don't come into your branch? Or those who aren't yet members? You need to continually drive awareness of solutions to members and prospects so that when they need the solution (whether they know it or not), you can help them explore options. That's called marketing. When you do get that opportunity to sell, understand what's driving their need so you can determine how your solution will solve their problem. That's called sales.

If you want to survive, you must be willing to market and sell your products. We can't just be order takers. We also don't want to take the Big Bank "hard sell" approach. But a consultative advisor who serves members by recommending the right products and solutions likely fits with your brand and can be a point of differentiation .

- No competitive differentiation. If your marketing messaging highlights your great rates, great service and great locations, you have not yet identified your competitive differentiation. Every other credit union, community bank and even some big banks in your area say the exact same thing. What will make you stand out in a very crowded marketplace?
- Wasted marketing dollars. Today, marketing requires more than placing an advertisement in the Sunday newspaper, posting interest rates on your website or sponsoring the local little league team. Credit unions need to embrace electronic lead generation with tools that may include e-newsletters, webinars, Google AdWords and social media such as Facebook, LinkedIn and Twitter. These do not replace traditional or offline tactics; they compliment them. The most effective marketing campaigns typically incorporate many different media.
- Set sales goals. You get what you measure so don't ignore holding marketing employees accountable for lead generation and sales employees for closing. And yes, you can incent behaviors and remain in compliance.
- Jumping into sales training without building the proper infrastructure to monitor and measure results or doing one time training instead of on-going coaching and reinforcement of sales techniques.
- Not rewarding your best members with loyalty programs.

© Abound Resources, Inc

Revenue Size	# of Businesses in US	%	Avg. Paid EEs
<$100,000	20,502,391	75.6%	0
$100,000 - $500,000	4,110,833	15.1%	2
$500,000 - $1,000,000	1,059,371	3.9%	6
$1,000,000 - $5,000,000	1,090,190	4.0%	17
$5,000,000 - $10,000,000	174,454	0.6%	44
$10,000,000 - $15,000,000	62,582	0.2%	69
>$15,000,000	134,987	0.5%	547
Total	27,134,808		

There are 27MM business in the US. That means about 1 in 4 US adults owns a business.

Unlike the consumer market, where less than one third of checking accounts are profitable, nearly all small business accounts are profitable. A member with a business account will typically generate more than $1,000 in annual profit. A small business owner is the most profitable customer in your credit union. A member with a business account will typically drive $1,000+ in annual profit. They are much more likely to bring all of their accounts to you, they have higher personal balances than typical members and their businesses drive payments-based fee income. They are now more open to credit unions serving their business needs than ever before, and you already have the products to serve them.

The core business products for those businesses under $2MM in revenue are checking, Internet banking, bill pay and cards. The next level up will need wires, ACH and RDC – products you also most likely have through Internet banking – and a line of credit.

So I'd strongly encourage you to evaluate the small business opportunity, and not just member business lending.

© Abound Resources, Inc
www.AboundResources.com

Don’t build a mechanical horse.

© Abound Resources, Inc

Improve Efficiencies (cont)

Abound's Typical Workflow Redesign Results

Function or Department	Efficiency Improvements	Member Service Improvements	Risk Management Improvements
Loan origination	High	High	High
New Accounts	High	High	Medium
Loan operations/ servicing	High	Low	Medium
Deposit operations	High	Low	Medium
Member services	Medium	High	Low
Accounting	Low	Low	Medium

Loan origination and New Accounts processes remain the biggest opportunity, so I'd encourage you to start there.

© Abound Resources, Inc
www.AboundResources.com

Technology Plan

Strategy and Technology Disconnect?

CEO's Strategic Priorities for 2012	CFO/COO/CIO Technology Priorities for 2012
1. Address regulatory compliance	1. Add mobile banking
2. Use technology for better efficiencies	2. Upgrade/replace ATM machines
3. Improve sales and marketing	3. Add mobile payments

Let's say I was a CEO of a credit union who had just had a conversation with my CEO about our strategic priorities and heard these three as our CU's top priorities for 2012.

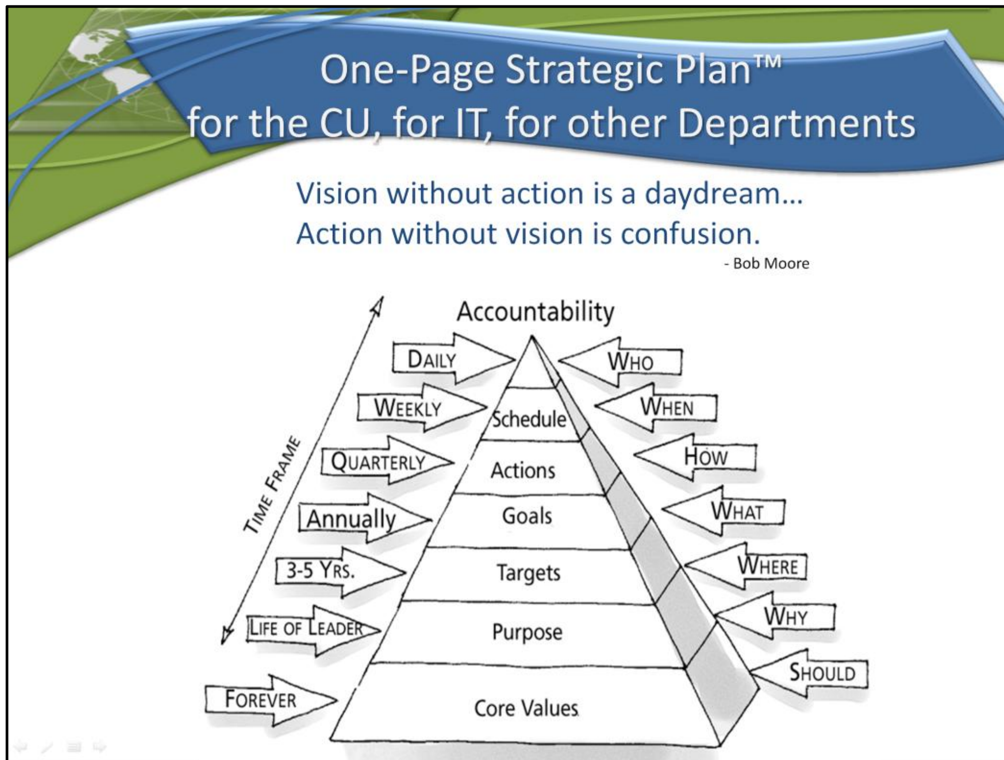
If the CEO then asked me how technology might help us achieve those priorities, a couple of things would quickly come to mind.

- When I heard "address regulatory requirements", I'm thinking ERM, BSA tracking or vendor management systems.
- When I heard "technology for better efficiencies", I'm thinking utilization improvements and workflow redesign with workflow technology.
- And when I heard "improve sales and marketing", I'm thinking CRM, Google Analytics, email newsletter vendors and maybe iPads for sales people to go call on members and member businesses.

But my list is completely different than credit union COO/CFO/CIO's technology priorities.

Which raises the question about strategy and technology alignment.

© Abound Resources, Inc



The key organizational discipline for IT success remains "strategic alignment". That's a fancy consulting word for "making sure we're all focused on the same couple of things".

How many of you in IT and Ops live in a world of "confusion". Does it feel like you're always fighting fires? You may try to be organized and start your day with the top 3 things to accomplish today, but by 9:30 that list is out the window. A server crashes, a vendor sales person shows up unannounced, an employee calls in sick, your CEO forwards you an article asking what you're doing with mobile banking payments. Your all over the place. And the next thing you know, it's year end and you didn't get to the important things you wanted to focus on.

Any of that sound familiar?

Here's the simple framework for alignment. We call it the one page strategic plan. We use it for strategic planning and also for IT planning.

If you'd like a copy of the one page strategic plan or the one page technology plan, just email me at bsmith@aboundresources.com.

Explore New Compliance Models

63% of CEOs cited regulatory compliance requirements as their top concern for 2012

	In House Model	Co-Source Model #1	Co-Source Model #2
Compliance Functions			
• Advise	In House	Outsource	In House
• Monitor	In House	In House	Outsource
• Train	In House	Outsource	In House
• Manage projects	In House	In House	Outsource
• Audit	Outsource	Outsource	Outsource
Type of In House Personnel Needed	1-2 experts and several generalists	Several generalists with project management skills	1 compliance expert, typically an attorney in larger institutions
Pros	More control	Easier to staff, more expertise, less expense	Less expense
Cons	More expense, less expertise	Less control	Less control

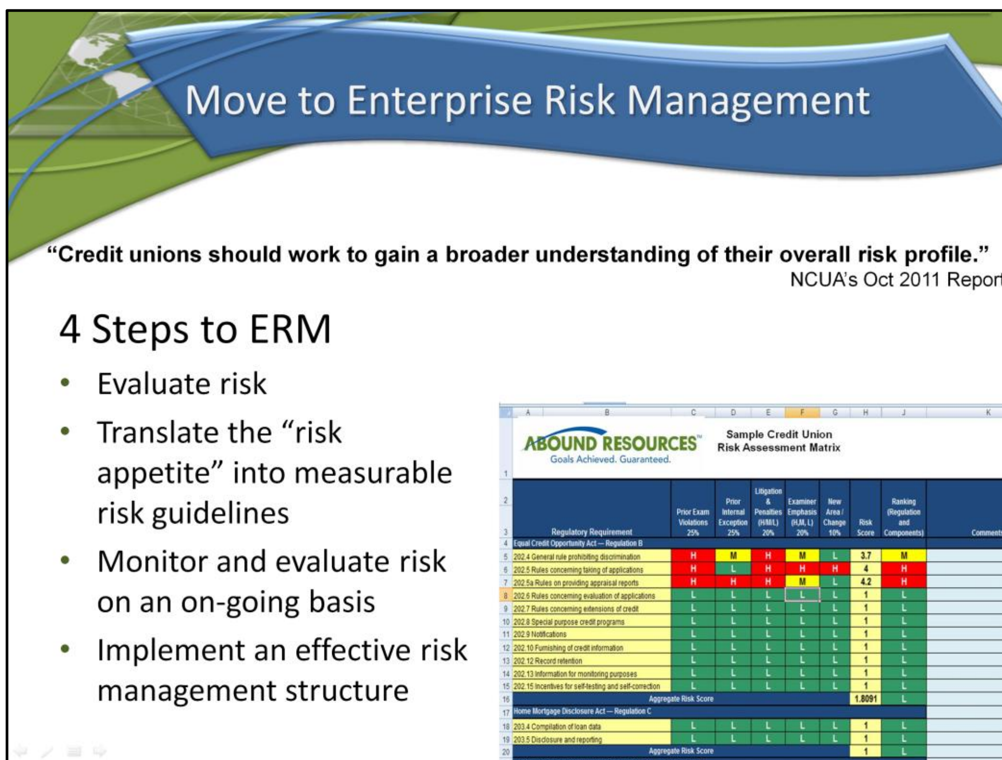
There are two key tactics I want you to consider this year as a cost effective way to minimize your compliance spending.

The first is to “bake” compliance and risk management into workflow or efficiency process improvements. For example, when redesigning your loan origination process, develop loan procedures and controls so you can capture and resolve exceptions before they become a reporting issue. Pay for an interface to minimize styling differences on legal names. Automatically notify the credit officer if a document is missing before you get to closing. Good systems should improve both efficiency and risk management.

Second, consider the emerging model of co-sourcing for regulatory compliance. Vendor management is quickly moving to a co-source model where credit unions use consultants to either help with large evaluation and negotiation projects or to run their entire vendor management program. Regulators expect you to add more people to stay current with compliance but you will never be able to afford the number of experts required. Co-sourcing becomes a cost-effective alternative to building expertise in house and adding staff. We suggest considering at least two distinctly different models.

One co-sourcing model outsources technical expertise and training while relying on internal staff to handle day-to-day projects and monitoring. Another outsources monitoring, reviews and project management while in house staff stays current on technical expertise and handles internal training. In either model, the credit union still owns the process (it’s co-sourcing, not outsourcing), but benefits from outside expertise. As an added bonus, examiners look more favorably on independent, external reviews.

© Abound Resources, Inc
www.AboundResources.com



Regulatory compliance is clearly a top concern of CEOs, but it is only part of the broader spectrum of risks facing today’s credit unions. The NCUA has been aggressively pushing the concept of ERM. As many CEOs and Directors learned over the last few years, just having strong net worth and earnings doesn’t mean you’ve managed risk carefully. Earnings and capital can evaporate quickly in a severely downturning economy. “Safe” investments can go south. Corporate credit unions can disappear. School district cut backs can crush your members. Low rates can kill your margins. A security breach can cost millions.

Abound recommends 4 key steps to manage risk on an enterprise basis:

- Step 1, evaluate risk. Determine just how much risk your credit union can take, must take, can afford to take to reach its strategic business objectives; or how much it must avoid risk. Prepare a comprehensive “risk appetite” statement. For example, based on the types and amounts of loans you plan to originate, calculate best, expected and worst case loss scenarios. If you don’t have sufficient net worth to absorb the possible losses in the “worst case” scenario, maybe you should rethink the strategy.
- Step 2, translate the “risk appetite” into measurable risk guidelines. What amount of loss exposure is management and the Board comfortable with in different types of lending (i.e., direct vs. indirect, real estate, member business lending, credit card, etc.). Translate the risk appetite into industry and geographic risk concentration guidelines. Make them specific. Consider the risks associated with various types of commercial real estate loans. They are not all the same. Commercial real estate loans can be office buildings versus retail use buildings, owner-occupied versus non-owner occupied, etc.
- Step 3, monitor and evaluate risk on an on-going basis. Measure the credit union’s performance against its risk guidelines. Identify key leading and lagging indicators of risk and track them regularly. If the credit union’s strategic business objective is to increase its penetration of the “millennial” market, then track the number of accounts sold to that group. If a risk in a significant portion of the portfolio is driven by employment, home sales, new home starts, whatever, track those indicators. If the risk guidelines set a limit for member business loans as a percentage of new worth, track that. Consider tracking the dollar-weighted risk grades of loans in particular segments to look for signs of deteriorating quality. Use forward looking, leading risk indicators, like loans made as exceptions to credit scores or policy guidelines, not just lagging indicators like past dues.
- Step 4, implement an effective risk management structure. Consider outsourcing as a cost-effective means to ensure sufficient, skilled resources are available for compliance, audit, loan review and IT security. Don’t stop at audit, compliance, etc. Make sure controls are effective and appropriate within the business units for the risk environment of the credit union.

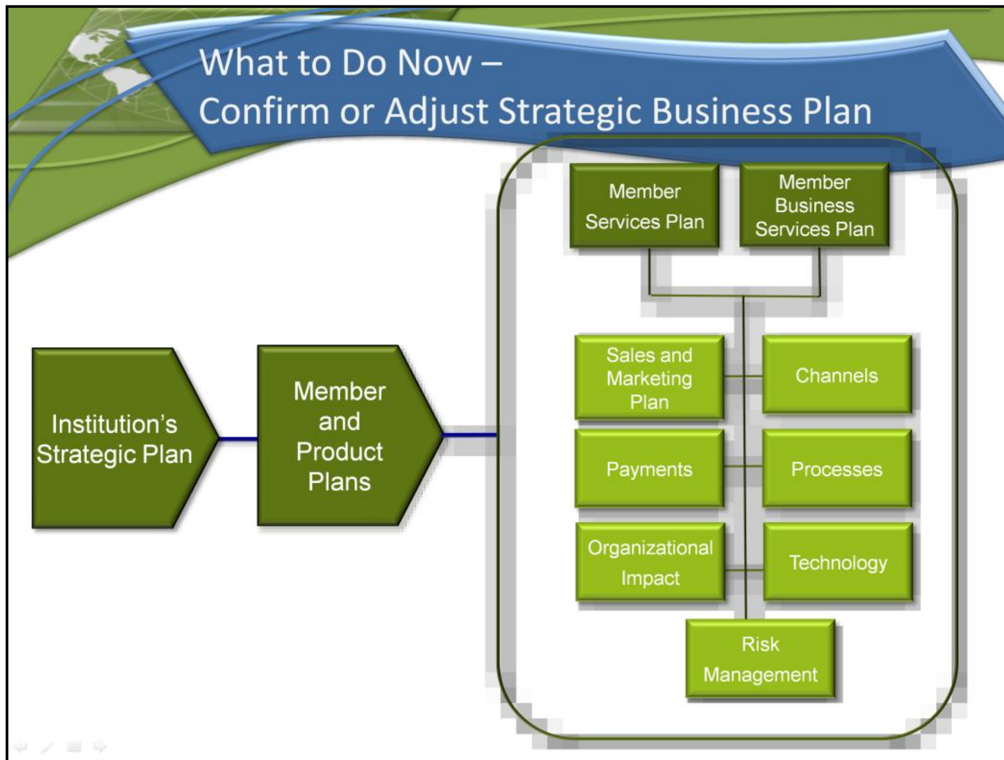
Finally, investigate enterprise risk management (ERM) systems that automate risk assessments, create audit reports and track audit findings. These systems are still evolving and even if you are not ready to consider a purchase, you can learn a lot about the concepts of managing credit union risk by viewing vendor demonstrations.

© Abound Resources, Inc

Top 5 Strategies for 2012

- **Grow revenues** through advice-based sales and new fee income sources
- Redesign workflow and maximize vendor management for **improved efficiencies**
- Create a **technology plan** to support your strategic plan
- Explore **new compliance models** to cost-effectively address growing compliance burden
- Begin moving to an **enterprise risk management** model

© Abound Resources, Inc
www.AboundResources.com

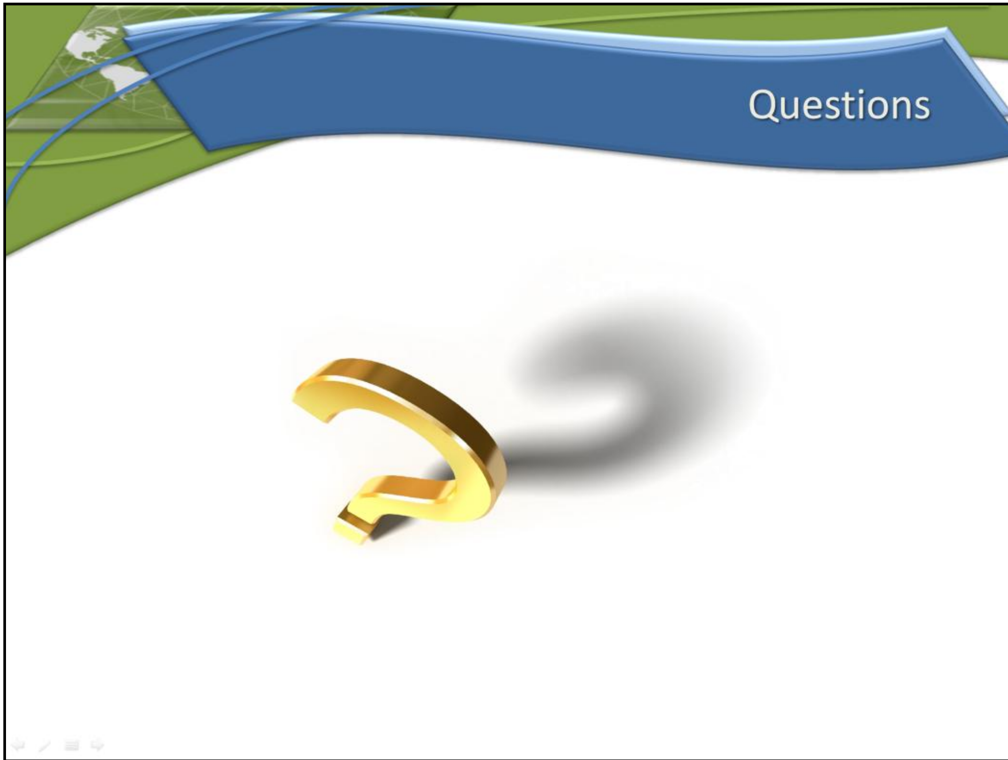


That's a lot of data in a short amount of time. The most important takeaway is to see whether any of this information causes you to adjust either your credit union's strategic plan, your sales and marketing plans, your technology plan or your department plans. If it does, make the adjustment and move forward. If it doesn't, move forward confident that you remain on a good track.

I'll close with this; every technology decision starts with your business strategic plan. And a little bit of time spent on planning and prioritizing will not only greatly increase your chance of success, it will save you 2x the time in execution.

And I wish you great success in 2012.

© Abound Resources, Inc



Open it up for other questions

© Abound Resources, Inc
www.AboundResources.com