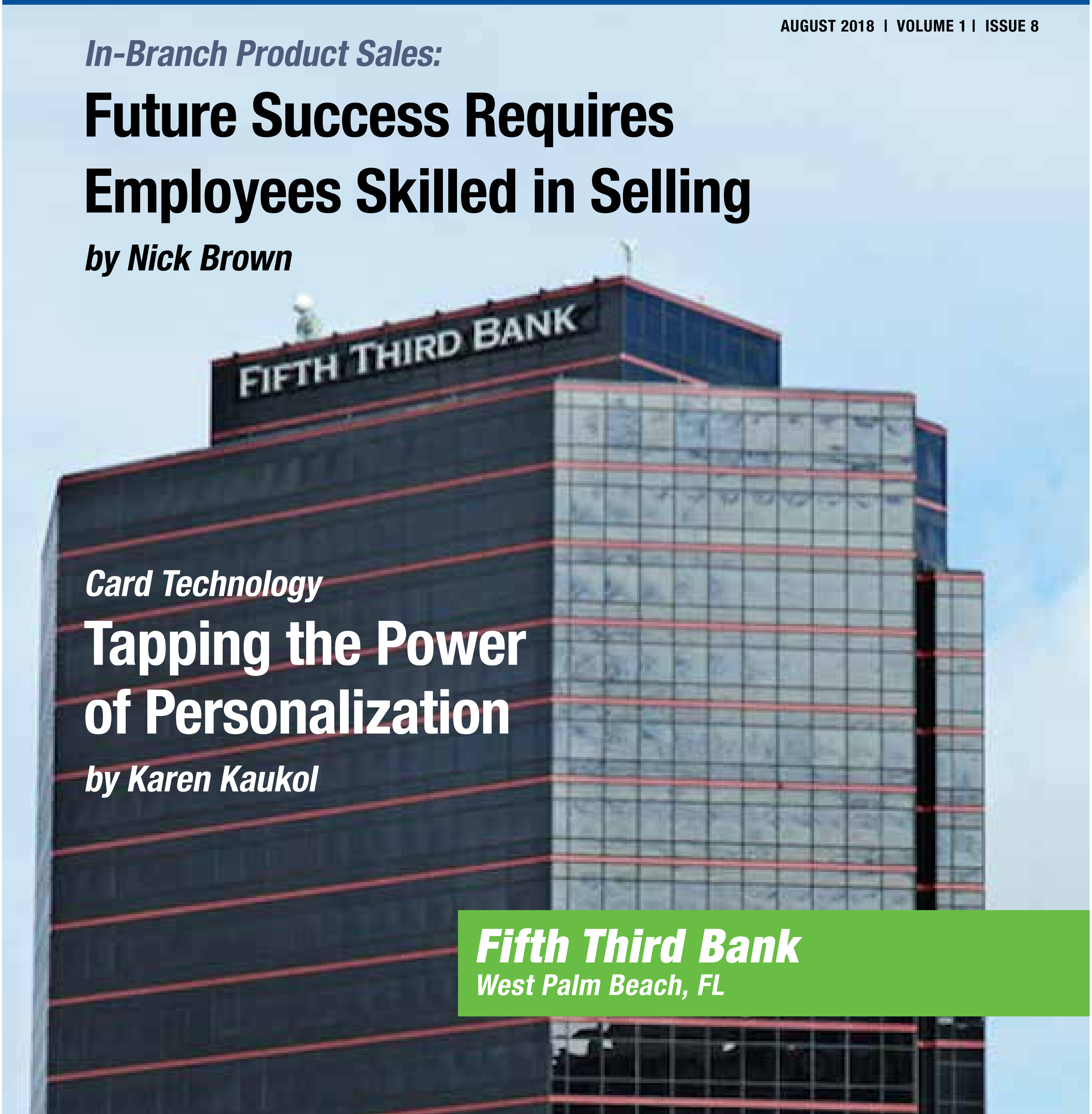
Branch BUSINESS

THE ONLY *ALL-BUSINESS* RESOURCE FOR BANKS AND CREDIT UNION BRANCHES

THE TECHNOLOGY ISSUE

AUGUST 2018 | VOLUME 1 | ISSUE 8



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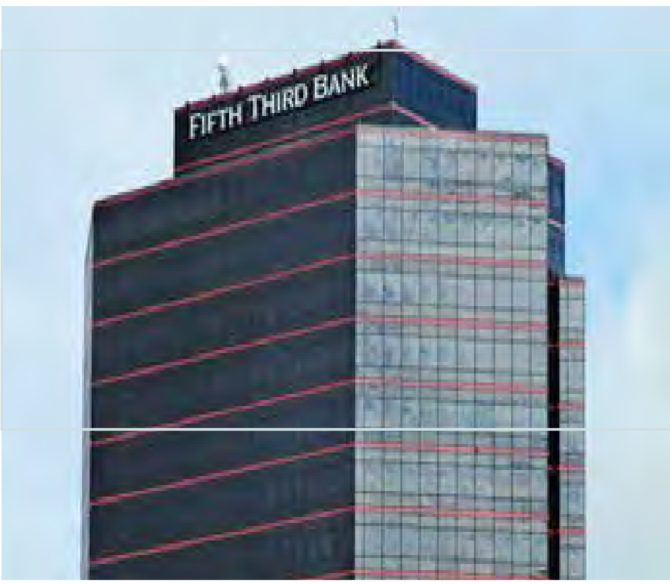
ON THE COVER: *West Palm Beach, USA - March 11, 2012: This is a view of the Fifth Third Bank building in downtown West Palm Beach, Florida. The Fifth Third Bank is a large regional financial institution headquartered in Ohio. It has operations in many southern and midwestern states in the USA.*



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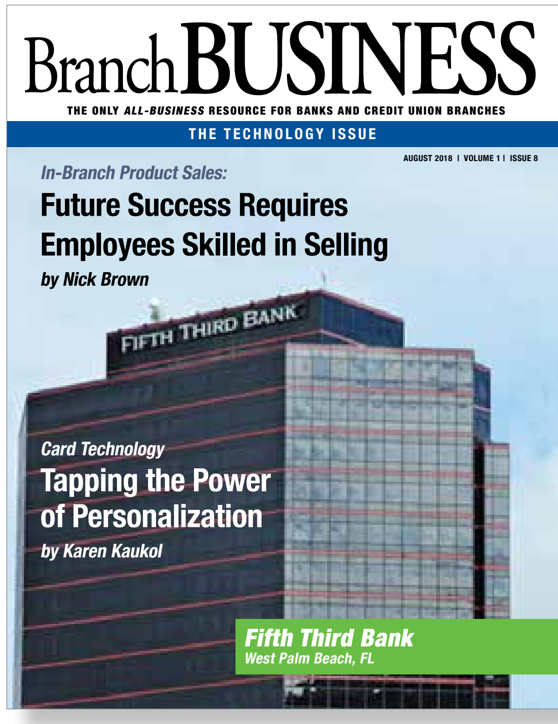

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BY NICK BROWN

Future Success Requires Employees Skilled in Selling

A few weeks ago, I found myself standing in a teller line at the branch where I started my credit union career eighteen years ago. As I stood there waiting to be helped, I remembered the good ol' days when this branch was one of the busiest in the credit union. That day the branch had two tellers working, one at the drive-thru and one in the lobby. And had it not been for a member who had a problem that was taking time to resolve, there probably wouldn't have been a line.

Foot traffic at credit union branches has been dropping for the last decade and is projected to continue to drop as more members utilize online and mobile options to manage their finances. This foot traffic represents a decline in employee interaction with members and fewer opportunities for employees to sell. However, that's not stopping this branch from creating amazing sales numbers.

Despite the drop in traffic at this branch, product and service sales continue to increase. Last year alone, this moderately slow branch closed nearly $10 million in loan recapture sales, $4 million more than the previous year. To put that in perspective, each of the three loan officers at that branch are selling an additional $275,000 in loans per month; which will generate approximately $750,000 in net interest income.

The role of the branch employee and the contact center agent is changing. Like this credit union branch, that role must take on a sales focus and move away from the reactive, order-taker mentality of the previous decades. Growth and success for the future necessitates a highly skilled sales staff equipped to expand and deepen member relationships through sales.

Here are those five critical sales training opportunities with employees to create a fully engaged and highly skilled sales staff at your credit union.

During the Hiring Process:

Okay, so this first opportunity isn't really a training opportunity, but a discussion about creating an engaged sales team wouldn't be complete if I didn't first talk about the importance of hiring the right people.

A few years ago I was hired by a credit union to provide sales training to their branch tellers, loan officers, and branch managers. Over the following months, they experienced a spike in branch employees applying for back office positions or leaving the credit union. In nearly every case the individuals leaving said they didn't feel it was fair to expect them to sell on top of all the other responsibilities they had.

When preparing to hire for member-facing positions, it is important to remember that their primary role is to sell. Be sure that job descriptions communicate this selling role in the summary as well as the first

two to three "tasks and responsibilities" bullets, if not more. Vet candidates by looking for selling experience that is applicable to the position you are hiring for. During the interview, be sure to ask specific questions about successes and struggles in past selling roles, as well as clearly setting the expectation that they are interviewing for a sales position. And finally, hire the candidate who has the behaviors and attitudes that will help them thrive as a sales representative of the credit union.

During Formal Training:

Likely, your credit union has invested a lot of time and resources into formalized training. This would include training for your tellering and call center functions, new accounts and loans, amongst others. Too often these training courses focus almost 100% of their time on operations and processing. If this is the case at your credit union, you are missing a golden opportunity to train a skilled sales staff. In fact, you may be shooting yourself in the foot.

When an employee is hired for a new position, the training they receive will communicate what you value most. If training is focused solely on operations, such as how to balance, how to process a new account, and how not to get loan audit points, this is what they will focus on in their new position. While these are critical skills that do need to be trained on, formalized training must also include sales.

Actually, sales training is quite easy to integrate into formalized operational training. For example, most new hire training includes product knowledge. Instead of just teaching employees about your products features and benefits, teach them about how those products give your member an advantage by citing a few situations that a member might need that product. Then, when practicing transactions, require the employees to identify a missing product and offer it to the member using a simple script you have provided.

During new accounts training, employees should be taught how to properly conduct a member interview. There is no way around it, this is 100% pure sales training. The member interview is by far the most critical sales discussion you will have with your member, and it's probably the first skill that should be covered in this training course. Then, as employees begin to role play, ensure that the scenarios have hidden sales opportunities which the employee is challenged to uncover during the member interview.

Lastly, there are a number of ways you can pack loan training with sales. Beginning with credit reports, train employees to read them and to identify loan recapture opportunities and calculate savings within them. In all practice scenarios you use, there should be at least one recapture opportunity on the credit report which the employee is expected to ask about. That recapture opportunity then becomes their next practice loan application. Additionally, the majority of training for payment protection, GAP, and extended warranty should be focused on how to sell them.

As Part of the "First 90 Days":

This training opportunity would build off of the sales training your employees would have received during formalized training courses. When an employee starts in a new position, they will develop critical behaviors in the first 90 days that will become habit and difficult to change. For many credit unions, this time is focused on ensuring their employees are operationally sound and understand all of the processes to balance and have clean audits. In fact, many credit unions I have worked with tell me they don't start holding employees accountable to a sales expectation until they have been on the job for 6 months.

To train a high performing sales team, selling must be a primary focus during the onboarding processes. New employees in transaction roles should continue to receive support and coaching to sell along with learning how to operate the system, balance, answer a wide variety of questions, and process transactions quickly. Employees opening new accounts should be coached on the skills of conducting an effective member interview, along with how to process an application without errors and prevent fraud. And new lenders should continue to receive coaching on recapturing loans, selling protection products, and so forth.

Along with this continued coaching, employees should have sales expectations that will help them stretch and prepare them to meet their goals when their onboarding period has ended.

As a Sales Team:

Managers of any sales team should be holding regular team sales meetings. Generally, managers will hold a team meeting on a weekly basis. Much of the time, these meetings are held to discuss changes to products and services, adjustments to processes, team issues that need to be discussed, and so forth. At the very least, a team sales meeting should be held monthly.

The team sales meeting is an opportunity for more than just sales training. It is a great opportunity to celebrate success and recognize employees who have exceeded sales expectations. It's an opportunity for employees to ask questions and share sales experiences with one another. And it's an opportunity for employees to practice and improve sales skills and processes in a safe environment.

To help sales managers accomplish each of these goals for their team sales meetings, they should break up the time into four parts.

- Part one is to recognize team members, follow-up on the previous month's sales commitments, and have an open discussion about sales success on the team.
- Part two should be focused on a specific sales training topic.
- Part three should be dedicated to applying and practicing what was just trained on.
- Part four should be given to the manager to set expectations and gain commitments from the team on how they will apply the new training over the next month.

The team sales meeting is a great opportunity to develop leadership within the team. Actually, the only part of the team sales meeting that should be directed by the manger is part 4 when making commitments. Each of the other parts should be led by a team member and rotated on a monthly basis. This is a great way to identify employees who will make a good fit for future leadership positions.

With Individual Coaching:

Finally, on a monthly basis, sales leaders should be spending one-on-one time with each member of the team to provide sales training and coaching. This one-on-one time should be split between three separate coaching sessions.

The first coaching session should be focused on the employee's individual development plan. This can include non-sales topics; however, the majority of the time should be focused on sales. The time should be spent on a sales skill the employee feels he needs to improve. The leader should provide some training where needed and spend the remainder of the time looking at examples and practicing.

Next, sales leaders should schedule time to shadow the employee in order to observe the employee applying what he has been working to improve. The shadowing sessions should be focused on the skill being worked on and identifying where the employee has made improvement. The employee needs to know that his sales leader is not there to identify other things he needs to work on.

Finally, the third coaching session should happen directly or soon after the shadowing session to discuss how the employee felt he did and in what areas he feels he needs further support and coaching. The leader should primarily ask questions and listen, holding off on directly sharing any personal observations.

In closing, the decline of member interaction in the branch and contact center does not mean the demise of the member facing employee, rather it signals a critical change that must happen. Employee training must move away from reinforcing the roles of 'processor' and 'order-taker' and adopt the training of highly skilled sales professionals. As credit unions focus on sales, employees will provide a more engaging experience for the member, provide more value to the member, and ensure their credit union continues to grow and thrive.

Nick Brown Consulting, established and founded by Nick Brown in 2015, is a credit union–specific sales training group dedicated to bringing a proactive sales approach to every credit union. Nick Brown Consulting accomplishes this aim by providing sales consulting and training to enhance branch sales, outbound sales and lending center sales. With an emphasis on lending and cross-sales, Nick's goal is empowering credit unions to add value in the life of every member in every interaction. Engage Nick Brown directly at 801-860-5807 or nick@nickbrownconsulting.com. Ask about his credit union–specific workshops and online sales training, featured at ***www.nickbrownconsulting.com****.*

BY RENÉ CLAYTON

Practical Advice on the Reality of AI Today

Will there be a point in the near future where technology becomes so proficient that it overtakes all good? Pervasive in its growth, we may not even notice the areas where artificial intelligence (AI) is currently at play, but we are seeing that it has a variety of implications for those that choose to develop and deploy AI systems.

During the recent American Banker's Digital Banking conference, several thought leaders – myself included – weighed in on implications regarding recent AI developments in the financial services industry. In particular, we focused on how the spread of AI might affect credit unions across the United States.

The takeaway? Speech analytics, facial recognition technology and natural-language processing chatbots contribute to marketable advancements within the credit union industry, but they do not exist without careful considerations, security awareness and potential liability risks. The engines that run these technologies rely on the quality of data with which they are continuously fed. If the data sets are biased, AI responses will contain and reflect those biases.

AI is everywhere. It has been incorporated into smart speakers, Netflix accounts, payment chatbots, smartphones and wearables ¬– all of which produce data. Intelligent machines develop intellectual predispositions based on what they have been exposed to and mitigating these risks of exposure is more important than ever.

Since most of us are not wishing for the possibility of irrelevance, there is some good news: human involvement remains essential when it comes to AI. There are a few ways humans can and must stay involved in the development and deployment of new AI technologies for the purposes of quality maintenance and compliance. For example, humans are always expected to test AI assumptions by performing proof of concepts on a variety of experimental hypotheses. They must also determine what worked, what fell short and what cost too much, even if the outcome was successful. Lastly, humans need to develop a plan around the results of the above analysis to ensure that all elements are addressed as necessary.

On a similar note, there are a few best practices for AI development to consider, like initiating an enterprise strategy which has executive support and determining where the responsibility lies within the organization. Creating governance and security practices around the AI toolsets, as well as keeping legal, regulatory and compliance implications at the forefront of your planning, is also recommended.

Be cognizant of challenges, such as access to clean and categorized data and integration with existing systems. Avoid an over-emphasis on rules-based programming versus natural philosophy. Accuracy with natural language processing is also key. In fact, according to VentureBeat and Retale, 53 percent of those who had interacted with chatbots said that they needed to be more "accurate." Talent acquisition of AI data scientists and business alignment within the organization need to be addressed from the outset of an AI project. Finally, don't forget to provide a fair estimation of the time and effort it takes to get an AI-powered system up and running.

As the rise of AI and interconnectedness continues, it is essential that credit unions and other companies ensure they have protected consumers and themselves from the implications. Real human intelligence is not one-dimensional. If financial services companies are to capture the true depth that characterizes human reasoning, we must stake a claim in the development process and run repetitively through safety checklists. No matter how advanced our technology becomes, we are still responsible for the outcome. People will continue to ask who is handling, seeing and managing their personal and financial data, and the answer to this question will come more easily to those who take a proactive role in the process of creation and curation of AI.

As an innovation strategist, René Clayton provides a strategic vision for multiple solutions across PSCU's organization, including the digital and fraud lines of business. She has more than 18 years of experience in technology and product development. René is a champion for AI and is passionate about new ways of creating amazing digital experiences. Recently, she led the winning team in an Internet of Things (IoT) project in the "Easiest to Explain to Mom" category during the PYMNTS.com 2018 Voice Challenge with Amazon Alexa. In 2017 and 2018, she successfully completed two courses focused on AI and IoT implications on business strategy through MIT's Management Executive Education program.

BY CHAD DAVIS

Are You Relying on Dated Time Studies in Branch Scheduling?

Technologies have drastically changed the banking landscape, but the fundamentals for delivering on service standards are just as important as ever. Members expect great service—and they don't want to wait too long for it.

The methods that credit unions can employ to deliver great service as efficiently as possible have improved dramatically, especially in the area of staff scheduling. Time studies, a commonplace method for measuring employee output, are being replaced by systems that rely on real-time data on staffing and branch volume.

Time study refers to a structured process of directly observing and measuring employees' work, literally counting the minutes to establish the average time required to complete specific tasks when working at a defined level of performance. In the past, time studies might have been a useful tool in scheduling staff in combination with forecasts of expected member traffic. But in today's fast-paced environment, relying on a manual process tied to forecasts based on historical patterns may lower service levels and increase costs.

You might say that the use of time studies in branch scheduling is well past its prime.

Credit unions now have the opportunity to apply real-time data to guide scheduling, with much more accurate information about assist times, or the amount of time frontline employees typically spend with members to complete specific tasks. Rather than a general estimate of assist times across a wide range of product and service requests, lobby tracker software captures the actual time it takes to process individual member interactions.

This data-based system can supply a whole host of information that would be impossible (or at least prohibitively expensive) to collect through time studies or is outside the purview of that tool, including assist times per product for individual employees; patterns in branch traffic and transactions by time of day, week, or month; and new accounts opened and other relevant sales statistics.

An automated alternative to the time study can facilitate more efficient staff scheduling and even alert managers when unexpected traffic spikes extend wait times beyond the credit union's specified target. In that event, other employees can step in to assist when needed to maintain service levels.

Compare that functionality to the practice of calculating staffing needs manually and based on historical patterns. If time studies are "close," they might be just a minute off here and there—which is still significant when multiplied by the rate of transactions that occur over the course of a week or month. And that approach can't account for differing traffic patterns and assist times from branch to branch, which widens the accuracy gap even more. However slight, those variations can add up to significant costs over time in terms of poor service and/or overstaffing.

The disparities between time-study estimates andreal-time data can build up to the point that branch managers either abandon the use of that information in scheduling or continue to rely on inexact figures. Either way, staff schedules are not aligned with current member traffic patterns, and the credit union ends up either short-staffed or overstaffed.

The use of real-time data ensures that the basis for scheduling is continually updated and remains as accurate as possible going forward. In comparison, time studies are past their "sell-by date" soon after they are completed.

Access to real-time data in scheduling is especially crucial in state-of-the-art branches staffed with universal employees. Members are likely to use these service centers differently than when they relied on traditional branches, especially if the credit union's strategic aim is to encourage a new sales and service model in these settings. Over time, branch visits may take longer and result in higher sales as members shift away from routine transactions and toward more consultative interactions.

Universal employees tend to earn more than traditional tellers, so appropriate staffing becomes even more important to the bottom line. A lobby tracker system collecting real-time data keeps pace with evolving traffic patterns and member expectations in a way that no time study can.

There was an era when time studies were considered a top-shelf solution for aligning staff schedules with the best possible estimates of member service needs. But that approach is now out of date. The time that matters most to members is when they walk into a branch—and only real-time data can keep pace with those expectations.

Chad Davis is senior industry marketing manager, Financial Services Practice Group, Kronos, which is a leading provider of workforce management and human capital management cloud solutions. Kronos's industry-centric workforce applications are purpose-built for financial institutions of all sizes. Chad can be reached at ***chad.davis@kronos.com.***

BY KAREN KAUKOL

Tapping the Power of Personalization

Personalization takes high priority – especially among millennial consumers. A recent study from TimeTrade found that more than 40 percent of millennials treasure the personalized service they receive from credit unions. Looking to meet such demand? Consider print-on-demand technology and allow consumers to express themselves through unique card designs.

Not only can you increase consumer satisfaction, but you also have the opportunity to boost business in the process. Research shows printing personalized images and text on payment cards can raise activation rates by more than 50 percent, while also elevating customer retention. Better yet, investing in printing innovations promises to help you stand out in an increasingly saturated payment card market. Considering the average American has at least three credit cards along with a debit card, staying top of wallet is crucial.

The easier you make it to personalize a payment card, the better chance customers will view themselves as partners – not just purchasers. And since this type of card printing technology functions as a simple upgrade to your current system, the issuance process won't slow down.

Put the power of personalization back in the hands of consumers. From marketing customer-specific products to getting the most out of an instant issuance program, the following few tips promise to help you take advantage of personalization.

One size (and design) doesn't fit all

Establishing trust with consumers is a challenge. Seven out of 10 consumers don't believe advertisements while 42 percent distrust brands themselves. Shake the image of an impersonal, out-of-touch business by empowering customers with personalization. In need

of a little inspiration? Take a look at how Nike flipped the sportswear industry on its head with NIKEid. Fans of the big-name brand have flocked to NIKEid to put their own spin on a wide range of accessories, including shoes and clothing.

In the same way Nike has generated plenty of interest by opening door for customization, you can connect with cardholders on visual level. Whether it's sports, the outdoors, cars or art, offer up images that people feel passionate about. Adding an image to a payment card is an easy and fast way to make a lasting impact with your customers.

Andrea Dillard, eServices Manager at GCS Credit Union touted the benefits of personalized payment cards saying, "Our members love that they can put a personal touch on their card with a photo. The best part is that it gets members engaged. We offer a checking account to our younger members, many of whom are still in high school. A lot of times we'll see their high school mascots as images on the cards!" Every purchase is a chance for customers to show the world who they are. Satisfy that appetite for self-expression with the chance to choose from multiple designs.

Make things even more personal by enabling customers to send in their own images. Before extending such an option, however, it might be a good idea to build brand standards. A simple set of restrictions – such as your ideal image resolution – can go a long way toward minimizing the time it takes to create a personalized payment card.

Spending a few minutes reviewing each image can also help you sidestep problems later down the line. Copyright infringement, for example, is one issue that has the potential to derail the personalization process. “While we don’t often run into too many problems, it’s better to be safe than sorry,” said Dillard. Carefully monitor submissions to ensure each payment card is good to go before printing.

Making the most of mail

Paving the way for custom designs isn’t the only way to show consumers you care. Deepen each relationship with offerings that are tied to a customer’s specific interests or life stage. Since you already have a bit of insight into each cardholder, you can cater to their needs and desires while also promoting relevant products and services. If a customer is in the market for a house, consider using card mailings to promote relevant loan options. Just as unique card designs can help you connect with customers, a personalized piece of mail can pave the way for more meaningful interactions.

Set your sights on a number of different elements within card mailings, such as card carriers or labels. The more ways you cross-sell pertinent financial products or services, the better chance you can convince customers you have their best interest in mind.

Customized card mailings may also serve to humanize your brand among new and existing customers. Do you give back to the local community? If so, be sure to mention that in future card mailings. Nearly 90 percent of U.S. consumers expect companies to support social and environmental issues. A small snippet discussing your company’s charitable giving practices can make a big impact on the way in which customers perceive your business. Instead of focusing on the idea of a large, abstract company, cardholders may gain a glimpse of how your employees are making a real in difference in the lives of others.

Help customers contribute to your cause by opening up volunteer opportunities. From handing out food to the homeless to cleaning up a nearby park, spending just a few hours volunteering with cardholders promises to strengthen your relationship and ultimately build loyalty. Generate additional interest by allowing customers to vote on which causes your company supports. A simple poll may be all it takes to tap into the passions and beliefs of your cardholders and show you care.

The personal difference

Cardholders are always looking for more personalized service. Introduce just that with instant issuance. Rather than dishing out the same card to each customer, you can leverage print-on-demand technology to bring aboard a little bit of self-expression. Offer up new designs customers can choose from, or, better yet, give them the chance to upload images of their own. This uptick in personalization brought about by instant issuance promises to increase wallet share, activation rates and transaction volume all while keeping customers happy.

Karen Kaukol is the CMO at Entrust Datacard. She has broad product marketing experience in global payments, financial services and information technology. Before joining Entrust Datacard, Kaukol served as the CMO of Graebel Companies, an SVP at First Data Corporation and the director of marketing at Western Union. She holds an MBA from University of Minnesota, Twin-Cities and a bachelor's in marketing and telecommunications from Indiana University Bloomington.

BY PHIL MARKWELL

New Tool Helps Credit Unions Make Better Auto Loan Decisions

When it comes to accurately valuing vehicles and making lending decisions, credit unions rarely see the vehicle they are lending on. Frost Financial Services (Frost), in partnership with MonroneyLabels.com, is poised to change this dynamic to the advantage of credit unions everywhere. Phil Markwell, partner at Frost, explains: "Through our relationship with MonroneyLabels.com we can now provide a reproduction of the data from the original automobile window sticker. Credit unions see the MSRP based on the factory options packages, engine and transmission specifications, standard features and other important items enabling them to accurately value and make better lending decisions."

Window Sticker Service Benefits:

- Price vehicles properly
- Get information beyond the VIN (vehicle identification number)
- Eliminate power-booking
- void expensive mistakes

Putting Credit Unions in the Driver's Seat

This new service will shine a much-needed light on what has historically been a lending blind spot for credit unions and help eliminate issues like power booking. Already, several financial institutions are seeing significant benefits. Muskegon Co-op Federal Credit Union, in Muskegon, Michigan, with $62.6 million in assets and more than 10,000 members, has been using the product since February 2018.

"We recently had a power-booking instance where the deal came in and the information didn't match up. When we pulled the Monroney label, we saw that the dealer had added leather seats, a sunroof, and a tow package that the vehicle didn't have, which falsely increased the value of the vehicle," says Lacey Vanderlaan, loan officer at Muskegon Co-op Federal Credit Union. "Once we used the correct value, the loan-to-value price was too high, and we sent the deal back. Had we made the deal at the inflated value and had to repossess the car, we could have never resold it at an appropriate price." This is an all-too-common scenario because auto lending decisions are made based on loan-to-value (LTV %) guidelines, it is critical that the data entered to create those values be as accurate as possible. Unfortunately, when dealers power-book, it's often only when that vehicle is totaled or repossessed that the credit union learns that the vehicle was not as represented.

"Our collections department loves the Monroney labels, too," adds Vanderlaan. "It allows us to see the color of the vehicle, so the repo people don't have to approach every vehicle of the right make and model to get the VIN; they can also narrow down by color to save them time and keep them safe."

Beyond the VIN: Monroney Label (Window Sticker)

A key advantage of window sticker information is that it goes beyond VIN data. In general, VIN data only identifies the manufacturer, year, make and model, and does not always detail vehicle trim packages or options. The difference between trim packages can be thousands of dollars. But the Monroney Label, required by U.S. law to be displayed on all new cars, contains mandatory information about the car including:

- MSRP (manufacturer's suggested retail price)
- Engine and transmission specifications
- Standard equipment and warranties
- Optional equipment and pricing
- Fuel economy ratings

It's a significant benefit to the credit union."

Fort Lee Federal Credit Union in Prince George, Virginia, with $178 million in assets and more than 16,000 members, has been using the product for about a year. Tina Maitland, Senior Loan Officer, talks about the success they have had with the service. "The best part is that the label information helps the credit union to value vehicles accurately, make smart decisions for the credit union, and provide the best value for the member." Access to the window sticker doesn't simply avoid inaccurate data from dealers, but it also provides clarity in cases where members simply don't know what all is on the vehicle. Maitland continues: "I've had times that members want to refinance their vehicle and they don't know what they have. I'll ask if they have navigation and they'll say, 'it has a screen.' The options can make or break closing the loan because they make a difference to the value of the vehicle."

See What You've Been Missing

If a credit union is interested in making better lending decisions and knowing a vehicle's every feature, option and what it cost when it left the factory, this service is a simple and affordable solution. Available exclusively for credit union clients with the Frost VisualGAP web application, the loan officer just enters the VIN and is asked if he or she would like to retrieve a Monroney Label. If the specific vehicle is available in the database, you will see the replica window sticker of that car with all the important information you need.

The Monroney Window Sticker solution is available exclusively through Frost's VisualGAP platform. Frost has been serving the credit union industry since 1972 and is best known for its industry-leading web application, VisualGAP, which helps credit unions to effectively offer GAP and other auto protection products. Frost is also the largest "independent" GAP program administrator in the credit union market, currently serving over 1,000 financial institution clients nationwide. For more information on their services, visit www.frostinsure.com or contact Phil Markwell at ***pmarkwell@frostinsure.com*** *or call* ***(888) 753-7678****.*

BY BRIAN MCCARTER

Got Commercial Real Estate Clients? Don't Miss This Emerging Opportunity

One of the many advantages of working for a credit union is that you're free to make business decisions that benefit your members. If those members include commercial and industrial property owners, financing their commercial property assessed clean energy (C-PACE) projects could strengthen your relationship and benefit your institution.

What is C-PACE?

C-PACE is a government-sponsored financing program designed to encourage energy efficiency, water efficiency, and renewable energy upgrades for commercial and industrial buildings. A voluntary program, C-PACE is finding favor with building owners nationwide because it makes building upgrades economically attractive. It does this by facilitating up to 100 percent financing for the project with terms of up to 25 years (the length of the financing corresponds to the estimated useful life of the energy improvements). Almost anything that will lower the utility bills and is permanently affixed to the property qualifies, and because the financing is secured by the property, the building owner is not required to sign a personal guarantee. Even better, in well-designed projects, the energy cost savings outweigh the C-PACE payments, putting cash in the building owner's pocket.

C-PACE project benefits

Aside from the positive cash flow, C-PACE projects lead to lower utility bills, a more comfortable property for occupants and tenants, and reduced greenhouse gas emissions in the community. What's more, the improvements typically make the building more valuable, more marketable, and more competitive. Even better, the building owner can achieve these results without adversely affecting working capital or credit.

How does C-PACE work?

In a C-PACE transaction, private capital providers fund the investment, which is secured by a voluntary special assessment that is recorded against the property. The payments are billed along with property taxes, similar to a sewer assessment, and, since the financing is tied to the property, the building owner can transfer the repayment obligation to a new owner if the property changes hands.

How is C-PACE implemented?

State and local governments typically view C-PACE programs favorably, as they bring about important societal benefits, such as improved building stock, reduced greenhouse gas emissions, and local jobs. Moreover, since C-PACE projects are financed by the participants, these programs have no impact on government budgets. As a result, it is not surprising that 34 states plus D.C. have passed legislation which empowers local governments to adopt a program.

Project implementation

A typical C-PACE project begins with a building owner whose building contains equipment at or near the end of its useful life. Once the building owner develops a project scope and budget with his or her contractor—or C-PACE project developer, if the planned upgrades will be extensive—he or she submits an application to the local C-PACE program. Assuming the project meets the requirements of the program guidelines, the program administrator will then approve the application. (Some programs will even work with the building owner and contractor to model different project scenarios so that energy and cost savings are optimized.) If the building owner has a mortgage on the property, he or she then must obtain consent from the mortgage holder, after which the C-PACE program administrator will facilitate the finance closing with the building owner's chosen capital provider.

The role of credit unions in C-PACE

As noted above, since the C-PACE assessment is senior to all commercial liens, the mortgage holder must consent to the transaction. To date, more than 160 financial institutions, including several credit unions, have consented to C-PACE projects, according to PACENation, an industry trade group. This isn't surprising when you consider that C-PACE projects improve the value of the mortgage holder's collateral as well as their borrower's cash flow and repayment ability.

Given the benefits of C-PACE, it's not surprising that, instead of simply consenting to projects, community banks and credit unions are stepping up to fund them. That's what happened recently in Colorado, when a member of Bellco Credit Union asked Bellco to finance its C-PACE project—a comprehensive energy retrofit for two six-story office buildings in Greenwich Village.

Bellco agreed.

"We're a member-focused institution, and C-PACE was definitely a beneficial program for this member and the property," said Susan Rice, Bellco Credit Union's director of business services. "The cost savings that the building's tenants received would improve our collateral and the overall cash flow for the building, which is a measurement we use for monitoring our loans."

Aside from the financial benefits, the project aligned nicely with Bellco's culture. The credit union, which has more than $4 billion in assets and 24 branches, is, according to Rice, "a strong supporter of healthy lifestyles and green initiatives in Colorado, which this project advocates."

The energy-saving equipment upgrades for the twin buildings, which total 414,000 square feet, included new rooftop HVAC units, upgraded controls, revamped lighting, updated water fixtures, and next-generation tenant space metering. With these changes in place, the owner is pursuing LEED certification and initiating a three-year Active Energy Management (AEM) program.

The $7.1 million project—a collaboration between John Madden Company, the owner of both buildings; McKinstry, an energy service company and design builder; Integro, a C-PACE project developer and finance consultant; the Colorado C-PACE program, and Bellco—is the largest C-PACE financing in Colorado to date.

At the project's conclusion, the building owners will save $385,000 in annual energy and maintenance costs—a 30 percent savings.

Advocating for C-PACE at your credit union

Since C-PACE programs are relatively new, your credit union will likely require a bit of education before it's ready to fund its first project. Bellco did. "We met with the borrower's attorney a few times, as well as the Colorado Energy Office, to review the mechanics of the process, standard documents, and the approval process to become a capital provider," said Rice. "We also engaged an attorney that had prior real estate and metro-district bond experience, since both are important parts of the risk analysis for these projects."

C-PACE required internal discussions at Bellco as well. "After our initial meetings with the tenant's attorneys, we spent time meeting with our executives, loan committee members, and our treasury department," said Rice. "After discussing the specifics of the loan and what amount in total would be allocated to these projects, our executives approved."

What's the risk?

Since they're backed by real property, C-PACE investments are relatively secure, but there are exposures to consider before you become a capital provider. "There is some risk related to long-term fixed rates as well as a general understanding of the program," said Rice. "We will need to educate our auditors and regulators on how to review the files adequately. We do not categorize these loans as 'commercial real estate,' since they are not secured by an actual deed of trust on the property, so it actually helps us balance our portfolio risk."

What's next for Bellco?

As far as marketing C-PACE to existing clients, Rice says the credit union is discussing the program's potential with some existing members and will continue to search for the right projects. "We are looking for the right properties to offer this program to, since there are economies of scale to be considered for lower loan amounts. We've had requests for much smaller loans, and while we do contemplate each project separately, we also need to ensure that the risk for the overall portfolio is well managed," said Rice. "Also, due to membership requirements for our credit union, we are currently only considering this program for loans where we hold the first deed of trust on the property. In addition, these loans are long term, fixed-rate loans, so there is some interest rate risk that has to be considered."

If you're contemplating financing C-PACE projects to strengthen your relationship with your members, Rice has some advice. "Ensure that the right individuals are involved from the beginning and that their background is strong in commercial real estate as well as foreclosure and collection laws for your state. This helped us understand the risks, so we could explain [them] to others in the organization. Also, the attorney we selected really helped shore up the legal risks with additional documentation. We did not have the benefit of other credit unions in the area that were capital providers, which would have also helped."

Fortunately for your credit union, you don't have to start from square one.

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BY LIN GRENSING-POPHAL

Harassment

When Your Name is in the News (Part 2)

***Editor's Note:* This article is the continuation of a Harassment article that ran in last month's CU BUSINESS emagazine. (Link to Part One here).**

It may have happened years ago and under someone else's watch, but when harassment claims emerge there's a good likelihood that your bank's name will be in the news. A "no comment" comment is rarely a good idea, even though you may not be able to comment on a specific case that's making its way through the legal process. What best practices should community banks follow when a claim of #MeToo makes the local news?

The #MeToo Movement in the News

While the #MeToo movement has certainly directed attention to the issue of harassment, it's not a new issue, says Susan Hosage, SPHR, SHRM-SCP, a senior consultant and executive coach with OneSource HR Solutions. "Even before the #MeToo movement, the legal standard for an employer has been quick and remedial action when it comes to addressing any form of unlawful harassment in the workplace," she says.

Unfortunately, not all employers have followed that legal standard—some purposefully, yes, but many others because they were unaware that incidents had occurred. In either case, though, what gets attention from the media is that a harassment claim has occurred. And the bigger the business and the more egregious the claim, the greater the likelihood that the media will pounce on the story.

When your community bank makes the news in this way, how you respond—before, during and after the coverage—will determine how quickly the chatter subsides and the impact on your bank's brand and standing in the community.

Laying the Foundation for a Strong Media Relationship

One of the most important proactive steps that your community can take to help navigate any crisis-related, or contentious issues that might emerge is the develop and nurture strong relationships with the local media. Don't wait until something happens to make the first connection. Develop a reputation of being honest, transparent, forthright and accessible, whether talking about a new service offering or responding to inquiries about alleged misconduct.

Community banks have a big benefit here precisely because they are community banks. Their relationships with the local business and media communities mean they are known commodities—much more likely to be trusted than organizations whose corporate offices may be hundreds or thousands of miles away.

Still, bad things can happen and your community bank may be at fault.

Step 1: Investigate

"Any time a harassment claim is reported, a prompt and thorough investigation should be conducted," says Kimberly Capadona, a partner at Archer where she advises clients on employment law and labor relations issues.

Capadona recommends that investigations be done within two business days of receiving a report of harassment. The investigation should involve interviewing the complainant, any witnesses and the person accused, she says. "We would suggest that those involved in the investigation be asked to maintain the confidentiality of the issues discussed." Investigations, she says, could be conducted by the bank, its HR department or designated management staff, or the bank could hire a law firm to assist in the investigation. These investigations, by their very nature, of course, are part of a process that may lead to a trial.

Finding the right balance between protecting your bank from a legal standpoint and addressing the community perception issues that are certain to emerge in these situations is critical.

Legal Implications

In the case of legal issues, like sexual harassment claims, the decision of whether or not to speak to the media—as well as what to say—becomes more complicated due to the implications for potential trial situations.

As attorney Brad Biren, Esq., a senior associate with Johnston Martineau in Des Moines, explains, statements made by bank spokespeople would not be considered heresay. Heresay statements are statements made outside of court that are "implicitly not allowed in court because there is little way of determining their veracity," he says. Statements made to the media by bank spokespeople, though, would fall under the category of non-hearsay and, therefore, be admissible. That's why it's so important to ensure that the statements made are appropriate. His advice:

- Have your spokeperson's statement reviewed by defense counsel
- Ensure that your spokesperson read only from a prepared statement
- Make sure that your statement contains information about company policies and procedures that are true. These statements, he says, "can be used against you as an admission of an available alternative—thus, you just admitted you knew of a better means by which to prevent or investigate harassment."
- Ask the media to relate all questions via email rather than over the phone.

Such concerns are why many companies choose to take a "sorry, we can't comment—this is a legal matter" approach to such inquiries. With all of the attention the #MeToo movement is getting, though, and all of the emotion around that attention, though, say some experts, this type of non-response response may not be the best approach.

To Talk, or Not to Talk

"You are under no obligation to speak to the media, but that could get you convicted in the court of public opinion," says Nance L. Schick, an employment attorney, arbitrator and mediator who has also personally sued a prior employer for sexual harassment. If you do respond, though, she advises: "Keep it simple, professional and focused on the privacy of the parties." There is, she says, no "one size fits all" solution.

"For example, if neither party wishes to speak to the media, you might simply state that the matter is currently under investigation and out of respect for everyone involved you will be waiting for the results of the investigation and permission from the parties, before or if you share any information. Reiterate the sensitive nature of these situations and the need for those involved to process the emotional aspects. Conversely, if one of the employees has chosen to speak to the media, you can acknowledge their free speech rights and still decline to speak out until the investigation is complete, for the same reasons previously stated."

Still, notes Christopher W. Smithmyer, a lawyer and strategic resource development coordinator at Brãv Online Conflict Management, a dispute resolution company, that traditional approach may not work so well in the current environment.

The #MeToo movement, says Smithmyer, "has reversed the legal paradigm in the United States where a person is now considered guilty until proven innocent in the court of public opinion." Accusations of sexual harassment can destroy not only a person's career, but can even reach the point of destroying a business, he says. While, from a legal standpoint, a statement like "we are unable to comment as this is a legal matter…" may be the safest best, from a PR standpoint "this can be business suicide," Smithmyer says. With a plethora of politicians, business people and Hollywood actors hiding behind these types of comments, he says, "people no longer trust anyone who says that it is a legal matter."

Todd Templin, executive vice president of BoardroomPR, a full-service public relations agency based in Ft. Lauderdale, Florida and co-chair of the agency's crisis communications department, agrees with that approach. "When it comes to this particular topic, I generally don't like legal responses; they need to come directly from the company itself and be sincere and heartfelt."

Smithmyer recommends using what he calls "the political model." He offers an example:

Reporter: "Ms. Jackson is it true that Mr. Miles, one of your tellers, commented sexually on one of your customer's breasts?"

Ms. Jackson: "I am glad you asked that question. XYZ Bank maintains the highest standards of sexual harassment training. We have a commitment to the community that we hold sacred and we require each employee to have 8 hours of harassment training each year, including two hours of workshop work. Further, we have a robust internal review mechanism that takes the complaints of customers very seriously.

Here at XYZ we make every effort to be part of the community, and that means upholding the amazing local community standards of our city."

"The trick to this type of damage control is to start the response by answering the reporter's question as though you expected it," says Smithmyer. "Once people start thinking 'How did she know that was coming?'," then you can start them down the path to listening to your prepared response. Because people think that you knew the question was coming, then they are more inclined to believe that the response you give is related to the question, which is part it is. This allows you to control the 'spin' and give the legal and internal processes the time to do what they need to."

Templin adds, though, that organizations need to be as transparent as they can be regarding these types of allegations so as not to create any suspicion or ill will with customers and the public. Saying 'no comment' won't cut it." At the very least, he says, "companies should provide statements to the media explaining their side of the story, apologizing as necessary for the behavior and discussing any corrective actions they take as a result of the scandal."

Fortunately, in this era of social media and online communication, community banks aren't hamstrung by what the media chooses to report about these situations. Community banks can, and should, take their message to the masses on their own.

"I would say it's a good idea to communicate with your customers in as many ways as you can," says Templin. He points to social media, email, blog posts, web statements and video as examples of ways community banks can get their messages out.

Actions Speak Louder Than Words

In some cases, taking immediate steps to "eliminate the distraction" fast and efficiently, can also be a good PR strategy, notes Templin. "Often the best way to eliminate a PR nightmare is to eliminate the distraction itself fast and efficiently even if that means a firing, reassignment or some other disciplinary action that can be made public," he says. This can be illustrated by recent examples involving Matt Lauer and Kevin Spacey, who were both terminated when news of accusations of their inappropriate behaviors emerged. Having a community reputation as a great place to work, good relationships with the local media, no-tolerance policies that are communicated and enforced and a swift response and investigation into any claims made, should be foundational elements of your bank's response to the #MeToo movement.

Then, if the media calls, you'll be prepared.

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