

CONNECTED



AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

Are you ready for all the possibilities?

IT leadership is moving to the forefront as more and more of the world turns digital. That provides you with a tremendous amount of opportunities and responsibilities. Are you ready to not only embrace the new technology thinking but also lead your credit union into the new millennium of financial services delivery?

“Possibilities.org: Strategic Partnerships in the New Millennium” is the theme of this year’s CUNA Technology Council Credit Union Technology Summit. It’s content and focus are designed to give you those leadership skills, as well set a course for cooperative efforts toward meeting your members’ needs. The three-day conference is scheduled for August 9-12 in beautiful Colorado Springs, CO.

You’ll learn about the changing role of IT leadership in credit unions from Dr. Randy Harrington, founder of Extreme Arts & Sciences, a Eugene, Ore.-based consulting firm. You’ll also uncover all the traits of becoming an effective CIO from computer

industry analyst Cheryl Currid, principle of Currid & Company, Houston, TX.

In between, you’ll benefit for the leadership of experts and peers in breakouts and general sessions. Through Peer-to-Peer Interactives, new to this year’s program, you’ll be exposed to some of the best ideas being generated by the credit union industry’s leading IT professionals. Topics include real-time OFS home banking and data warehousing, voice-over IP live and how to bring members on-line.

In addition, you’ll hear from top experts at Cavion, Digital Insight, e-Funds Corporation, Cyberbills, Symitar, XP Systems, CU processing, Edify Corporation, Applied Technical Solutions, the National Credit Union Administration and some of the most technologically progressive credit unions in the country. You won’t find a higher concentration of technical talent anywhere this year.

Check the CTC Web site (www.cunatechnologycouncil.org) for more details and get ready for the possibilities that await you. ♦



**Capture
tomorrow's
technology
thinking...
today!**

possibilities.org
STRATEGIC PARTNERSHIPS IN THE NEW MILLENNIUM



How Important is Web Presence?

John Bock, Community Credit Union

No matter how you define it, there is tremendous competition for credit union members. The banks want them. The non-banks want them. Even other credit unions want them. On the Internet, the struggle for members is especially intense. How can credit unions attract potential members they don't have while hanging on to those they've already got? There are tactics a credit union can use, but the Web is the most volatile area and the one where we are especially vulnerable. That will require a special emphasis on the part of your credit union.

First and foremost, a credit union needs a Web site that can effectively compete for the attention of its members. Most credit unions are already on-line, but may not fully understand the stage at which their site operates. That lack of understanding could cause critical problems.

- There are three stages to Web site development.

The first stage is the static, information-only Web site.

Too many credit unions lock in at this stage and never move to the next level, content to describe products and services without moving beyond "brochure-ware."

- The second stage involves limited interaction. Besides homebanking, there may be simple applications such as loan applications, check orders, and address changes. Such added functionality and value will encourage members to return to your site for more than just information. Many credit unions have risen to this level.

- The third stage involves considerably more interaction. This is the world in which many credit union competitors operate. Real business can be conducted, extensive interaction and transaction opportunities are offered.

Sites like <http://my.yahoo.com/>, <http://www.charlesschwab.com/>, <http://www.msnbc.com/news/default.asp> have

gone beyond the strict and narrow focus of their original business and are now offering a wide range of services, including financial products. Such sites are becoming an area for one-stop e-commerce, a "portal" to all the needs, wants, and desires of our members. Only a few credit unions are at this level. Unfortunately, more and more current and would-be competitors are already here.

What can be done? Credit Unions must leverage the biggest advantage they have — the trust and relationship with members. As e-commerce becomes more prevalent, as the range of products available through the Web increase, consumers are looking more and more for someone they can trust. We are in a

unique and coveted position of owning that trust. Credit

unions can position their Web sites as portals not only for the range of products offered directly, but also as a link to reputable third parties.

There are strategic Web resources out there, including a great book that maps out a winning strategy for credit unions. *Net*

Worth by John Hagel and Marc Singer, describes how credit unions can become "infomediaries," described by the authors "a trusted third party — a kind of personal agent, information intermediary, or infomediary — to aggregate their information with that of other consumers and to use the combined market power to negotiate with vendors on their behalf." We're in the process of building a portal.

At Community Credit Union, we plan to offer a range of products and services beyond strict financial services. This is new for us. As we worked toward the decisions of what to offer on the site, there were the obvious questions about why members would come to us for this service. We built models to predict how often the service might be used, but the best



answer came from members who said they would be interested in shopping through our site because of the trusted relationship we have already established with them. This is our leverage. This is how we can compete.

To take such a step, you must first know how to build a portal. Find a partner that has the volume to negotiate agreements with the third-party vendors that will be attractive to the membership. There are several credit union friendly vendors that can provide this kind of partnership. We're working with Digital Insight (<http://www.digitalinsight.com>), but there are several others that can provide this as well. I've looked at <http://www.totall.com>, <http://www.cushopper.com/acb/>, and <http://www.good2cu.com>, all of whom appear to provide the essential ingredients of a portal. Each potential partner has pluses and minuses. To make the right decision, look at the vendors that they have partnered with, the revenue sharing that might be offered, and

the overall range of relationships that can be provided.

As you develop a portal that allows you to act as member infomediary, remember the trust factor. The privacy of the member is paramount. The maintenance of this trusted relationship is critical to success. This is what distinguishes us from Yahoo.com or any of the other commercial sites. Be absolutely sure that your member information and their product and choice propensities stay with your portal.

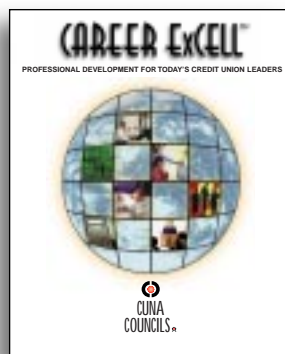
Trust and security is the primary infomediary benefit. Credit unions already do this for traditional financial services. A well-constructed portal allows us to act as the trusted agent for other services as well. Your goal should be to make this site their e-commerce home base. This is the value credit unions can add. This is the where we can distinguish ourselves from the competition. The timing is right to seize the opportunity before someone else seizes our members. ♦

Dan Riley Scholarship Opportunity Available

The CTC is pleased to offer the Dan Riley Memorial Scholarship to qualifying candidates who are interested in attending the CTC Technology Summit. One candidate will receive a complimentary registration to the Summit, plus up to \$1500.00 in travel and conference-related expenses. The scholarship is made available to the Ohio Credit Union League and Universal 1 Credit Union (Dayton, OH), and the Capital Hilton, (D.C.). The late Dan Riley was the Technology Officer at Universal 1. To be eligible applicants must be

the following requirements: 1) be a current member of the CTC or be recommended by a current member, 2) be a full-time employee of the credit union who has the primary responsibility of the IT department, 3) be willing to take an active role in the CTC, such as during the conference, 4) must demonstrate financial need. You may find out more about the scholarship, and begin the application process by visiting our Web site at: www.cunatechnology-council.org. ♦

Don't Forget About Career ExCELL!



If you have been struggling to update job descriptions, post an ad for a new employee, give staff reviews or direct your own career, perhaps *Career ExCELL*SM is

what you are looking for! The *Career ExCELL* card deck will provide you the tools to perform a variety of tasks including giving you the information to better perform in your own career. Want to move up the chain or move into a new position? This system will show you which competencies you will need to excel! You can learn more about this exclusive council benefit by visiting www.cuna.org, click on "Councils" and then on "Career ExCELL". Council members: this system was developed just for you! ♦

Useless Internet Stats—Or Not?

Jim Morrell, VP Information Systems

Clark County School Employees Credit Union, Vancouver, WA

Looking for some information regarding the Internet and what will be happening with e-commerce? There's a lot of data out there. Some may find statistics useless. However, whether or not they are 100% accurate may be irrelevant. If some of the predictions about what is happening on the Internet come true, our world and the way we do business is indeed rapidly become a different place. You'll need to adapt to those changes if you want your credit union to survive.

Here are some statistics that you may find intriguing as you contemplate web design issues and development of electronic options for your members. There are a total of 106.8 million U.S. households, 59.8 million of which are on-line. The breakdown of who is using the Internet in the U.S. is as follows: Gender - Men (51%) Women (49%); Age - 18 to 34 (40%), 35-54 (48%), 55 plus (12%); Region - Northeast

(20%), North Central (22%) South (33%), West (25%).

In August, 1999, Forrester Research determined that during 1999 there was \$3.3 billion spent on Online advertising worldwide. By 2004, that figure is forecast to increase tenfold to \$33 billion. Forrester also anticipates that business-to-consumer e-commerce will increase from \$20 billion in 1999 to \$144 billion in 2003 and business-to-business e-commerce activity will increase from \$43 billion to \$1,300 billion over that same time period.

A November, 1999, poll performed by Nielsen Netratings showed that on-line users log on 16 times during an average month, visit 10 unique sites, view 521 pages, spend a total of 8:06 hours, and 29 minutes per session. The average time a user spends viewing a page is 0:56 minutes. ♦

Source: 2000 ICONOCAST <http://www.iconocast.com>

Online Loan Approvals, Anyone?

By Mary Mink, CUNA & Affiliates

Lenders will originate more than \$188 billion in consumer loans and credit lines on the Internet by 2003—more than 10 times the volume in 1999, reports eMarketer. That means members soon will expect to complete loan applications and receive approval on your World Wide Web site.

While many credit unions accept loan applications via the Web, few grant approvals. Half of credit unions offering personal computer-based remote banking allow members to apply for a loan online, says *Credit Union*

Executive Journal's 1999 Remote Access & Technology Survey Report. That number is higher among larger credit unions. A CUNA Mutual Group Lending Lab survey puts it at 95% of credit unions with more than \$50 million in assets.

But only 11% close the loan over the Internet, that survey says.

Online approvals are just getting off the ground for three reasons:

1. New technology.

Application-taking technology has been available for a few years, but vendors are just bringing approval systems to market.

"Technology just now has given us the ability to do this," says Glenn Carroll, vice president of lending and credit services for FundsXpress, Austin, Texas. The company recently partnered with CUNA &

Affiliates to offer Internet banking services to credit unions (go to www.cuna.org and click on CUNA eCommerce).

Processor speeds are one way technology has improved, increasing from 100 to 600



megahertz since mid-1998, Carroll says.

"There's nothing magical about online approval. It's an evolutionary step in Internet banking," says Bill Hamilton, FundsXpress vice president of credit union relations.

Online application and approval systems work via a secure, browser-based Internet connection. They take a cue from the online application, summon credit reports (transporting data files via groundline connection with the credit bureau), and run application and credit report data through customized credit-scoring systems (on the vendor's secure server).

The loan applicant receives either approval online within minutes to a few hours (depending on connection speed and level of automation the credit union selects), or a message requesting more information or indicating the system referred the file to a loan officer.

Credit union staff access the system via secure Internet connection to review or download new applications and loans in progress.

2. Lender acceptance. Carroll, a former lender, says, "I didn't totally trust just a [credit] score. I liked something tangible, such as 'this customer has no delinquencies in 12 months.'" With that in mind, while heading Integrated Business Systems of Memphis, Tenn., he developed a system with another decision-making layer that allows lenders to stipulate up to 1,000 customized rules.

FundsXpress recently acquired that company and has begun integrating its systems to the Web. Credit unions using FundsXpress will be able to accept applications online for any type of loan by April, Carroll says. Lenders will have several online service options, including online approvals, by summer.

Integrating an online loan process with existing systems has been another hurdle. "Credit unions want a fully integrated solution that uses the same member information, underwriting criteria, and processes their other delivery channels use," says Jim Berthelsen, vice president of host services for Concentrex Inc., Portland, Ore. (www.concentrex.com).

Concentrex added a loan preapproval component to its home banking application in first-quarter 1999 and plans to add final loan approval and funding.

Lenders also want a solution with flexibility in product pricing and promotions. And they have concerns about Internet security, compliance, and site navigation (the number of clicks it takes a member to apply for a loan), Berthelsen says.

3. Cost. The high price of creating an interactive Web site (about \$2 million) has deterred lenders—especially small ones, Carroll says. Smaller lenders bypass this initial cost by contracting with vendors who have invested in this type of technology.

For loans to take off in the online environment, it's not enough just to take applications online. Lenders have to automate back-office processes, Carroll says.

To order *Credit Union Executive Journal's 1999 Remote Access & Technology Survey Report*, call CUNA's customer service department, 800-356-8010, ext. 4157. Ask for Stock No. 21133; price is \$110 plus shipping and handling (multiple-copy discounts available). ♦

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