



With Skilled Workers in High Demand, CUs Invest in Transformational Technology



CUs Emphasize Their Advantages to Recruit Workers as Tech Drives Changes in Types of Skills Employees Will Need

By Arch Mortgage Insurance

Technology innovation, including advanced artificial intelligence (AI) applications, will transform the credit union (CU) industry and banking as a whole over the next decade.

Already, the benefits of digital innovation are evident. At the close of 2020, Fannie Mae asked lenders (including 38 credit unions), “How much has your firm experienced the benefits of digital transformation?”

Their answers showed:

- 78% of lenders (including CUs) said digital transformation has reduced cycle times and increased productivity.¹
- 73% of lenders said the digital transformation has enhanced the quality of work (reduced data errors).²
- 53% of CU leaders reported “investing a great deal of effort” in improving the customer borrowing experience and back-end efficiency.³

■ 73% of CUs said the benefits of digital transformation include a lower workforce turnover rate.⁴

INVESTING IN THE FUTURE

The first half of 2021 brought a string of announcements of CUs making substantial investments in technology. In May, Nymbus, a newly formed banking solutions technology provider, announced a \$20 million investment from VyStar Credit Union, Florida's second-largest CU.⁵

In an announcement, VyStar officials said the investment reflects confidence in Miami-based Nymbus and its "new approach for credit unions to innovate quickly for members that incorporates a truly sustainable growth strategy."

In May, four CU organizations in Michigan and New Jersey pooled together \$5 million to invest in a new credit union service organization, Think|Stack, to provide CUs with better digital experiences, data collection, and cloud and cybersecurity services.⁶

Also in May, a coalition of 16 CUs, including North Carolina's Truliant, invested an undisclosed amount in Posh, a Boston-based maker of conversational artificial intelligence (AI) technology for customer service, including online chatbots and phone bots.⁷

ATTRACTING TECH WORKERS IS SIGNIFICANT CU HURDLE

These kinds of advances require not only substantial capital investment but also a workforce equal to the challenges. For more than a decade, CU leaders have put a great deal of focus on narrowing a perceived skills gap (compared to banks and new fintech lenders) and improving the retention of highly trained CU employees that other lenders and tech companies often try to lure away with high salaries,

stock options and various other perks.

The rising demand for tech workers is an issue for the entire financial services industry. In PriceWaterhouseCooper's recent 22nd Annual CEO Survey, 76% of financial services cited talent shortages as a "threat to growth," and industry leaders say the situation is "putting banks and credit unions in a fight to fill positions critical to their mortgage operations."⁸

The CU trade press is filled with stories warning about the difficulty of competing for tech workers against better-funded rivals. Typical headlines include "Shortage of Employee Data Skills Could Be Holding Back Some CUs" and "Study Reveals a 'Skills Gap' That Jeopardizes Future of Banking Workforce."

When considering the challenge facing CUs in adopting next-generation technologies, it's im-

portant to remember that two-thirds of all CUs are relatively small—with assets of less than \$100 million. In addition, CUs have "a reputation for being a step or two behind banks and tech firms" in terms of technology, according to *American Banker* magazine.⁹

On the positive side, in 2020, the CU industry saw significant growth in terms of total assets and members, according to the National Credit Union Administration (NCUA).¹⁰ Due, in part, to competition from banks and fintechs, the number of CU organizations has been reduced through consolidation as the biggest CUs have grown larger, *The Financial Brand* reports.¹¹



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HOW JOB ROLES ARE CHANGING

Fannie Mae's digital innovations report reveals that technology adoption is rapidly changing job roles at CUs and other lenders. According to the report, 68% of lenders say "the scope and structure of their workforce has changed" with new technology and 91% expect even more changes to job roles over the new few years.¹²

The Fannie Mae report outlined some of the job changes through direct quotes from unidentified lenders: "We've shifted the initial (mortgage app) review from the loan officer to the underwriter," said an executive at a smaller financial institution. "We expect these roles to be further enhanced and refined."

An executive from a larger lender wrote: "Loan officers need to adopt and integrate digital tools into their customer sourcing and origination practices."

In short, the new technology is freeing loan officers to focus more time on attracting prospective homebuyers to build the mortgage pipeline and originate more loans while digital technology and automation handle more tasks.

CHANGES BEYOND 2030



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Looking into the more distant future, CU job responsibilities will change even more. "Today's underwriters and processors are focused on verifying the data borrowers submit, but with AI and automation technology, the job roles will switch," said Will Vickers, Arch MI's Vice President of Industry Technology. "There will be a need for specialists to 'train' the new software by isolating errors, teaching the systems how to handle ambiguity better and develop new loan programs. Organizations will focus less on hiring people with specific skills but will instead bring in new hires who are highly analytical and adaptable to new advanced tools."

CREDIT UNIONS ON CAMPUS

The CU movement's efforts related to recruiting, hiring and retaining future leaders include establishing in 2017 the Filene Research Institute's Center of Excellence for the War for Talent at the University of Texas-Austin. The research hub publishes reports and holds events dedicated to helping CUs address hiring and retention issues.

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One example of how companies in the mortgage industry are identifying future leaders is the data analytics competition created in 2017 for students at Central Florida University by Addition Financial, based in Lake Mary. In the most recent event, CFU student teams used data sets about Addition's loan portfolio to create predictive models and report findings to the CU's management. Winning teams receive thousands of dollars in scholarships during the university's annual data symposium.

Arch MI established an annual competition in 2019 called Data Dive, which challenges teams from North Carolina universities to use data analytics to solve business issues for nonprofit organizations. Participating students crunch the nonprofit's data to identify ways for the organization to use donations more ef-

fectively and improve client services.

Arch MI also offers scholarships in conjunction with internship and mentoring opportunities.

As not-for-profit organizations dedicated to helping members, CUs appeal to Millennials searching for an employer that is making a positive impact on their communities.

According to Ray Springsteen, CEO of Abound Federal Credit Union in Radcliff, Kentucky, “Credit unions generally have great cultures, an incredible mission to serve members and lots of opportunities to learn and do more. When young people learn this, credit unions can compete with other organizations to recruit talented young people.” ▲

Arch MI is a leading provider of mortgage insurance in the United States. Backed by a solid capital base, Arch MI offers expert risk management and financial services to help mortgage lenders protect their investments and expand their origination opportunities. The combination of a risk-focused underwriting platform and extensive loan performance data means Arch MI can offer solutions backed by superior analytics to support customer needs.

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Footnotes

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