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Examiner Insights from EasCorp's 2024 ALM Academy

While there were many highlights to this 2 days of learning at EasCorp's 2024 ALM Academy, presented in partnership with ALM First Financial Advisors, one presentation provided actionable insights on how regulators view and assess a credit union's interest rate risk (IRR) and liquidity position.

Thomas Dumont, Regional Field Manager, and Seth Hersey, Supervisory Examiner, of the Commonwealth of Massachusetts Division of Banks, stated that examiners are looking not only at balance sheet structure, risk measurement and reporting, but also at how Board policies, budgets, and strategic plans consider risk exposure and governance. They noted that a review of current financials will include a review of the results of prior examinations to assess if there are concerning concentrations or trends in risk exposure over time that have not been properly corrected.

The most common issues identified at examinations, according to these experts, are increasing interest rate risk from the moderate to high risk level, whether from concentrations of long-term assets, rate sensitive non-maturity deposits, increased concentration risk, or instances of out-of-policy conditions; lack of evidence of adequate Asset Liability Committee (ALCO) review or proper acknowledgement of risk levels; lack of consideration for IRR during strategic planning, particularly if IRR is increasing; and, other factors.

Regarding liquidity, Dumont and Hersey noted that credit unions must demonstrate adequate available on-balance sheet sources of funds, access to secondary sources of funds, and sound risk management practices based on their size and complexity. Common issues include tightening liquidity due to market rate increases, inadequate policy limits or non-compliance, lack of adequate forecasting tools, stress testing, or early warning indicators, and more.

EasCorp's ALM Academy is held annually in October, but our ALM service experts are available year round to work with you. Contact Kevin Peters (kpeters@eascorp.org) at 800.428.1144, Ext. 3354 today.

Holiday Closures

EasCorp and Vertifi will be closed on Monday, November 11 in observance of Veterans' Day and on Thursday, November 28 in celebration of Thanksgiving Day.

U.S. Instant Payments Adoption Takes Positive Steps Forward

It is widely accepted that many countries are ahead of the U.S. in adopting systems that allow for faster payments. According to PYMNTS, a recognized data and news source on payments innovation and platforms, one of the primary challenges in the U.S. is the fragmentation of its financial system. Unlike countries with centralized banking systems, the U.S. has a diverse and decentralized banking landscape, making widespread adoption of new technologies more complex.

In October, the U.S. Faster Payments Council released a quantitative study highlighting the current state of instant payments adoption. As the release states, “the study sheds light on how various factors, including use cases, benefits, and industry challenges, are shaping the future of instant payments. Key findings include that survey respondents believe between 70-80% of financial institutions are expected to receive instant payments by 2028, while 30-40% will have the capability to send instant credits by the same year. Early adoption drivers include earned wage access, wallet funding, P2P, marketplace/gaming and brokerage payouts, while mid-term use cases like B2B payments and online banking bill pay are anticipated to spur broader adoption.”

The Real-Time Payments (RTP) network, launched by The Clearing House in 2017, was the first significant step towards instant payments in the country. According to their website, the network processed 87 million transactions, worth \$69 billion, in Q3 of this year, a 7% volume growth and 27% value increase from the previous quarter.

According to the Fed, more than 1,000 participating financial institutions are live on its public instant payments rail, the FedNow® Service, which launched in 2023. Unfortunately, detailed transaction data for the FedNow® Service is not yet publicly available. The launch of the FedNow® Service, coupled with the increasing acknowledgment of the advantages of real-time payments, provides a solid foundation for continued and future growth. In a panel at the America’s Credit Unions Congressional Caucus in the fall of 2023, Cynthia Nelson, President/CEO, EasCorp, called upon the credit union community to innovate on the FedNow® rail, citing the competitive opportunity for credit unions and the payment rail's capacity to improve financial inclusion in the United States.

As the Federal Reserve outlines its upcoming plans for the service, which include developing resources and tools for FedNow® participants and introducing new risk management features, EasCorp and Vertifi are focusing on our own instant payment roadmap. We will leverage our extensive industry expertise in liquidity management, settlement, risk mitigation, and payment processing to further enhance our instant payments settlement solution and gateway. If you have any questions, please reach out to Michael O’Brien at mobrien@eascorp.org or call 800.428.1144, Ext. 3324.

Coin and Currency Reminder

All Federal Reserve Banks and offices will be closed on Monday, November 11, in observance of Veterans' Day, and Thursday, November 28, for Thanksgiving Day. As a reminder, cash orders prepared by the Federal Reserve Bank must be placed two business days in advance of delivery (e.g., orders must be placed by 11:30 a.m., ET on Monday for Wednesday delivery). If you have any questions regarding your cash orders, please contact Taylor King (tking@vertifi.com) at 800.428.1144, Ext. 3516, or the Payment Systems department, Ext. 4, in advance of the holiday.

Annual Audit Verification

EasCorp's annual audit verification process is underway. You will soon receive your October 31, 2024, monthly statements which will include an audit verification statement from CliftonLarsonAllen, LLP. Please complete and return this form as soon as possible to CliftonLarsonAllen, LLP.

Credit Unions Kids at Heart Announces 2025 Boston Marathon Team

The Boston Marathon is much more than a local race; it's one of the most prestigious annual road racing events in the world. Since 1897, the Boston Marathon has drawn runners from around the globe, like moths to a flame, to a 26.2 mile stretch between Hopkinton, MA, and Boston, MA. This year, 30,000 official entrants will participate; eight of these will represent Credit Unions Kids at Heart, a charitable foundation established by EasCorp and its member credit unions in 1999. This Boston Marathon is a primary fundraiser for CU Kids at Heart, and Boston Children's Hospital, one of the leading pediatric care facilities in the U.S., their beneficiary. To date, CU Kids at Heart has raised nearly \$10 million toward research on pediatric neurological disorders and other hospital initiatives.

Runners train rigorously all winter long for the Boston Marathon, which next takes place on Patriots' Day, Monday, April 21, 2025. They train with one special moment on their minds. In what has become a hugely popular ritual, on Marathon Monday, Team runners meet their patient partners just several hundred yards from the finish line for a quick hug and smile to lift their spirits for the final push.

The CU Kids at Heart Team runners, their patient partners, and sponsor credit unions are:

- Angie Lauder, first-time runner with CU Kids at Heart. Angie is partnered with Matt and sponsored by Stewart's Federal Credit Union of Saratoga Springs, NY.
- Brenna Lorenzen, first-time runner with CU Kids at Heart. Brenna is partnered with Maddy and sponsored by Jeanne D'Arc Credit Union, Lowell, MA.
- Evan Lowell, first-time runner with CU Kids at Heart. Evan is partnered with Vraj and Kyaire and sponsored by EasCorp and Vertifi Software, Burlington, MA.
- Dr. Ed Smith of Boston Children's, fifth-time runner for the CU Kids at Heart Team. Ed is paired once again this year with Everett.
- Johan Romero Luna, first-time runner with CU Kids at Heart. Johan is partnered with Ryan and Tim and sponsored by Hanscom Federal Credit Union, Littleton, MA.
- Jon Holso, first-time runner with CU Kids at Heart. Jon is partnered with Jack and sponsored by Granite State Credit Union, Manchester, NH.
- Kevin Dobson, first-time runner with CU Kids at Heart. Kevin is partnered with Isla and sponsored by Service Credit Union, Portsmouth, NH.
- Michelle McGee, first-time runner with CU Kids at Heart. Michelle is partnered with Anthony Jr. and sponsored by Digital Federal Credit Union, Marlborough, MA.

As CU Kids at Heart Foundation Chair, Jane Melchionda reminds us, "They run to raise money for life-saving research and care. They run for the love of their patient partners. None of them are favored to win. All of them are champions."

Stay tuned for updates on the Team, their training, and their fundraising efforts. If you would like to support the Team, please visit the CU Kids at Heart website at cukidsatheart.org or contact Deirdre Zaccagnini (dzaccagnini@eascorp.org) at 800.428.1144, Ext. 3347.

The Importance of Remote Deposit Capture to Stay Competitive

In today's rapidly evolving digital landscape, credit unions must leverage innovative technologies to remain competitive. Consumers now expect more from mobile banking apps, making seamless mobile experiences essential for meeting member expectations. By offering a robust and optimized remote deposit capture (RDC) program, credit unions and financial institutions can attract tech-savvy members.

According to one 2023 survey, nearly 80% of users consider remote deposit an important feature of their mobile banking app. However, concerns about fraud and technical difficulties can be barriers to its use. Well-designed, secure, and user-friendly mobile and desktop RDC applications can be powerful tools for driving digital banking adoption and building relationships with both consumers and business users.

Generational preferences significantly influence how consumers interact with financial services and other brands. Gen X (born 1965-1980) experienced the shift from analog to digital and the rise of the internet. Gen Z (born 1997-2012) has grown up with technology, with smartphones, tablets, and social media as integral parts of their lives. The youngest generation, Alpha (born 2013-present), is growing up in a world where AI, VR, and IoT are becoming commonplace, making them likely the most tech-savvy generation yet. In this dynamic environment, credit unions and financial institutions must continuously evolve as expectations and technologies advance.

A late 2023 survey by Morning Consult for the American Bankers Association* highlighted generational differences in banking preferences. "More than half of Generation Z (57%), Millennials (60%) and Generation X (52%) use mobile banking apps most often," says the authors of the 2023 Consumer Survey Banking Methods report, "while a plurality of Baby Boomers most often utilize online banking (39%). One in six Baby Boomers (16%) visit bank branches the most often, while only 4% of Gen Z and Millennials prefer to visit a branch."

Credit unions struggling to keep pace with technological advancements are encouraged to leverage the expertise, resources, and innovations of trusted partners, such as EasCorp's CUSO, Vertifi Software, and its digital banking partners

For more information about Vertifi's DeposZip® Remote Deposit Capture, and other check and payment solutions, contact Andrew Peach at 800.424.1144, Ext, 3306 or apeach@vertifi.com.

*Source: Consumer Survey Banking Methods 2023 | American Bankers Association

Optimizing Your Remote Deposit Capture Program

Vertifi Software is hosting a webinar for current service users of its DeposZip® Desktop and Mobile RDC solutions. This session will cover the best practices for managing your RDC channel, evaluating your program's performance against benchmark data, adjusting settings to promote usage while mitigating risk, automating processes for efficiency, and leveraging system reports. The webinar is scheduled for Wednesday, November 13, from 2:00 p.m. to 3:00 p.m. ET. Registration is open now on the News and Events page of our website at www.eascorp.org.



Remote Deposit Capture Helpful Tips and Tricks

DeposZip® RDC service users are reminded that the system will look at the user's total lifetime deposits and older deposits previously held for First n Review will be considered in the total count.

Users may type "9999" in the First n Period (Days) field to disable this setting. This means that the system is no longer looking for deposits after an idle period to trigger a new First n Review flag. You may continue to set this field to a specific number of days so that the First n Review flag will be reset over time for users who do not make frequent deposits.

If you have any questions or need assistance with these settings, please contact Implementations and Support (support@vertifi.com) at 800.428.1144, Ext. 2.

UPCOMING EVENTS

Association of Credit Union Senior Officers
*Strategically Navigating the Changing Auto Market:
Inside Securitization Transactions*
Tuesday, November 5
Online Only

RDC Service Users' Webinar
Optimizing Your Remote Deposit Capture Program
Wednesday, November 13
Online Only

Association of Credit Union Senior Officers
Meet the Regulators
Thursday, December 12
Registration opens online soon!

*For more information about the events listed above,
please call 800.428.1144, Ext. 3300
or email to general@eascorp.org.*



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