

FRONTBURNER

Welcome to 2021! I'd like to kick-off the New Year introducing **The Front Burner**. From this month forward, at month-end, we will send this new communication to each of you. Each edition will have a note from me as well as a primary content piece. Our goal: to send you something brief, but meaningful, always worth your time to read, and relevant to either the industry or your partnership with VolCorp.

In this first edition, VolCorp leverages much of what we all just experienced in 2020 and how to learn and grow from it to better equip ourselves for the unknown curveballs that, inevitably, lie ahead at some point somewhere along the road. VolCorp, like many of you, learned a lot about ourselves during 2020. Thankfully we learned how ready we really were for the unknown. We felt some of our lessons learned might be of great value to you as well. Some of this you already know. Some of it may get you thinking.

Either way, take these **7 Takeaways** to heart. Embrace them. Implement them. Focus on them. They will help you prepare for the next crisis. And, you might make Paul Romer proud. We're here to help.



Jeff Merry, President/CEO

2020 was a year many of us would prefer to forget. Credit unions, big and small, witnessed firsthand the adverse effects of a global pandemic. Many are still considering how to best move forward in 2021.

Paul Romer once said, "A crisis is a terrible thing to waste." As with all crises, there is opportunity to be both optimistic and to learn invaluable lessons. Here are some of the lessons we learned at VolCorp as we look back at 2020:



Lessons Learned in 2020

People First

Many companies say that employees are their most important asset. The strength of that claim is tested during a crisis.

While staff made sure to take care of our members, we wanted to make sure they were taking care of themselves as well. We increased the frequency of our communications. We also added different methods of communications, including video. Supervisors reached out to staff on a regular (sometimes daily) basis to simply check in and see how they were doing on a personal level. Employee feedback we have received has shown that our staff appreciates the way we have handled internal business during the pandemic.

TAKEAWAY: Don't let the busyness of a crisis reduce time spent caring for employees. Conversely, increase it.

Members Over Income

The credit union mantra of "People Helping People" isn't just a slogan at VolCorp. It has been the mission of the entire credit union movement since inception. Part of our mission is to inspire our member credit unions to reach new heights in serving their members by partnering with them to provide the tools they need to succeed. As a member of the credit union community, we are constantly looking for ways to add value to credit unions so they can better serve their members.

Martin Luther King, Jr. once said, "The time is always right to do the right thing." Doing the right thing is at the core of who we are at VolCorp. We strive to follow that in each and every aspect of our business every day.

Late last summer, as we do every year, we began to evaluate our fee schedule. Team leaders offered input and we began to analyze. We looked at our current costs along with anticipated increases from our vendors. A common theme arose from the very first meeting – our staff did not want to raise fees in 2021. They felt this was the perfect time to show credit unions that we are in this **with them**. We knew it was the right thing to do.

Building a budget in a pandemic environment can be challenging, to say the least. With an interest rate climate expected to remain low for some time, we realized our bottom line would take a hit in 2021; especially if we wanted to keep our strategic initiatives moving forward. We knew keeping fees where they were for 2020 would come at a cost. But, when we presented the idea of no increased fees for 2021, our board of directors enthusiastically approved. They also knew it was the right thing to do.

We're a credit union, too. We know what our industry is facing with hurdles such as excess liquidity and tighter margins to overcome in 2021. We felt one of the best ways to help our members in the upcoming year was to keep fees at current levels. Our members took note of this and many have shared their words of appreciation with us since receiving their updated fee schedules.

TAKEAWAY: Doing the right thing is always the right thing to do...even when it hurts.

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The Importance of Business Continuity Management (BCM)

On December 25, 2020, at about 6:30 AM, those of us in the Middle Tennessee area started to hear reports of an explosion in downtown Nashville. The blast took out a regional AT&T hub causing major service outages throughout the region, including data lines for VolCorp.

Over the next 48 hours, VolCorp staff members met via Zoom and executed our business continuity plan. All of the tabletop exercises we had performed in the past enabled us to be proactive in a time that many may have simply been reactive. Having a solid and tested business continuity plan helped us bring our systems back up quickly, allowing our members to operate in a business-as-usual fashion the following Monday morning.

TAKEAWAY: BCM is not an academic exercise. Treat BCM as being PARAMOUNT to your operations, because you won't realize just how paramount it really is until it is.

Trust

It is more important than ever to work with someone you trust. That trust factor was proven when VolCorp members began exploring investment options outside of CDs.

As they investigated investment options, our members turned to VolCorp. They learned that our brokerage service has no up-front costs and it provides free bond accounting and analytic reports. V-Portfolio brings this all together by allowing members to manage their portfolios online.

In our annual member survey, 98.89% of our members said they can always trust VolCorp. We believe the trust our members have for VolCorp helped us welcome many new brokerage clients in 2020.

TAKEAWAY: Our CEO often says, "Trust is our most important asset. Conversely, lack of trust can be our most expensive liability." There may be something to that.

Know Your Vendors

Your credit union's reputation and success are inescapably tied to the performance of your critical vendors. Selecting the right vendor can help you reduce costs, boost efficiency, and run a better business. Choosing the wrong vendor can increase risk and lessen productivity.

When the downtown Nashville bombing occurred, VolCorp's critical vendors were there to assist us in making our systems available while our AT&T data lines were down. One vendor was not contractually bound to help us with a particular situation, but because of our strong relationship they nevertheless chose to pitch in.

TAKEAWAY: Solid vendor relations, especially during a crisis, can be the difference between moving forward and stalling.

The Other Side of Liquidity

As credit unions began to prepare for the pandemic and economic downturn, liquidity rightfully moved to the forefront of the preparations. But were credit unions ready for the other side of liquidity that we experienced? High levels of liquidity caused credit unions to reassess how they optimized their balance sheets. Credit unions were faced with the challenge of remaining prepared to fund member liquidity needs while managing income in a compressed earnings environment.

Here are some of the common themes we've seen from our membership:

- **Was your investment strategy ready for higher liquidity?** The rise in liquidity decreased the need for CD issuance, which led to a smaller pool of issuers. With fewer issuers to choose from, overall yields decreased.
- **Were you utilizing all of your available cash accounts?** Some of our credit unions turned to VolCorp's Excess Balance Account (EBA) program as a means to remain liquid but earn higher rates outside of a settlement account. Not only are there no fees associated with the EBA, but because it is a deposit with the Federal Reserve Bank held in your name, the funds have a 0% risk weighting per the NCUA's risk-based capital framework.
- **Were your policies appropriate in light of the environment?** Some credit unions' investment policies only allowed them to invest in certificates of deposit. During the pandemic, many changed their policies to include bond purchases. Signing up for brokerage service through our Investments team is an easy process and can give you more investment options.
- **Were you appropriately evaluating risk while facing lower interest rates?** Many credit unions have sought riskier ways to add income without considering the risks are greater today than ever before and that the pay-up for that risk is not at all equitable.

TAKEAWAY: Now, more than ever, it is very important to work with someone you trust. You can do a lot to support each other in a crisis if you do.

Operational Efficiencies

COVID-19 had an immediate impact on the way we did business at VolCorp. Our staff came to work as they normally would on Friday morning, March 13. By 2:00 PM, the building at 2460 Atrium Way had been vacated.

Using VolCorp's secure VPN, employees were able to log into their workstations and continue to serve members remotely. According to a survey of VolCorp members, over 99% were pleased with the way we operated during the pandemic.

TAKEAWAY: Everything we said above about BCM and trust collided here to make this possible. Focus on both. They work together in a crisis.



What invaluable lessons did you and your credit union learn in 2020? What were your takeaways?

Remind yourself of the things you learned during this time, then document this information for the future. This latest crisis may be coming to an end but one thing is for certain: **there will be another crisis somewhere down the road.** The things you learned from the pandemic could help you better endure the next emergency.

