

FRONTBURNER

Welcome to the February edition of **The FrontBurner**! I can't believe it is already 2023. Time flies and, unfortunately, as we have all been told, the older you get, the faster it goes. The Merry family had a great Christmas and New Year's and rolled right into the second semester of both 2nd grade and 8th grade. The girls are definitely keeping Tami and I on our toes. As we are about to have a high schooler, we are learning, with time, there are new challenges all the time, while others remain the same. Together, though, we THINK we are navigating them pretty well. I guess we will know one day how we did, right?

Paralleling that home life reality to work, isn't it the same with exam/audit priorities? All of a sudden, it is already time to start talking about this year's recently published exam priorities...some of them are a little different while others remain the same. Navigating the process gets a little trickier every year and we will know, in due time, how ready we were for it and how we did. It truly sounds like the family dynamic above. The good news is this – just like I have Tami at home to partner with to navigate this family journey, you, too, have partners available to you to help navigate the exam/audit journey – **VolCorp** and **Symphony**, VolCorp's wholly-owned CUSO. This month's edition of **The FrontBurner** speaks about how both partners can help. I think you will find it to be well worth the read.

With that, I hope you enjoy this month's edition of **The FrontBurner**.


Jeff Merry, President/CEO

Turn to VolCorp & Symphony for Help with 2023 Exam Priorities

Most of us are familiar with the Swiss Army Knife. The Victorinox website says, "...the Swiss Army Knife has been a trusted tool of adventurers around the world. Whether you're exploring the city, the ocean, the mountains or even space, the Swiss Army Knife is the companion you can count on." If you have ever owned one of these tools, you know just how convenient and helpful it can be to have one device that can do so many things.

VolCorp, and its CUSO, Symphony, are both very similar to the Swiss Army Knife. We have many of the tools you need to accomplish tasks for you and your members. It's one of the reasons our members have come to **Expect More** with VolCorp.

Many of you have seen NCUA's recent letter to credit unions regarding their 2023 Supervisory Priorities. Did you know VolCorp and/or Symphony can help you prepare for your next examination by assisting you with some of the items on this list? Here are a few ways we can assist you:

Liquidity Risk

While talking with many credit union leaders over the past several months, one topic of discussion rose above all others – liquidity. It doesn't seem too long ago that credit unions couldn't originate enough loans.

As deposits increased, the industry was awash in liquidity. While rates have risen, banks have been quick to adjust their offerings; on the other hand, credit unions were slower to raise rates, making them the best deal around. Consumers and the indirect auto arena both took advantage of this cheap money and the excess liquidity from a couple of years ago quickly disappeared.

If your credit union is in a liquidity crunch, VolCorp has the following services to help:

- **Term Loans** are ideal for extended liquidity emergencies, and customizable for any situation.
 - Long- or short-term
 - Fixed and variable rate options available
 - Flexible payment schedules, terms, and conditions
- **SimpliCD Issuance** is an easy, simple liquidity source with competitive rates and no back-office work, confusion, or fees. Member credit unions gain access to a nationwide market of institutional investors, with rates and terms tailored to their asset/liability needs. To issue through SimpliCD, credit unions must be federally insured and have the ability to accept non-member deposits.

Continued...

- **Loan Participation** with LoanStreet is an easy-to-use, web-based platform that automates and standardizes partial and whole loan sales, creating a single marketplace to buy, sell, and manage loans. There are no hidden fees, and credit unions have less administrative burden thanks to a standardized loan participation agreement and detailed monthly reports.

To get started with SimpliCD or Loan Street, contact our Investments Team at 800-470-3444, Extension 2, or email them at investments@volcorp.org. If you are interested in Term Loans, please reach out to Chris Hartung at 800-470-3444, Extension 7907, or chartung@volcorp.org.

Succession Planning

Succession planning is a critical component in the long-term success of your credit union, but you should not wait until a resignation or retirement is pending. Things can happen suddenly – whether with a tragic situation like an illness or death, or with a key employee’s unexpected departure due to a “once-in-a-lifetime” job offer. Your credit union can be caught off guard with a sudden void in leadership.

Failure to plan for management and board member transitions could come at a high cost. However, proper succession planning can provide significant benefits, securing organizational sustainability for the future.

Succession planning can feel overwhelming, but future success requires foresight. The professionals at Symphony can help you develop and implement a responsive, tailored plan that is aligned with your growth goals and ensures ongoing readiness for succession.

Are you interested in talking with Symphony consultants about succession planning for your credit union? Contact Symphony today at 800-470-3444, Extension 8, or email them at info@symphonycuso.org.

Interest Rate Risk

Changes in interest rates can impact a credit union’s primary source of funds (usually member shares), and this can lead to a strain on liquidity. When a credit union’s assets and liabilities do not reprice

uniformly, as occurs when there is a sharp rise in rates, net economic values (NEV) and projected earnings can be significantly impacted, asset quality can deteriorate, and net worth can erode.

VolCorp utilizes robust, state-of-the-art software for full-service interest rate risk modeling on quarterly, semi-annual, and annual schedules. We evaluate the risks in our members’ balance sheets and compare it with NCUA’s risk limit guidelines so that credit unions can meet regulatory compliance and use the data we uncover as a tool for strategic decision making.

VolCorp’s ALM packages include:

- **NEV** (Net Economic Value)
- **NII** (Net Interest Income)
- **NCUA Interest Rate Guidelines**
- **NEV and NII Trends**

VolCorp also specializes in the following consulting services:

- **ALM Validation Service** - Validations are a regulatory requirement. VolCorp helps credit unions stay compliant by running data simulations of their balance sheets and facilitating independent reports that analyze interest rate risk and enable parallel comparisons.
- **What-If Modeling** - ALM modeling provides forecasting reports based on strategic goals to ensure a better understanding of how they can impact risk, empowering credit unions to plan ahead confidently and securely.
- **Policy Development and Review** - We review ALM, liquidity, and concentration policies, making any necessary revisions and ensuring policies comply with real world risk management requirements and evolving NCUA regulations.

For more information on VolCorp’s ALM Services and how they could benefit your credit union, visit <https://www.volcorp.org/risk-services/alm-services/>, or call 800-470-3444, Extension 8.

Which device on the VolCorp multi-tool can help your credit union thrive? Or is there a service not listed here that we could help with? VolCorp and Symphony are both just a phone call away. In fact, it might not be a bad idea to have us on your speed dial...just in case.

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