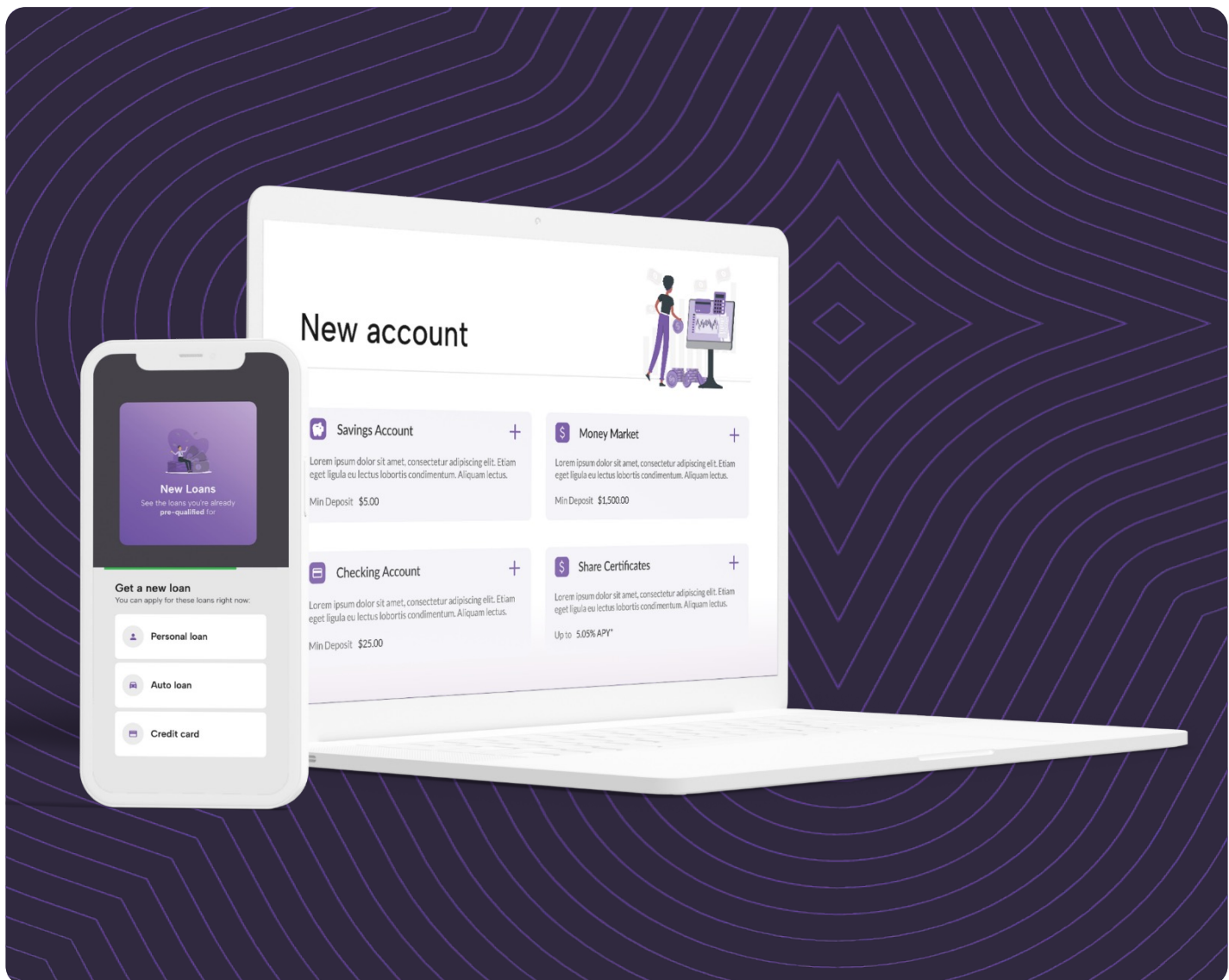




# Omnichannel Digital Onboarding

The Key Elements to Deepen Member Relationships



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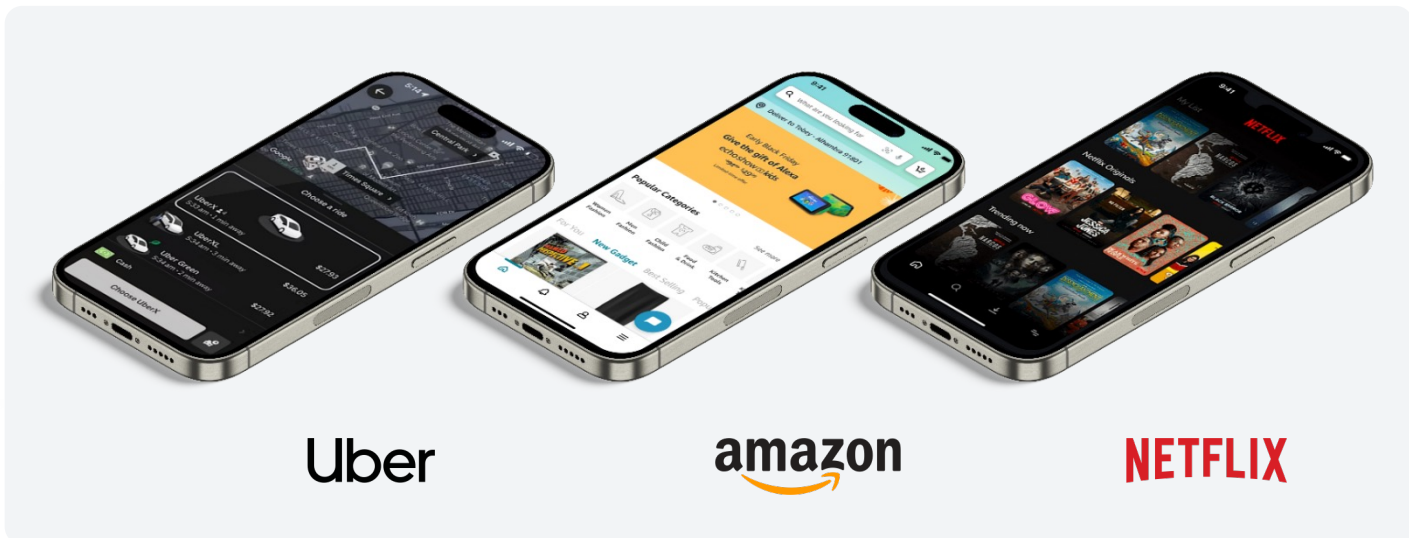
# Credit Unions Have Got to Change to Stay Relevant



**Darlene Johnson**  
EVP & Chief Strategy and Transformation Officer,  
Suncoast Credit Union

*"We're not competing with other Credit Unions or banks. We're up against Uber, Amazon and Netflix – tech giants that have perfected consumer experiences and set the standard for instant gratification."*

With financial technology companies entering the consumer finance space, and all consumer-facing businesses transitioning to serving consumers online or by app, Credit Unions are now feeling a digital handicap. And it's causing an existential crisis for many of the non-profits.



Uber

amazon

NETFLIX

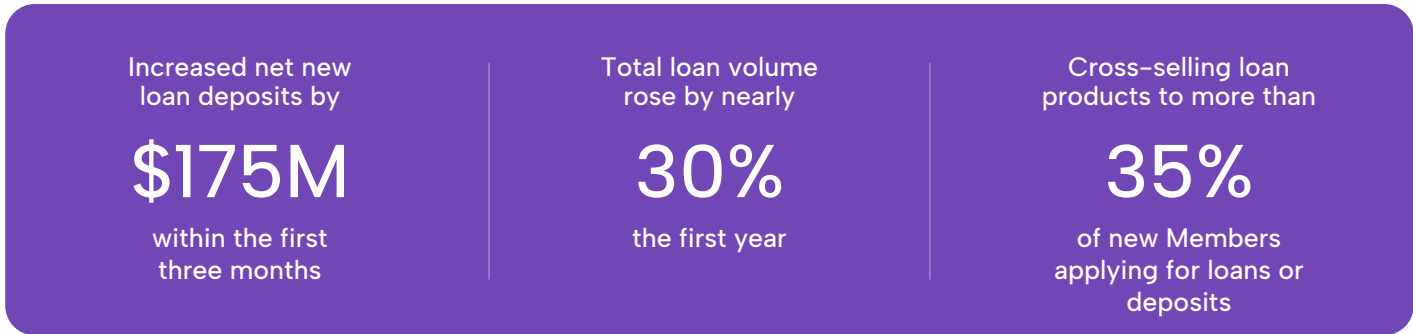
The impact can be seen in the falling number of Credit Unions nationwide. A decade ago, there were about 7,000 Credit Unions nationwide. Now, that number is heading toward 4,500. Waves of mergers have hit the Credit Union industry in recent years and show no sign of abating. In the five years through September 2023, nearly 800 Credit Unions have merged, and experts predict Credit Union ranks will continue to shrink in years to come.

A big reason behind the M&A trend? Credit Unions are seeking greater scale and innovation and many of the non-profits were unable – or in many cases, unwilling – to drive digital transformation on their own. In the burst of online activity through the pandemic lockdowns, Members now expect the ease of going online and swiping through an app to get the financial products they need.

One shocking statistic that lays bare the main issue Credit Unions face: only about 15% of consumers who begin the process of joining Credit Unions actually complete their journey. Put another way, 85 of every 100 people who show interest in joining Credit Unions walk away during the often cumbersome and confusing application process. For Credit Unions to survive, this must change.

Credit Unions offer consumers unsurpassed economic benefits compared to large financial institutions, yet in our years working with the industry we find that Credit Unions – historically known for excellent Member service – often get in their own way to carry that tradition into the digital era.

It doesn't have to be that way. The goal of this white paper is to show how Credit Unions of any size can transform digitally and leverage technology to deepen their Member relationships. We have found that Credit Unions who have implemented a new digital strategy have seen strong results. Some examples:



## The Non-Profits at a Critical Inflection Point

Our experience in the used car space convinced us that more auto loans should end up with Credit Unions, which led to the creation of Clutch. What we didn't realize at the time were the tailwinds this value proposition had, thanks to the Perfect Storm of the pandemic:

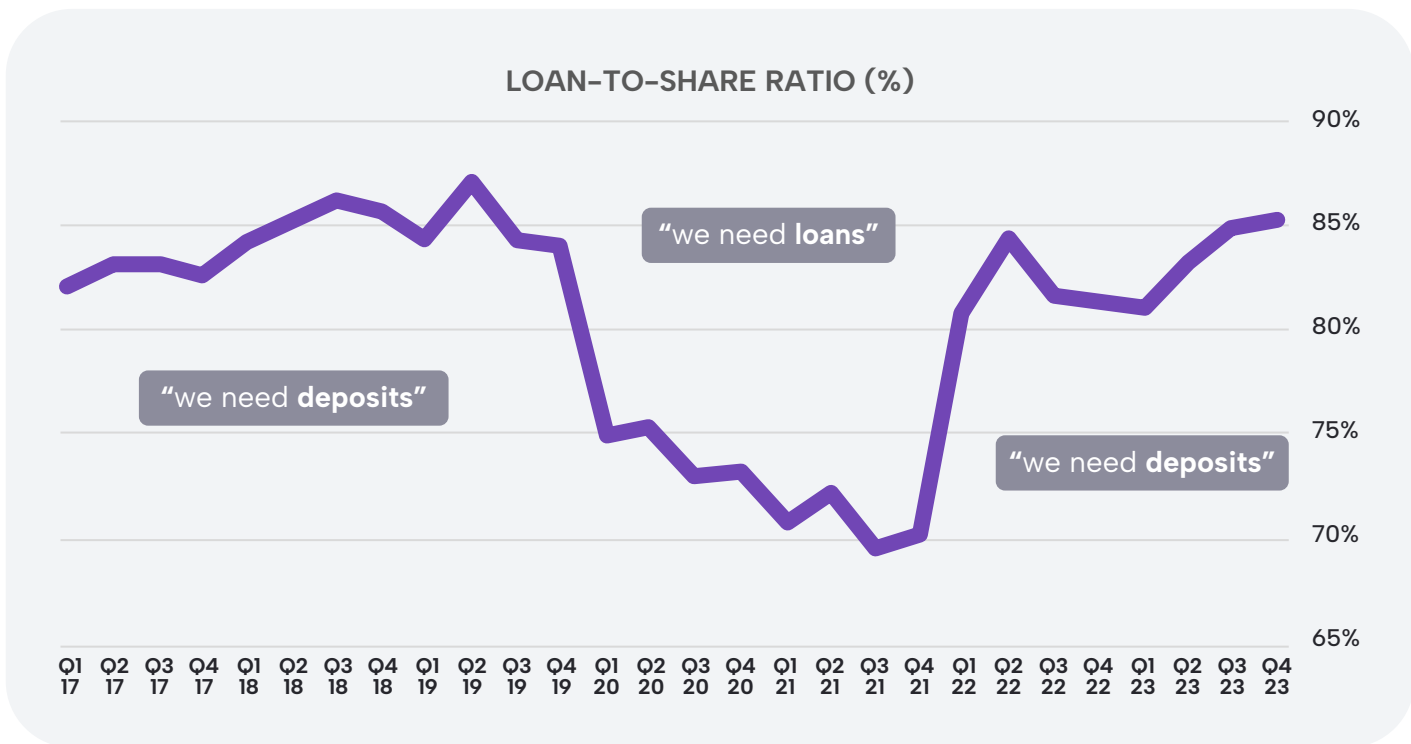
### LOAN ORIGINATION DRIES UP

Credit Unions closed branches during COVID-19 lockdowns, while Americans received billions of dollars in stimulus checks. Consumers used this windfall to pay off credit card debt and personal loans, and parked the rest in their deposit accounts.

### For Credit Unions, the impact was three-fold:

- Interest income went down as consumers repaid their debt.
- Credit Unions weren't prepared to effectively serve their Members digitally instead of face-to-face.
- Regulators began breathing down the necks of Credit Unions as the influx in deposits led to a massive drop in loan-to-share ratio.

These unprecedented times were bad for financial institutions, and presented an opportunity for Clutch. Unlike most digital solutions, our product removed friction from loan application workflows by reducing the need to manually enter information. By using 3rd party data instead, the likelihood consumers will drop off before completing the transaction is greatly reduced. In less than two years we signed up more than 110 Credit Unions in more than 40 states with a total of more than \$100 billion in assets.



### RISING INTEREST RATES HIT DEPOSITS

Towards the end of 2021, the influx of stimulus money led to significant macroeconomic implications. Inflation rose at an unprecedented rate and the Federal Reserve intervened with rate hikes. Over the next 24 months, US interest rates rose to levels not seen in decades.

These rate hikes had a massive impact on Credit Union balance sheets. The loan-to-share in the industry rose from 65% to more than 90%. At these levels, Credit Unions needed to drastically slow down their lending efforts and focus all their attention on raising deposits.

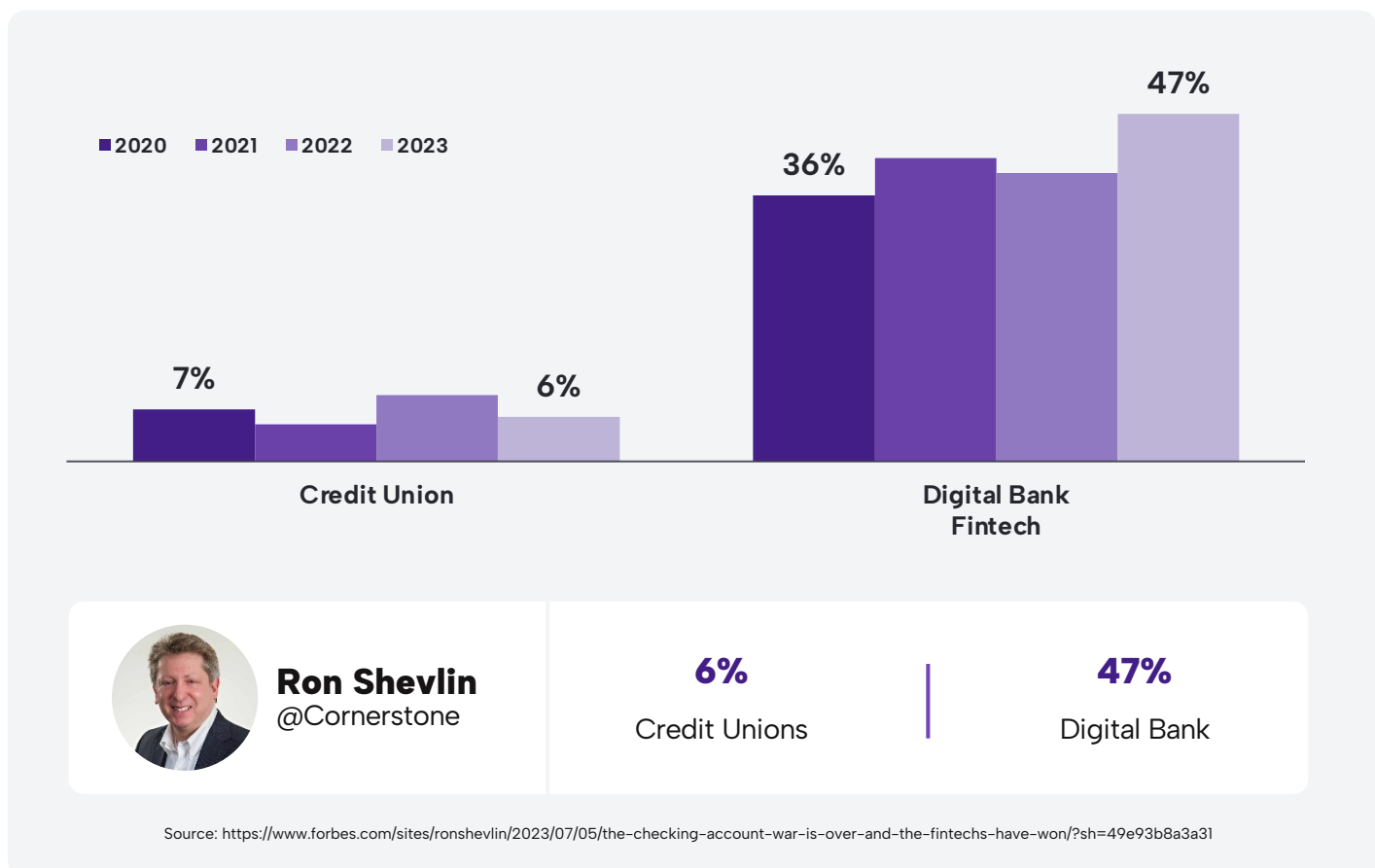
We at Clutch had a front-row seat to how this whiplash from loan-troubles to deposit-issues impacted the Credit Union industry.

The existing software solutions for opening deposit accounts were clunky and not consumer-friendly. The Credit Unions we talked to often manually review every single application – an incredibly laborious process for Credit Unions which frays the patience of potential applicants. Several Credit Unions tell us that no more than 7 out of 100 applicants make it through the whole funnel and out of these 7 new accounts, a third remain unfunded.

# Credit Union Incumbents vs. Fintech

The challenges Credit Unions face today are unlike any from the past. Few of the key companies serving the Credit Union industry truly understand FinTech. And within legacy software companies, innovation typically doesn't come from employed individuals. True groundbreaking change is driven by a younger generation of entrepreneurs that upend the status quo.

## Percentage of New Checking Accounts opened by type of institution



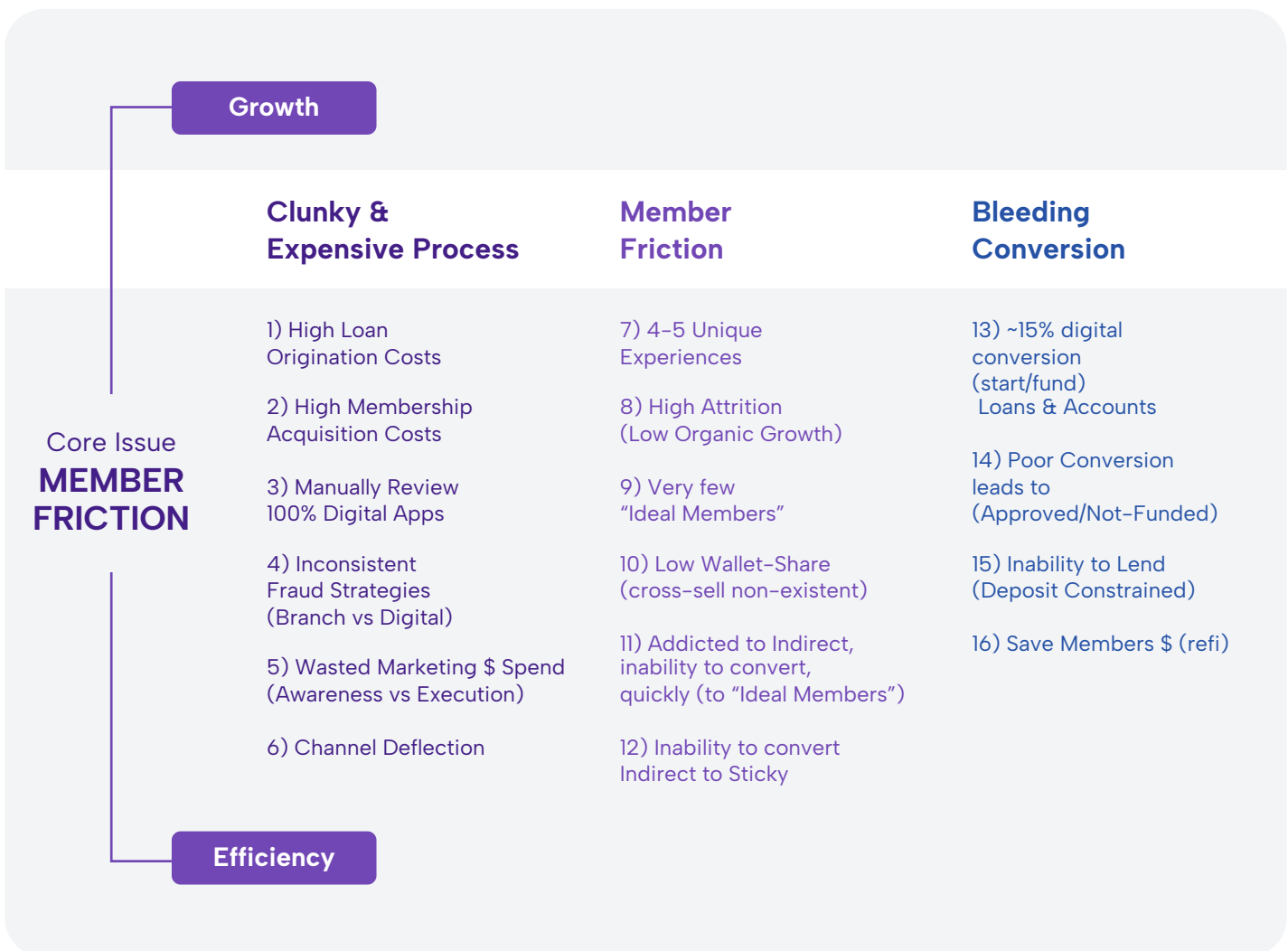
That's why FinTech entrepreneurs from the Silicon Valley – which has long been at the forefront of innovation and industry disruption – have successfully taken market share from Credit Unions in recent years.

These direct-to-consumer FinTechs – such as Upstart, Upgrade, SoFi and Chime – are sabotaging the Credit Unions' efforts to build long-lasting and rich Member relationships.

Credit Unions are falling behind these startups who leverage cutting-edge technologies to create groundbreaking solutions to complex user-experience challenges. Credit Unions lack the agile approach that would allow them to adapt to changing market dynamics quickly and stay ahead of the competition.

# Core Digital Issues Facing Credit Unions Today

A key issue that places Credit Unions at a disadvantage with FinTechs, mainstream banks and other lenders: you have to become a Credit Union Member first to unlock the financial benefits such as lower interest rates on loans and credit cards. That means applicants must first open and fund a savings account before applying for a loan.



For the average consumer, that is a confusing step: "wait, I need to pay you some money before you loan me cash? [...] Bank of America, Citibank or Wells Fargo don't ask that of me." And 80% of people who approach Credit Unions are seeking credit products rather than deposit accounts.

Many of the woes Credit Unions face spring from the often bewildering number of steps to get a loan. Consumers throw up their hands and go to banks with worse financial offerings because they can give approvals within minutes, rather than days or – as we've seen all too often with Credit Unions – weeks.

A simple solution too many Credit Unions overlook: spend \$5 of Credit Union cash to fund the deposit account on behalf of the new Member and consider the \$5 a marketing cost to acquire new Members.

Instead, the average Credit Union spends between \$350 and \$700 to acquire new loan Members, a prohibitively high loan origination and Member acquisition cost to the institution. With a proper, omnichannel strategy, the cost for new clients can drop to \$25 per Member – a 20-X improvement thanks to more efficient processes and technology.

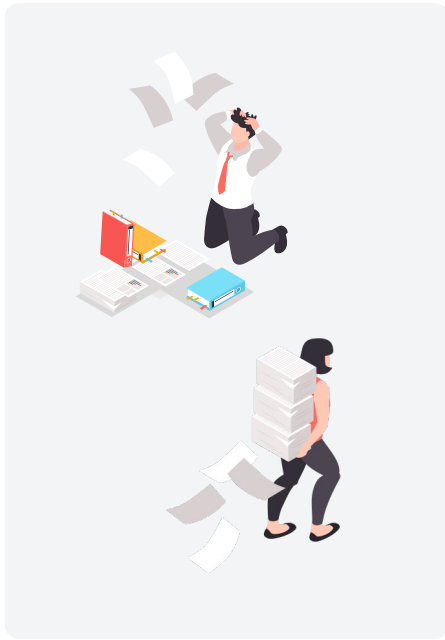
## Some common problems that bedevil the Credit Union industry in acquiring new Members:

- Manually reviewing all digital applications.**  
In this day and age, this is an unacceptable bottleneck and waste of the institution's manpower.
- Inconsistent fraud strategies for applicants applying in person versus online.**  
An effective omnichannel approach means a consistent, streamlined experience whether in person or online.
- Channel deflection and inconsistent user experience depending on product.**  
Applicants may begin the process on the online channel, get confused and ask for help via phone. Rather than beginning where they left off online, they begin the process from the start on the call. Still confused, they may come instead to the branch – where, again, they start the process all over again. We also find that Credit Unions may have four or five different processes for different products – each process giving consumers more reasons to jump ship for another provider.
- High attrition rates of current Members.**  
On average, 12% of Credit Union Members leave each year – more than one in 10 Members saying “Goodbye”.
- Ineffective cross selling of products.**  
Credit Unions often ignore cross-selling of products to the potential Member, ultimately losing cash for both the potential new Member and the institution.
- Very few “ideal” Members.**  
Often, Members joined the Credit Union as indirect Members by, say, applying for a car loan at a dealership. They may not even know they are Members of the Credit Union, or view the relationship as simply transactional for this one purchase. Only about 2% to 5% of Credit Union Members are “ideal Members” – those whose lifetime value is high, trusting the institution for all their banking needs: payroll deposit, checking account, mortgage lender and credit card provider.



Simply put, there is too much friction in the current onboarding process for the average Credit Union. Beyond the above, one common problem we’ve been running into recently is requiring a physical ID such as a driver’s license as part of the Membership application.

We’ve found that if you ask 1,000 potential Members in the funnel to upload their personal ID, at least 300 will immediately walk away. People who either just aren't comfortable uploading IDs to the internet, or simply don't have the ID handy in the moment.



It's important to note the requirement of many Credit Unions to request new Members to upload a driver's license or other form of ID is antiquated, unnecessary and completely against the best practices of the industry today. A Social Security Number, birth date and current address are more than enough to use to verify a consumer.

We preach that Credit Unions use a non-documentary Consumer Identification Program (CIP) process. Only if after the data check the applicant fails to reach the Know Your Member (KYC) threshold for regulatory compliance should the Credit Union request an applicant to provide a government-issued ID.

It's important to note that a strong digital strategy is beyond creating apps and different onramps to attract consumers: it's an omni-channel approach with the singular goal of drawing the highest value Members for a strong lifetime Membership.

The onboarding process of too many Credit Unions is like a funnel filled with holes that leaks the new Members these Credit Unions need to survive and the financial benefits their Members deserve in their lives.

## Key Elements for Digital Transformation

Credit Unions are operationally complex direct-to-consumer organizations. Decision making happens very collaboratively and talent tends to get promoted from within. Many of the Chief Lending Officers Clutch has met at Credit Unions started their careers as a teller 30 years ago.

This employee friendly environment very much aligns with the mission of Credit Unions and the mantra "People helping People," but doesn't create a breeding ground for innovation.

The key red flag we hear when Credit Union leaders struggle with the new digital reality:

**"But we've always done it this way!"**

### STAYING RELEVANT

Change requires impetus and the most common motivators we have observed are:

When we ask the senior leadership of a Credit Union, **"what keeps you up at night?"** the simple answer across the hundreds we have talked to is:

**"We need to embrace technology to stay relevant."**

PROTECTING  
Credit Union  
LEGACY

**When we dig deeper with those Credit Union leaders on the “why” behind the relevancy issue, we tend to get two answers:**

1. We owe it to our consumers and Members.
2. We've been here for our Members for almost 100 years and need to and want to protect that legacy.

Credit Unions are near and dear to our hearts because their mission aligns so closely with their consumers. As tax exempt non-profits with the lowest cost of capital, we believe that 100% of consumer lending should gravitate towards Credit Unions.

Many Credit Union leaders tell us they're here to protect their legacy and to survive they are looking into investments into their digital onboarding experience.

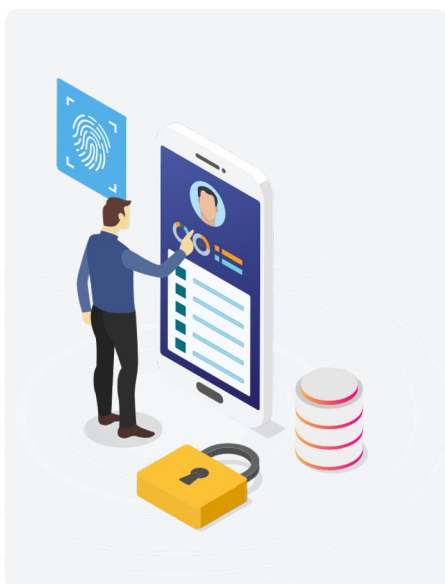
YOUNGER, NEW  
BOARD MEMBERS  
PUSHING DIGITAL  
CHANGE

Change is difficult and in the day-to-day it is easy to fall into a trap of “being busy being busy,” so to speak. Moreover, change is uncomfortable, and Credit Unions don't tend to layoff people for doing the exact same thing today that they did yesterday. In the Credit Union context, risk-taking generally is not rewarded. And that comes from the top down.

Over the last 25 years, many other industries have gone through a phase of digital transformation, and now the Credit Union industry has arrived at that point.

Credit Unions that have appointed younger, more digitally savvy board Members understand – looking from the outside in – that the opportunities that technology can have on the Credit Union industry are almost unlimited.

We find that successful technology investments correlate strongly with new and younger board members, who are pushing for a digital agenda.



## RISING INFLUENCE OF ONLINE REVIEWS

One of the greatest consumer forces in the past decade is the reliance on reading online reviews about a company before making a purchase. Hundreds of Credit Unions we have talked to say their impetus for change is from reading the consumer reviews complaining how clunky the online and mobile experience is.

### One look at Reddit reveals how a lot of consumers feel about the non-profits' digital offerings:



r/mmicky

**Refinanced our cars because of their low rates but wish I would have known how archaic they are.**

You can't do anything online. It is the most annoying Credit Union ever, everything has to be faxed, mailed, or scanned and emailed back. Their Member service leaves a lot to be desired. Lesson learned going forward, first and last time I will ever use them.



r/nasern

**I have NEVER had a worse banking experience... Opening an account SHOULD NOT take over an hour...**

pull it together and offer a better/faster service.



r/robresoman

**My former Credit Union's online Accounts and app were horrid and only worked about 50% of the time.**

The longest it wasn't working was 3 weeks straight.



r/tacbb38

**I only use Credit Unions as our secondary bank because they make it so hard to do business with them electronically.**

I have no idea what kind of bizarre app development math they are using but that's the kind of inconvenience we have come to expect from Credit Union... it shouldn't be so hard to do business with a bank electronically."



r/milatt0705

**I would never recommend this Credit Union to anyone. I filled out the online application, never received a phone call.**

I had to follow up with my application and have them redo my application over the phone.



Looking at online reviews has become second nature to consumers, whether they're shopping for clothes, a hotel or a loan. And most poor reviews of Credit Unions speak to their digital onboarding experience.

**MEMBERSHIP  
GROWTH GOALS  
AND AMBITIONS**

Although Credit Unions are non-profits, growth goals and ambitions often are the key motivators for making investments to improve their technology. Credit Unions with strong growth goals tend to be the ones that are willing to embrace technology faster.

In other words – and this may be an unpopular opinion – a healthy level of personal ambition combined with financial incentives for the Credit Union leadership may be the best recipe for success at a real digital transformation.

A good indicator is what we call, “fresh blood in the C-Suite.” As we’re seeing with board members, fresh blood and a younger generation of leaders often accelerate ROI-positive technology investments.

**HOW TO EMBRACE  
INNOVATION**

**In our efforts to help Credit Unions in their digital transformation, we have introduced a framework internally that ranks our Credit Union clients on two dimensions:**

1. Credit Union size measured in number of Members.
2. Tech-savviness of the key stakeholders with whom we interact.

We find that success in digital Innovation efforts is not necessarily a function of Credit Union size. Both small and large Credit Unions can embrace innovation very successfully. Credit Unions of different sizes, however, operate differently and the implementation of a successful digital strategy may significantly differ.

For example, smaller Credit Unions often have key decision makers involved and task groups that are small and agile with people who tend to be “doers” who want to move fast.

The cons for smaller Credit Unions are leaders working on too many projects in parallel, which can limit attention span. As Clutch continuously releases new features for free to clients, these new features can be viewed as a new project for clients, which can slow down execution.

Larger Credit Unions, on the other hand, often have project management offices (PMOs) that do a good job planning resources and strong project managers, who can ensure external and internal clients work well together. These larger Credit Unions often make bigger bets on technology and make continuous, marginal improvements that – when compounded – positively impact Member conversion rates.

# Digital Transformation: Improving Member Experience

On the con side, we see many large Credit Unions whose collaborative decision-making leads to “analysis paralysis.” When decision-making is delegated to many team members instead of a small group of leaders, we see a loss in productivity because individuals optimize the technology for their own group’s benefit rather than the Credit Union as a whole.

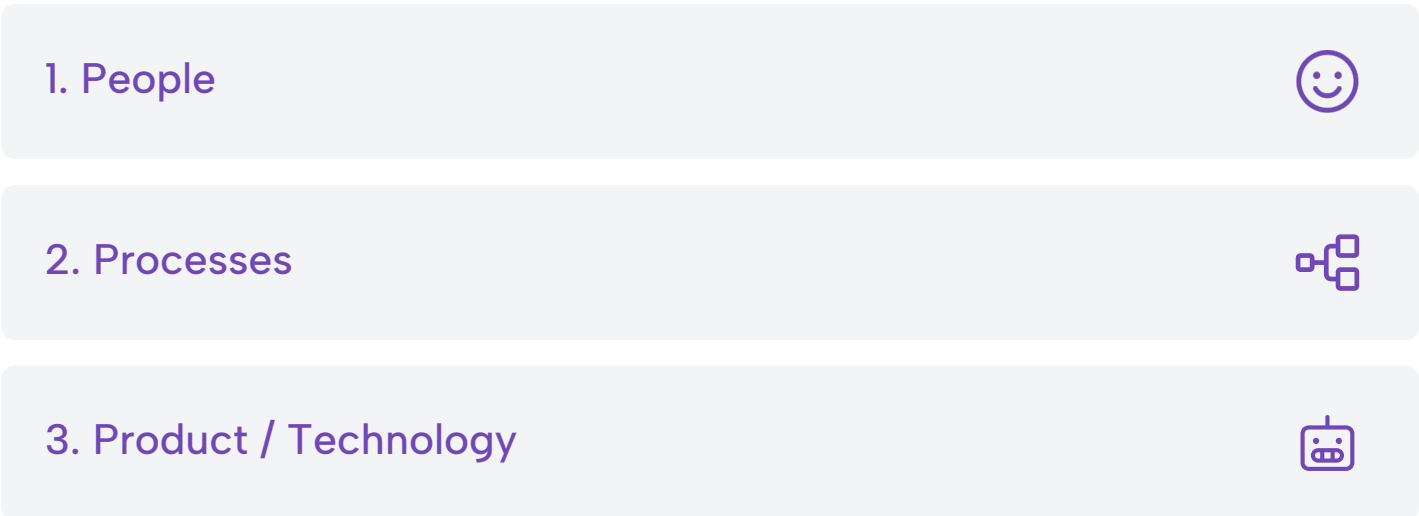
This can often mean technology being customized to support existing processes rather than a more holistic change to maximize business outcomes.

No matter the size of the Credit Union, however, the level of tech savviness of the key stakeholders is most predictive of their likelihood of success.

**The key element for digital transformation is not a software solution – that comes last. Credit Union executives have to become thought leaders for change, in that they:**

1. Are ready for and willing to change.
2. Are willing to lean on and trust a change-agent (whether internally or through outside consultation – or both).
3. Have the courage of their own conviction to empower individuals in the organization to champion and enact those changes.

Our framework here is:



Only after the people part is in place can Credit Unions effectively analyze their processes – especially for onboarding new Members – and then create a seamless digital experience to attract and retain high-value, lifetime Members.

For technology to be effective at driving the paradigm-shift, we need people and processes to adjust to the technology and not vice versa. Requests to customize software to existing processes is an immediate red flag.

# Digital Onboarding: Primary Drivers

For any digital onboarding product, there are two primary consumer archetypes:

"CREDIT SEEKING" Account Opening	"DEPOSIT SEEKING" Account Opening
<ul style="list-style-type: none"> <li>• Primarily seeking a Credit Product</li> <li>• Don't typically understand "why" they need to open an account</li> <li>• Default into the "easiest/lowest expense" account Options</li> <li>• <b>80%</b> of new Credit Union Members</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily seeking a Deposit Product</li> <li>• Have full understanding of "why" they're creating or opening an account</li> <li>• Choose from multiple account types for differing reasons (CD vs. Checking)</li> <li>• <b>20%</b> of new Credit Union Members</li> </ul>

## ARCHETYPE 1: "CREDIT SEEKING"

These consumers typically find Credit Unions through a debt product. They want to apply for a loan or credit card and start their journey through the Credit Union website looking for the respective "Apply for a Loan" button. For these consumers the idea of "account opening" is confusing:

In our research, applicants don't know or don't expect the need to open a savings account in order to get a loan, as we note above. Put yourself into the shoes of a consumer: "if I wanted a credit card, why is the Credit Union asking me about opening a savings account? American Express and Capital One don't do this?"

## ARCHETYPE 2: "DEPOSIT SEEKING"

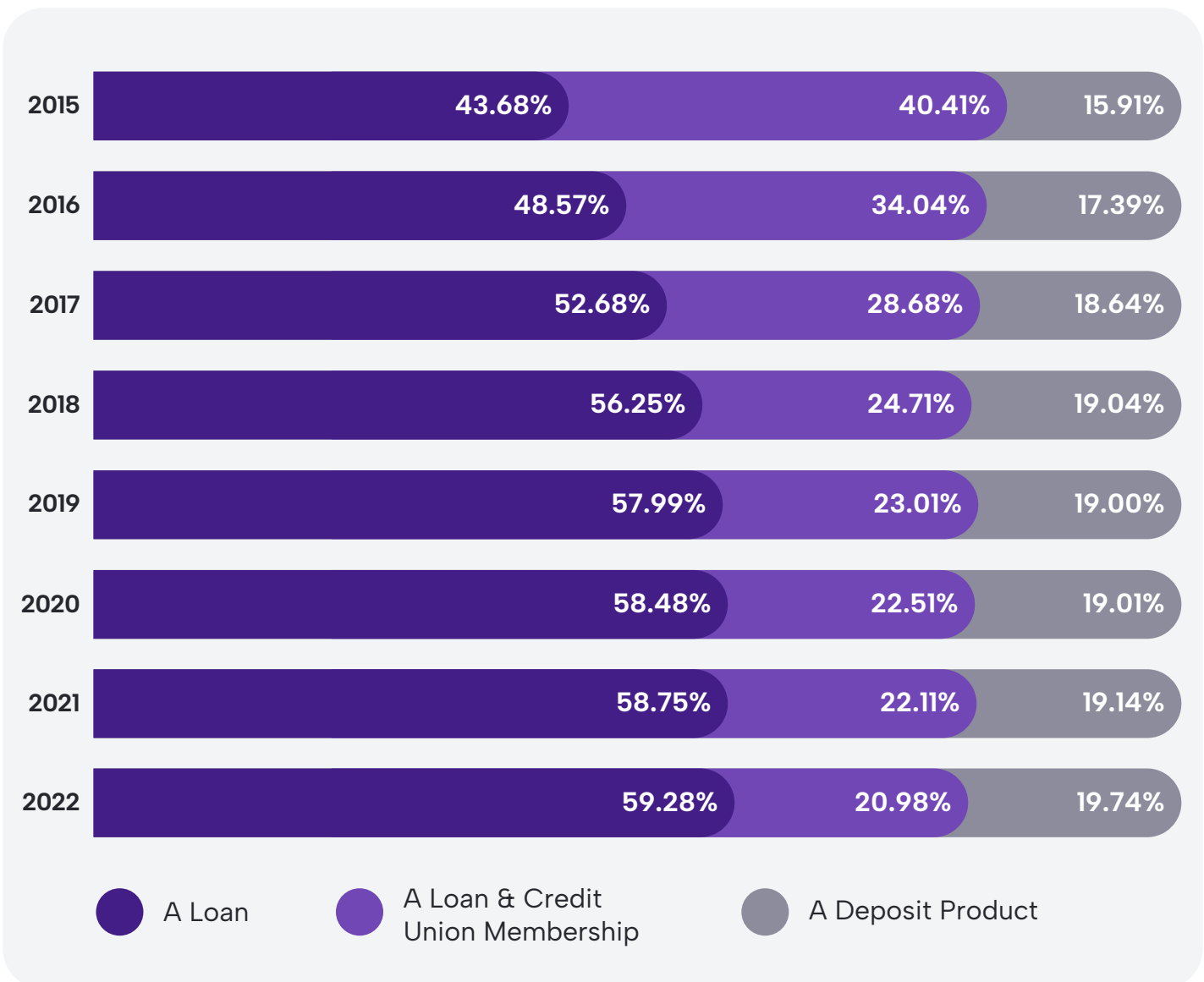
These consumers are coming to your Credit Union to establish a deposit relationship. They may be attracted to CD yields, a checking or savings account and start their journey through the Credit Union website or guest portal looking for the "Open an Account" button.

These applicants **know** and **expect** they need to open and fund an account – it's why they came after all.

## HOW CREDIT UNIONS ONBOARD THEIR MEMBERS

“Credit Seeking” consumers are the largest share of digital account applicants. In our studies with some of our largest Credit Unions (over \$8Bn+ in assets) from 2015–2022, 80% of new accounts opened are from consumers seeking a loan or other credit product. The chart below illustrates the findings of this study:

### 2015–2022 Account Opening Intents



#### “Credit Seeking”

account opening in purple plus light purple, denoted by “A Loan” and “A Loan & Credit Union Membership”

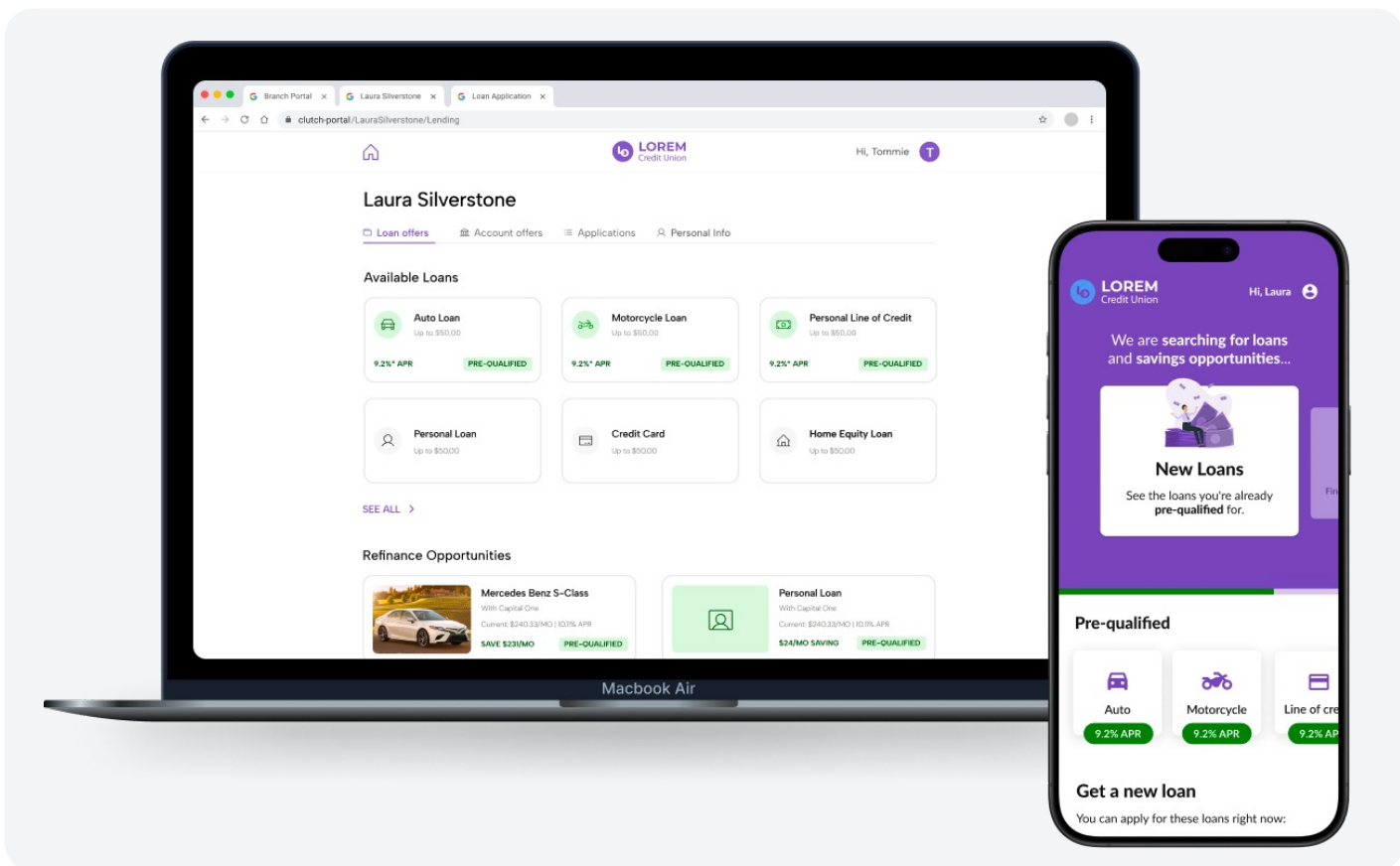
#### “Deposit Seeking”

account opening in dark gray, denoted by “A Deposit Product.”

In 2022, over 80% of new account openings were driven through a lending product. Historically only 15–20% of new accounts have been “deposit first”. Two things are becoming clear:

1. an omnichannel onboarding product has to serve loan **AND** deposit applicants consistently.
2. since a borrower needs to become a Member to get a loan, the concept of a combo application (loan + Membership in one fell swoop) is critical and unique to Credit Unions.

# Best Practices for Digital Transformation: The Loan Process



## Some key elements for a successful digital transformation of the loan process:

- (1) A consistent and frictionless application experience, no matter through which channel the applicant begins her journey – i.e. website, digital banking app, contact center or the branch.
- (2) Ability to leverage automated underwriting tools to show what products the applicants qualify for before submitting a full application and getting a hit on their credit score.
- (3) During this “loan shopping experience”, the digital strategy needs to cross-sell other relevant loan offers, such as auto refinance, credit card balance transfers or debt consolidation loans .
- (4) Helps Members protect those loans through checking for eligibility and suitability of loan protection products.
- (5) Allows consumers to sign their loan application in-session without having to interact with Credit Union staff and – uniquely to the Credit Union industry – fund a share account to begin the loan.
- (6) Automatically recognize whether the applicant is an existing Member and if not, seamlessly build the share application without requiring any future involvement of the deposit / Membership team.
- (7) Lastly and critically, a mechanism that automatically follows up and retargets abandoned loan applicants to bring them back and follow through with their application.

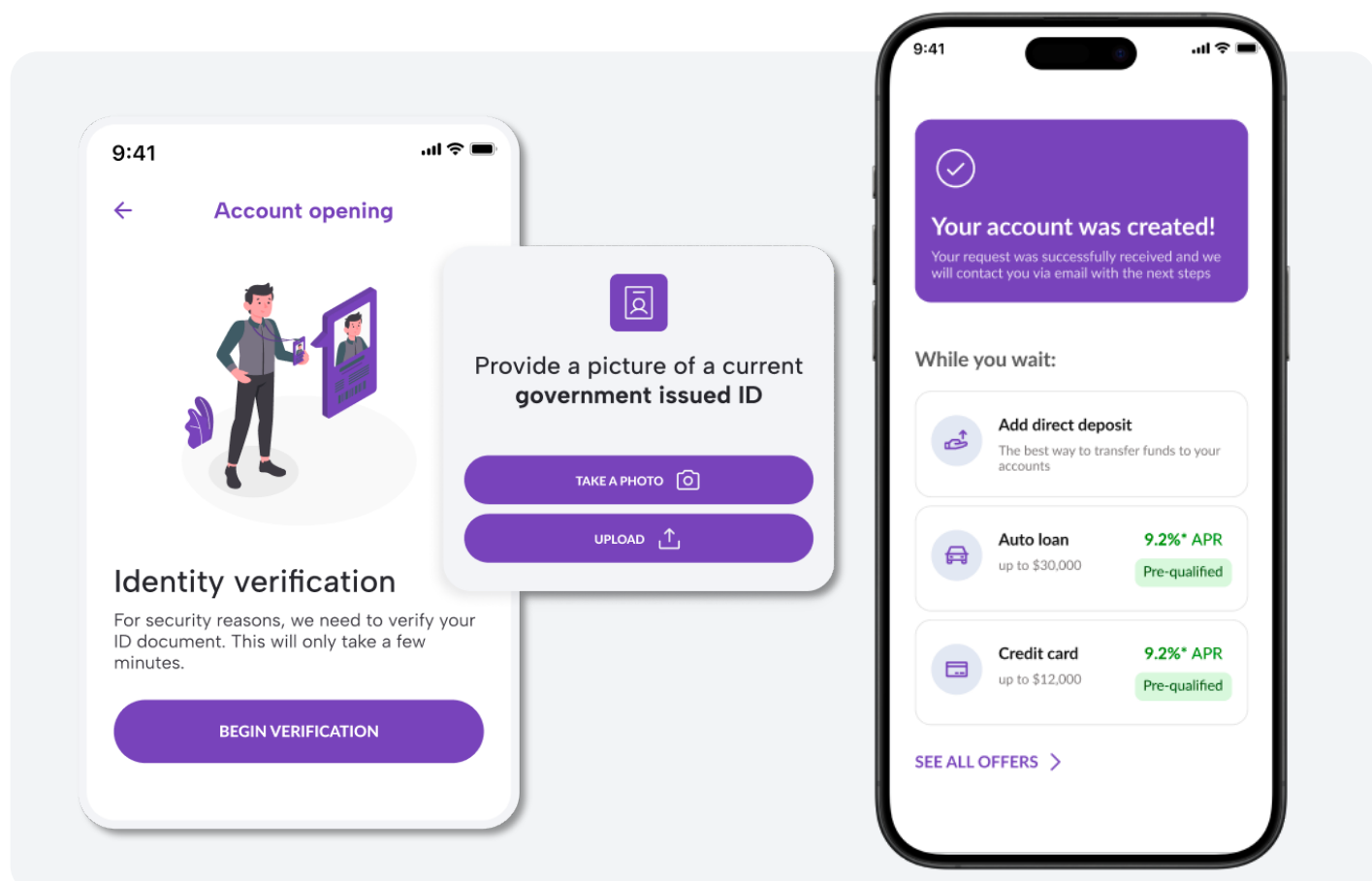
Providing a seamless onboarding experience – whether online, via an app or in person – is crucial for Credit Unions to effectively provide an omnichannel approach that is consistent and non-confusing.

The central goal is to attract and onboard what we call ideal Members, who apply with high intent because they know what products they want. The process should show qualified loan offers and rates before they submit a full application.

The aim is for new Members to be so delighted by their first impression and become excited by other opportunities to save on existing debt these new Members have elsewhere, or credit protection products that are automatically presented to the applicants to safeguard their loans.

Importantly, Credit Unions should automatically fund the required deposit account without an extra click or confusing experience to transfer funds from an external account before receiving the loan. This also is an opportunity to plant the seed for future Member engagement on the deposit side.

## Best Practices for Digital Transformation: The Deposit Process

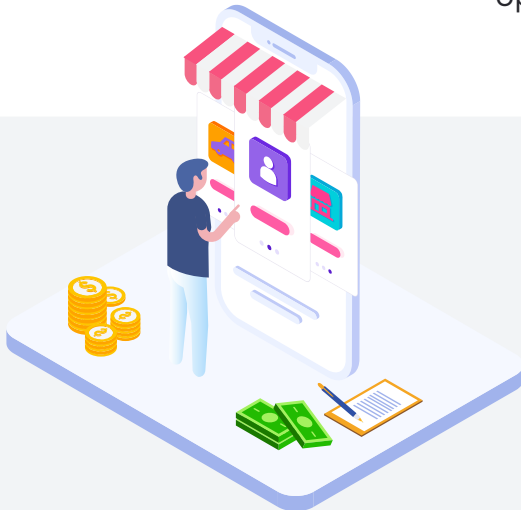


When applying for a “Deposit Product”, the initial elements critical for the digital transformation are the same as loans: a consistent and frictionless application experience, no matter the channel, online or in person.

**Other critical steps for digitizing the cash deposit process:**

- (1) A cloud-based and largely automated fraud detection and id-verification strategy that reduces the need for a manual review from 100% today to around 20% of the account and Membership applications.
- (2) Provide a combination of account funding options such as ACH via Plaid, debit or credit card, ApplePay and Google Pay.
- (3) The account opening process should be non-documentary by default to maximize conversion and pull-thru. Non-documentary CIP is best practice industry leaders such as Chase or Chime follow. Only in cases where the non-documentary approach doesn't yield enough certainty do we recommend a government ID upload step-up check.
- (4) Once an applicant has opened an account within 3-4 minutes the digital strategy needs to intelligently present the applicant pre-qualified loan offers and savings opportunities to consolidate debt applicants have elsewhere.
- (5) Lastly and critically - just like on the loan side - the deposit side has a mechanism that automatically follows up and retargets abandoned deposit applicants to help them follow through with their application.

*“You never get a second chance at making a first impression.”* A great and seamless account opening experience should best engage consumers with other products that can save them money and build their relationship with the Credit Union. The onboarding process is one of the most critical times to find these synergistic opportunities with new Members.



ACCOUNT NAME	TYPE	FUNDING STATUS	FRAUD STATUS
Money market App id: 012010201	Money Market Personal account	FUNDED	PASSED ✓
Business Checking App id: 012010201	Checking Business account	FUNDED	PASSED ✓
Smart Rewards Premium App id: 012010201	Checking Personal account	FUNDED	PASSED ✓
Smart Rewards Premium App id: 012010201	Checking Personal account	WAITING FOR FUND	MANUAL REVIEW ⚠

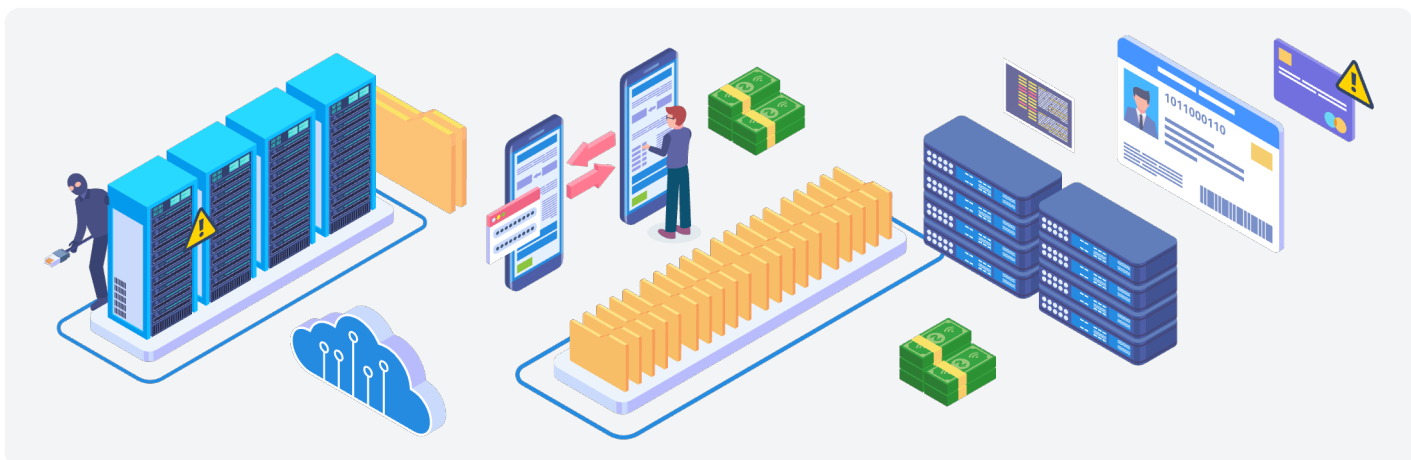
# The Elephant in the Room: Fraud Prevention and Compliance

Perhaps the most significant paradigm-shift Credit Unions need to swallow is to reconsider the goal of 100% fraud prevention. Fraud is a cost of doing business, not something to be eradicated at all costs. When handled correctly, the benefits of acquiring new Members far outweigh potential losses and the tremendous expense of manually reviewing every single application.

Credit Unions should adopt a portfolio approach to fraud risk just like they do with lending. This means accepting that out of 1,000 loans, 990 will perform well, and 10 may not. This approach yields better results than scrutinizing each loan with suspicion, which unfairly burdens every applicant.

Through spending a lot of time with fraud and lending teams, we realized that Credit Unions simply don't take a data-driven approach to measuring the impact of fraud. Instead, Credit Unions tend to suffer from cognitive biases such as recency biases and availability heuristic leading to overreaction, i.e. jerking around the wheel:

A Credit Union that recently experienced a high-profile fraud case will almost certainly overreact to potential fraud risks. We've seen Credit Union manually reviewing thousands of applications a day because one fraudster managed to walk away with \$10,000 recently.



Another crucial aspect to address is compliance. In our conversations with hundreds of Credit Unions, we've observed that some compliance departments excessively influence day to day processes and block forward progress.

Yes, Credit Unions must adhere to state and national regulations. However, we've seen compliance departments dominate decision-making rather than advising on it. The most progressive Credit Unions we've met ask their compliance teams for recommendations and leave the ultimate decision to the business leaders.

Strong compliance teams future-proof the Credit Union instead of insisting on the most conservative interpretation of the letter of the law. Less progressive compliance teams will argue: what worked yesterday is unlikely to cause problems tomorrow.

Compliance-driven directives can hinder Member acquisition. For example, consider the process of signing off on disclosures. We've all encountered the window asking us to accept lengthy legal terms before proceeding with an application. Most people click and continue.

However, one Credit Union, following its compliance department's advice, added a second step requiring Members to scroll through the entire document before accepting it. This cumbersome step was intended to ensure applicants read the document, but it actually led to 13% of the prospective Members abandoning the process due to confusion and frustration.

Scrolling from top to bottom doesn't guarantee that users read the document. It was simply an added step for compliance to cover itself: what worked yesterday is unlikely to cause problems tomorrow.

In summary, successful Credit Unions view compliance departments as trusted advisors, not decision-makers in critical business matters. Compliance teams usually don't have an economic stake in the outcomes of their recommendations. Their interpretations of regulations are just that – interpretations, not edicts. The business leaders who have to justify their decisions and report their economic results should determine whether compliance advice is overly conservative or aligned with the business' needs and objectives.

## The Challenge of Change Management for Credit Unions



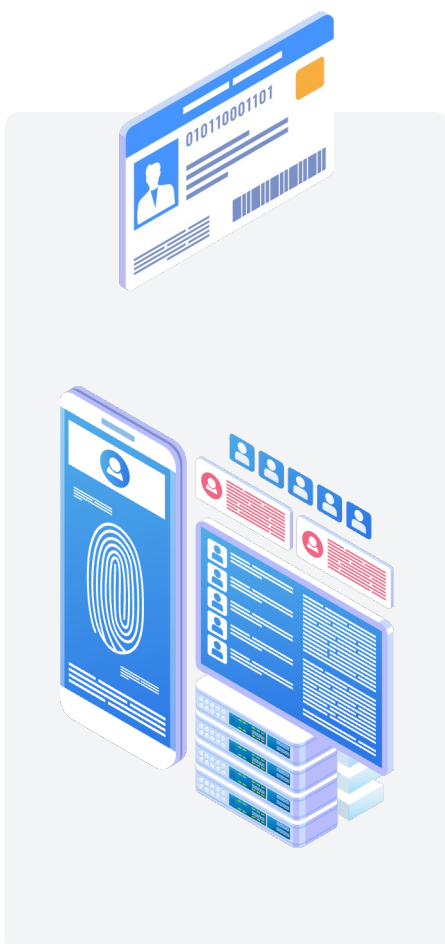
We have taken meetings with Credit Unions in which 40+ “stakeholders” with turned-off cameras expressed their opinions and requests. When that happens, we know immediately that any change will be an uphill battle. Changing old school Credit Union processes to decrease the friction for new Members ironically calls into question the thing that traditionally has made Credit Unions so unique: the wide-ranging buy-in from all stakeholders.

Buy-in is still essential, but – based on our evaluations and assessments – paradigm-shifting change ultimately has to be spearheaded by a small group of people who, after consultation with all key players, make the final call.

An overly democratic approach leads to custom requests risking to (at best) jeopardize or (more commonly) render ineffective the to-be-implemented product. As the illustration above humorously shows, producing an innovative new experience cannot be done through a large committee or a democratic process.

Producing an new product has to be led by innovative aspirants within the organization who are willing to take on large-scale concerns and champion these end-to-end through a focused process that can scale across the organization.

## Elements of effective change management



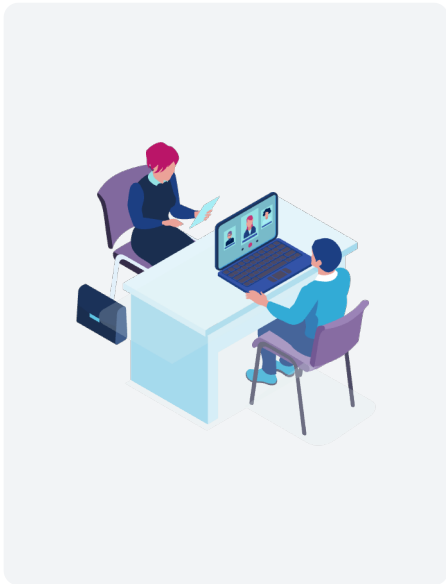
We’ve met with hundreds of Credit Unions and we’ve seen a wide variety of best practices and worst practices.

We know change is hard, and not always simple. We, for instance, strongly advocate not requiring presentation of a government-issued ID when joining online – that seems straight-forward at first, but as always the devil is in the detail: change can create a knock-on impact for other departments and onboarding channels.

For example, the retail team that runs the physical Credit Union branches is used to having a government issued ID of every Member. If a Member walks into a branch and identifies herself by her name, the Member representative will pull up the Member’s accounts and be able to identify the Member by her government issued ID on file. So, if we remove the need for applicants to upload an ID, all of a sudden we’re breaking a process of the retail team.

It doesn’t stop there. Another example is the payments team, which reviews checks Members wrote to make payments. On a valid check, the Member has to sign, and in order to verify the authenticity of the check, the payments team has a process in place in which the signature on the check is compared to the signature on the government-issued ID. So, if we don’t collect an ID from someone who opens an account, the payments team’s check verification process breaks down.

In short, we recognize one change in the onboarding process has a ripple effect throughout these complex organizations, and upends processes that – from the perspective of many within the organization – are time-tested and true (which is another way of saying, “but we’ve always done it this way!”).



These nevertheless are solvable problems. For these situations, a tactic that has worked with our past clients is to create a list of “Day 1” and “Day 2” items. Day 1 items are things that need to be done during the onboarding process, such as checking Membership eligibility. A Day 2 item such as collecting a government-issued ID can be delayed.

If a new Member signs up today via a non-documentary CIP process, we can allow the Member to use all the Credit Union’s services immediately. Once the new Member goes into the branch, the Credit Union should have a process in place to collect an ID (Day 2 item) from the new Member.

The example above illustrates a thoughtful approach to saying “Yes!” to change. Most Credit Unions, however, don’t have permanent change management teams or practices in place. For paradigm-shifting change to occur, Credit Unions have to build a change management muscle or be willing to lean on the technology partner to play that role.

**Some important elements that Credit Unions must galvanize in order to create an effective, omnichannel experience for their Members:**

**The drive for change must come from the top.**

If top managers are not behind the effort, and willing to do the initial hard work required to create a more seamless experience, the headwinds are often too difficult to overcome.

**Employee(s) spearheading these changes must be given real authority.**

Often the people who directly guide the Credit Union through the process are delegated duties by the executive team. We see these people become strong evangelists for making necessary changes, only to face internal pushback, as someone with more authority digs in his or her heels against change. Their time and effort often comes to nothing.

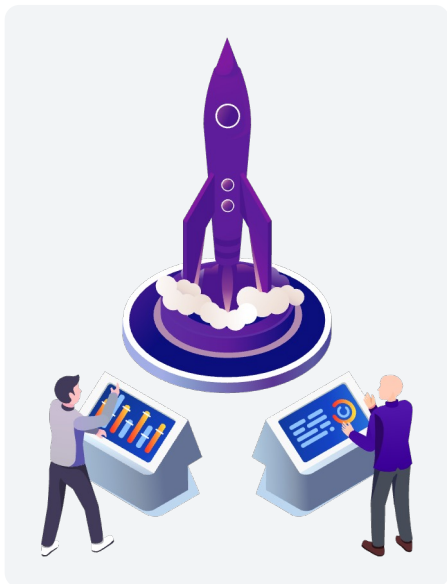
**Best practices: establish a ‘scrubbing committee’ to work through changes.**

One Credit Union we work with that’s very prepared for change has implemented what they call a “scrubbing committee”. That committee’s goal is to remove friction for Members wherever possible.

You can’t just remove a critical element (e.g. government issued ID) from the onboarding process unless you have a team at the Credit Union thinking through the implication of doing so and coming up with “better ways to do things.” So this scrubbing committee is a group of cross functional leaders on a mission to reduce friction and change processes to achieve that goal.

The committee’s ultimate goal is to break through the “but we’ve always done it this way” mentality, explore the downstream effects for a proposed change and change-manage the progress internally rather than putting the burden on the technology provider. The technology provider is simply not set up to succeed in change management efforts if the default attitude on the Credit Union side remains “but we’ve always done it this way.”

## Conclusion



Credit Unions are at a crossroad. We’ve seen too many great institutions who stand at the brink of a forced merger or consolidation because of a deep-seated, conservative attitude that blocks real change. A strong digital strategy that provides a seamless omnichannel experience to bring in new Members and make them aware of attractive, appropriate cross-sell opportunities for other products to deepen the relationship is vital in this new age.

The founders of Clutch came to their love of Credit Unions honestly. In working to build their first startup, an online used car marketplace eventually bought by Carvana, we learned that Credit Unions, by far, had the best value for used car loans. Clutch was started with the mission to help Credit Unions get out of their own way in their ambitions to remain their Members’ first choice.

We find it alarming to see the number of Credit Unions dwindle each year. Yet we strongly believe Credit Unions should dominate consumer lending and we’re excited to contribute our part in the industry’s digital transformation.

**Crossing over this new digital divide has been difficult for so many Credit Unions, but it needn’t be. First is to acknowledge the issues and form a strategy based on these essential pillars:**

**People** – Credit Union leaders and staff must embrace change and abandon the ethos of “but we’ve always done it this way”, which is the through-line of all impediments we’ve seen to establish effective change.

**Processes** – Evaluate thoughtfully the processes which now often encumber the onboarding flow of new clients and find a more frictionless way to provide your valued services.

**Product and Technology** – Too many companies seeking to upgrade their digital footprint view upgrading tech as the means to the end. This is not the first step, but the last: only when empowered people are behind the change, and the leadership thoughtfully considers changing long-held procedures, can new technology solve the problem of Credit Unions bleeding Membership.

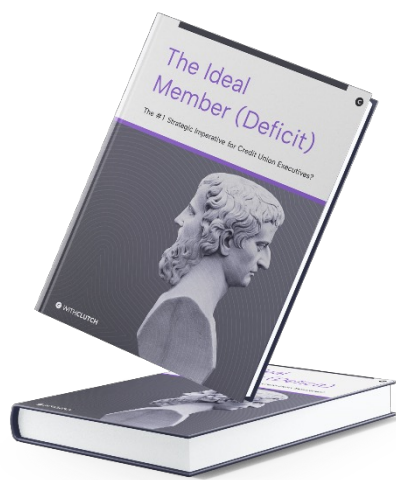
**Members using Clutch digital solutions have achieved a raft of wins, as these testimonials account:**

DCU (\$10 billion in assets) Senior Vice President Caleb Cook: “We increased Look-to-Book from 46% to 81% and decreased time-to-fund from seven to 1.5 days on approved Member auto refinances.”

All In Credit Union (\$3 billion in assets) Chief Lending Officer Todd Peeples: “We’ve added \$175M in net new deposits and not a single incident of fraud slipped through the door ever since we launched Clutch’s digital deposit account opening solution.”

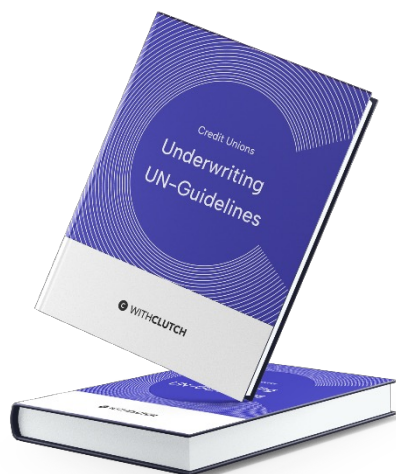
Georgia United Credit Union (\$2 billion in assets) Chief Loan Officers Stephanie Walker: “We’re funding 34% more applications per month since we’ve implemented Clutch.”

## Further Learnings & Thought Leadership



Clutch has grown to north of 110 team members, yet only three of us have actually worked at a Credit Unions before. By design, we’re building a team that can take an oversight in view to the Credit Union industry. A team that isn’t as Steve Jobs called it “trapped by dogma – which is living with the results of other people's thinking.”

Instead and on a daily basis, we force our team to learn from our Credit Union clients and by carefully watching and shadowing their teams’ day-to-day. The more we learn, the more we realize there is to learn!



Our goal is to turn Credit Unions into FinTechs and help our clients remain their Members’ first choice. While having productive and often even quite emotional exchanges with Credit Union leaders, we’re forming increasing levels of convictions around our ability to support our clients with technology.

### **We’re making it our mission to share our learnings with the industry. Some of the topics we’ve taken a deeper dive into recently include:**



1. The Ideal Member (Deficit)
2. Credit Unions’ underwriting **UN**-guidelines
3. What if a meteor strikes earth in the middle of a loan application



Change is difficult and nerve-wrecking, which is why Credit Unions need to build a symbiotic partnership with its technology partner. The technology partner’s job is to guide Credit Unions toward a holistic view of the industry and best practices. In return, the technology partner needs to have a long-term vision of what the future of Credit Unions looks like and a mission that aligns with the Credit Unions’ goal, i.e. **remain their Members’ first choice**.



## The Clutch Story

Clutch was created by Silicon Valley entrepreneurs Chris Coleman and Nicholas (Nicky) Hinrichsen, scholars of the management consulting and technology space, who met in 2011 at the Stanford University Graduate School of Business. With the support of various professors and lecturers as well as the startup incubator Y Combinator, the pair launched Carlypso in 2013, a direct to consumer online platform for buying and selling used cars, purchased by Carvana in 2017.

The founders left Carvana in 2020 to start Clutch. Their car retailing experience taught Chris and Nicky that most consumers were overpaying on their car loans, mostly because consumers tend to get their loans at dealerships, who are known for marking up rates. Their experience also convinced them that Americans should be getting their car loans from Credit Unions rather than commercial lenders.

The Stanford MBAs knew they could build an experience that would allow a consumer to refinance a car loan in two clicks instead of 10 back-and-forth emails. Preventing inevitable drop-off of would-be Members frustrated by the Credit Union application process seemed like an opportunity worth tackling.

While Coleman’s and Hinrichsen’s initial efforts focused on auto loans, the founders quickly learned that their Credit Union clients wanted an enhanced omnichannel platform to support all kinds of consumer loans and deposit products. So, while at it, the founders built a platform that intelligently cross-sold additional loan-products and successfully up-sold protection products.

Generally, software vendors serving the Credit Union industry focus on building tools that are employee-facing rather than consumer-facing. Chris and Nicky consider themselves thought partners to bridge the crucial divide between Silicon Valley FinTech and Credit Unions. The founders found that the current Credit Union software providers lack incentives to innovate:

The Harvard professor Clay Christensen coined the term “Innovator’s Dilemma”. If the existing software providers work to start offering much more consumer-centric solutions, they would put at risk all their employee-facing offerings. The employee-facing offerings would become less and less important down the road.

Clutch, in contrast, is fully focused on turning Credit Unions into FinTech by focusing on consumer-facing experiences. Clutch’s vision is to become the category leader for deposit and loan onboarding and spearhead the industry’s digital transformation. Clutch’s mission is to ensure that Credit Unions remain their Members’ first choice.

## Resources to stay current

There are many sources of information that Credit Union leaders should lean on to stay current. A note of caution though: we find it important not only to listen to voices from within the industry, but the general FinTech ecosystem to stay current on best practices including but not limited to implementing digital, omnichannel strategies.

- 1. Industry Publications:** magazines, journals, and online publications dedicated to the Credit Union industry often feature thought leadership content, including articles, opinion pieces, and interviews with industry experts. Examples include Credit Union Journal, Credit Union Times, and Credit Union Magazine. Subscribe to the [Clutch Newsletter](#) up-to-date industry news.
- 2. Trade Associations and Organizations:** industry associations and organizations like America’s Credit Unions and World Council of Credit Unions (WOCCU) frequently provide thought leadership through white papers, research reports, webinars, and conferences. To help bring together the most relevant thought-leaders, we recommend signing up for the [Clutch Conference](#).
- 3. Blogs and Websites:** many Credit Unions, consulting firms, and individual experts maintain blogs and websites where they share thought leadership content related to various aspects of the Credit Union industry. Examples include Filene Research Institute's blog, Callahan & Associates' website, and the blog section on the website of individual Credit Unions themselves. To help consolidate the most relevant content, we recommend subscribing to the [Clutch Blog](#).
- 4. Social Media:** platforms like LinkedIn and Twitter are used by industry thought leaders, consultants, analysts, and Credit Union executives to share insights, engage in discussions, and amplify thought leadership content. Following relevant hashtags and accounts can provide access to valuable information and perspectives. To help stay ahead, we recommend connecting with and following [Clutch on LinkedIn](#).
- 5. Industry Events and Conferences:** participating in industry events, conferences, and webinars provides opportunities to hear from thought leaders firsthand, engage in discussions and gain insights into emerging trends and best practices in the Credit Union sector. To help bring together the most relevant thought-leaders, we recommend signing up for the [Clutch conference](#).
- 6. Academic Research and Publications:** academic journals, research papers, and books on topics such as finance, economics, and organizational behavior often include studies and analyses relevant to the Credit Union industry. Accessing these resources can provide in-depth insights into various aspects of Credit Union operations and management. To help consolidate the most relevant content, we recommend subscribing to the [Clutch University](#).

