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UNIVERSITY OF SOUTH FLORIDA FEDERAL CREDIT UNION: VOLUNTEER STRATEGIC PLANNING¹

*“Strategic Planning is a process for deliberate and meaningful evolutionary change.” -
Not-for-profit Credit Union Board Chair*

*“We must take change by the hand or rest assuredly, change will take us by the throat.” -
Sir Winston Churchill*

Strategic planning had evolved since Ron Satterfield and Richard ‘Rick’ Will became volunteers at the USF Federal Credit Union (USFFCU). Satterfield and Will, along with other volunteers, had experienced a variety of unusual, and challenging annual strategic planning sessions since 2007/2008.

Both Satterfield and Will became volunteers by serving on the Supervisory Committee (often called the audit committee) at USFFCU. While this assignment had traditionally taken less time commitment, it was viewed as a good way to acclimate to the credit union governance environment.

Will had been recruited to be a volunteer, in part, due to both industry experience and academic background in Management of Information Systems. At the 2010 strategic planning session, Will highlighted his acclimation with a candid description of information technology at USFFCU as ‘kludgy.’ Systems worked well independently, yet integration was challenging. After his comments were met with mixed reviews, Will thought he might possibly be fired from the volunteer position. Notwithstanding, Satterfield and Will were board members within the next couple of years.

2010 was also the year that Rick Skaggs became President and CEO of USFFCU. After his first strategic planning session, he wondered what he had gotten into. Later, he would begin referring to the board as “engaged.” The board thought that this was possibly a code word for “challenging.” By 2013, Rick Skaggs and the board of directors were on board with attempting the discussion case method for a volunteer led session at the end of the joint strategic planning session. The use of the discussion case evolved and the discussion case method is now used in a separate volunteer-only, strategic planning session which is integrated with the overall strategic planning process.

The primary decision at the annual volunteer-only, strategic planning session was to determine which strategic directives should be advanced to the senior leadership team at USF Federal Credit Union.

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Credit Unions and Volunteers

Federal credit unions are not-for-profit financial institutions co-operatively organized to provide members with a place to save and borrow money at reasonable rates, (NCUA, 2006). Federal credit unions are corporations chartered under the Federal Credit Union Act of 1934, to serve a defined set of members. A Federal credit union's charter includes the official name of the credit union and the definition of the field of membership. That membership has a common bond of occupation or association, or consists of groups within a well-defined local neighborhood, community, or rural district. Credit unions are governed by a group of unpaid volunteers who understand the credit union philosophy of "member helping member", expanded to "people helping people."

Credit unions originated in Europe and gradually migrated to North America with the first US credit union being chartered in Manchester, New Hampshire in 1909 (Guinnane, 2001). Will and Skaggs (2013), present additional detail regarding key historical moments in Credit Union history.

Volunteers in a credit union are organized into two required, well-defined and intertwined organizational units called the Board of Directors and the Supervisory Committee. The Board of Directors is elected by the members from the pool of membership. The Supervisory Committee is appointed by the Board of Directors. Each group has specific responsibilities, yet both have common goals including protecting the members' assets, providing the products and services needed by the membership, and insuring the financial health and regulatory compliance of the credit union. Some credit unions also include an optional Credit Committee. This unit can consist of between three and seven members, elected by the membership or appointed by the Board of Directors.

Board of Directors: Duties and Responsibilities

The Board of Directors of any federal Credit Union must number between five and fifteen members, always consisting of an odd number of voting directors. All members of the Board serve the same length of term (usually two or three years), with staggered terms so a roughly equal number of directors are elected each year. Directors "... are expected to make decisions that are good for the credit union and for the members as a whole, regardless of how those decisions affect your personal situation," (Harr, 2012). Overall Board responsibilities include formulating policy, communicating with membership, serving as trustees of the members' investments, and ensuring the continuity and development of the Credit Union. The Board must meet at least once a month (conference calls or videoconferencing may be used if it is inconvenient to assemble at one place).

The Executive Officers of the Board of Directors are typically the Chair, Vice-Chair, Treasurer, and Secretary. The Executive Officers may serve as an executive committee consisting of a minimum of three members, to deal with issues between Board meetings. The Chair presides at all meetings of the Board and meetings of the credit union's members. The Chair also is the liaison between management and the Board, is spokesperson of the credit union, and conducts other duties as established by the Federal Credit Union Act. The Vice-Chair conducts the duties of the Chair in his or her absence. The Treasurer has a variety of financial duties including ensuring full and complete records of the assets and liabilities of the credit union. The Secretary prepares and maintains records of all meetings of the members and of the Board. The Board may also establish committees from among the Board membership to help manage the credit union. These sub-committees could include education, budget, policies, and delinquent loans, among others.

The USF Federal Credit Union has various sub-committees. Some of the committees meet monthly, while others meet quarterly and some meet on an ad-hoc basis. Currently the following sub-committees are in place.

- Policy Committee
- Information Technology Committee
- Compensation Committee
- Strategic Planning Committee
- Nominating Committee
- Commercial Loan Review Committee
- Asset Liability Committee - ALCO (required)

Committees play an increasingly significant role in seeking a more inclusive view of issues on the behalf of the board. “Committees exist to serve the board and their agendas should be informed by the board’s requirements.” (Watson and Kelsall, 2020)

The framers of the Federal Credit Union Act believed that “...volunteers should direct the organization and operation of credit unions.” (NCUA, 2006) “The Board of Directors is responsible for directing and controlling the credit union. The Board is ultimately responsible for directing the credit union in accordance with the federal or state credit union acts, the bylaws, sound business practices, and other rules and regulations.” Board members “... determine an overall course of action, but they do not involve themselves in the operating areas that result from these decisions. Involvement in operations could easily compromise the directors’ impartiality in the larger spheres of decision-making and policy-making,” (Harr, 2012). “The Board functions as the supreme decision center by establishing objectives, formulating policy, and approving goals and programs,” (Harr, 2012).

In a letter from the NCUA, financial literacy requirements of all FCU directors, including existing directors, were spelled out in a new rule: (Matz, 2011)

“Each FCU director has the duty to... At the time of election or appointment, or within a reasonable time thereafter, not to exceed six months, have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the Federal credit union’s balance sheet and income statement and to ask, as appropriate, substantive questions of management and the internal and external auditors....”

“To perform adequately at your [board] meeting, you need to review and understand your board pack [including financial, managerial and planning updates since the previous monthly board meeting]. And if things jump out, favorable or unfavorable trends, new risks, etc., you have the opportunity to discuss them with your CEO or other members of the management team,” (Demagone, 2020).

Demagone (2020) emphasizes this again with his opinion that “For most directors, there is little direct contact with day-to-day operations. Boards set the agenda and then delegate implementation to a CEO.”

The chair and CEO bridge governance of the board and management through transparency, accessibility, and respect for the separate roles and responsibilities between positions. “The chair-CEO partnership is a unique relationship that requires deep trust, openness, and collaboration, balanced with a degree of independence and objectivity,” (Watson & Kelsall, 2020).

The NCUA has stated that the board of a federal credit union is responsible for the general direction and control of the credit union (Demangone, 2020). In Demangone's (2020) opinion the "general" part emphasizes that the board should not be focusing on the smallest of details. He states that "... the more you focus on the minutia, the less you'll be able to provide the all-important control and direction."

Below, Demagone (2020) discusses the role of the board in setting direction:

"You [the board] set the course for your credit union. You may not do the rowing, but you set the destination. What is your credit union supposed to be? How should it look? What should it do for its membership? The answers to those questions, to a large degree, are provided by you."

Demagone (2020) goes on to say that the board's responsibilities for setting the general direction and control of the credit union start with strategic planning. He emphasizes that the purpose of the planning session is to "... plan and determine your credit union's direction, risk tolerance, and reason for being..." "The strategic plan should identify risks and threats to the organization and outline methods to address them." (Demagone, 2020)

Supervisory Committee: Duties and Responsibilities

The Federal Credit Union Act and the USF Federal Credit Union Bylaws require that the credit union Board of Directors appoint the Supervisory Committee. The Supervisory Committee consists of a minimum of three and no more than five credit union members. Major responsibilities of the Supervisory Committee include making, or having enabled at least one financial audit annually, and verifying member accounts at least once every two years (NCUA, 2006). The goals of the committee are to ensure that management's financial reporting objectives are met and that management practices and procedures safeguard members' assets. The Committee is responsible for establishing and maintaining effective internal controls to achieve those goals.

General and specific responsibilities of the Supervisory Committee (Fed. Reg., 2004)

- Ensuring the board of directors and management of the credit union –
 - Meet required financial reporting objectives and
 - Establish practices and procedures sufficient to safeguard members' assets.
- Determine whether the credit union –
 - Internal controls are established and maintained
 - Accounting records and financial reports are accurate
 - Plans, policies, and controls established by the board of directors are properly administered
 - Policies and controls are sufficient to safeguard against error, conflict of interest, and fraud
- Mandates include –
 - Ensuring adherence to the measurement and filing requirements of the NCUA
 - Reviewing audit findings and ensuring action is taken to correct any findings
 - Ensuring verification of members' accounts

(69 FR 27828, May 17, 2004)

"The supervisory committee has responsibilities beyond the audit and verification functions. These additional duties (Chapter 4 of the Supervisory Committee Guide) include (1) resolution of member

complaints; (2) strengthening internal controls; (3) authority to call special membership meetings and remove officers, directors, or credit committee members; and (4) reviewing management’s corrective action.” (NCUA Examiner’s Guide, 2002)

The Supervisory Committee also has the authority and responsibility to suspend any director on the Board. “By unanimous vote, the Supervisory Committee may suspend any Director until the next meeting of the Directors,” (Harr, 2012). Obviously, this is not a responsibility taken lightly and hopefully, an extremely rare event.

In the January 2021 issue of letters from the NCUA, Hood, (2021) stated “... examiners will conduct risk-focused examinations, which concentrate on areas of highest risk, new products and services, and compliance with applicable laws and regulations.”

NCUA’s primary areas of supervisory focus in 2021 are described below: (Hood, 2021)

- **Allowance for Loan and Lease Losses (ALLL)**
The Financial Accounting standards Board decided to delay the current expected credit losses (CECL) standard until January 2023 due to the economic impact of COVID-19. NCUA examiners will assess ALLL by reviewing:
 - ALLL policies and procedures;
 - Documentation of ALLL reserving methodologies, modeling assumptions and qualitative factor adjustments;
 - Adherence with FASB Accounting Standards Codification (ASC); and
 - Independent reviews of reserving methodologies and documentation by the Supervisory Committee or by internal or external auditor.
- **Bank Secrecy Act/Anti-Money Laundering Compliance**
As law enforcement, intelligence, and counterterrorism officers rely on timely and accurate reporting from SARs and CTRs to identify and prevent money laundering, terrorist financing, and other illegal activities, this area continues to be a primary focus. “Credit union efforts in this area help fight crime and keep America safe”.
- **Coronavirus Aid, Relief and Economic Security Act**
Examiners will continue to review compliance with the provision of the CARES Act that suspended the requirement to categorize specific loan modifications as troubled debt restructurings (TDRs). The provision is extended through January 1, 2022. Examiners will continue to review modifications, credit reporting, forbearances, and foreclosures conducted in 2020 under the CARES Act provisions.
- **Consumer Financial Protection**
Examiner reviews are mainly risk-focused and based on the credit union’s compliance record, products and services, and potential emerging concerns. Examiners will assess the credit union’s Fair Lending Compliance Management System. These reviews will include board and management oversight, policies and procedures, training, monitoring and corrective action, and member complaint response.
- **Credit Risk Management**
Examiners will focus on any adjustments credit unions made to lending programs to address borrowers facing financial hardship because of the COVID-19 pandemic. Examiners will also verify that credit unions evaluated the potential impact their COVID-19 response and relief efforts

will have on their capital position and financial stability. NCUA reaffirms that examiners will not criticize credit unions' efforts to provide prudent relief for borrowers.

- **Information Systems and Assurance (Cybersecurity)**

Examiners have moved away from performing the Automated Cybersecurity Examination Toolbox (ACET) for assessing cybersecurity maturity to the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx corresponds to the cybersecurity examination procedures used by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System, and many state financial regulators.

- **LIBOR Transition**

The NCUA expects the discontinuation of the London Inter-bank Offered Rate (LIBOR) as an interest rate benchmark. Transitions away from LIBOR should include risk-management processes to identify and mitigate any changeover risks.

- **Liquidity Risk**

NCUA examiners will evaluate the suitability and scope of a credit union's scenario analysis for liquidity risk management which could include:

- Sudden and significant share outflows;
- A range of possible interest rate paths to identify variability in loan and securities cash flows;
- Changes in cash flow projections such as prepayment speeds, share compositions and volumes;
- Effects of loan payment forbearance, loan delinquencies and loan modifications;
- Declines in credit quality and resulting market value of assets;
- Stress scenarios that include reductions in available credit lines.

- **Serving Hemp-Related Businesses**

The NCUA will continue to encourage credit unions to consider whether they are able to provide financial services to lawfully operating hemp-related businesses within their fields of membership safely and properly.

Brief History of Credit Unions

“Before the arrival of the Credit Union, people who were from the poor background or a working class background couldn't borrow from banks.”

- John Hume

The credit union movement originated with the idea that members of a community could increase their standard of living by pooling their financial resources and making loans to their neighbors and coworkers. Credit unions are basically community-based banks that operate as a cooperative. Functioning as a cooperative, credit unions are member owned and are operated for the benefit of their members.

The first credit unions originated in Germany about 1849 to find alternatives to various loan sharks of the day. The credit union cooperatives were founded to assist the working class in their efforts to gain better financial services. It was estimated that by 1913, 2 million Germans were members of credit unions, most of which were in rural areas with communities of less than 3000 people. The movement defied opponents who argued that poor Germans would not repay their loans.

The first Credit Union in the United States was established in 1909 in Manchester, New Hampshire. In 1921, the Credit Union National Extension Bureau was organized to enact credit union laws and

form credit unions. President Franklin D. Roosevelt signed the Federal Credit Union Act into law in 1934 to enable federally chartered credit unions in all states. It was not until 1970 that the National Credit Union Administration (NCUA) was formed to charter, supervise, and insure credit union deposits through the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is administered by the NCUA and is entirely funded by participating credit unions.

Being member-owned and not required to generate profits for shareholders, many banks complained that credit unions had an unfair competitive advantage. In 1996, The District of Columbia Federal Appeals Court issued an injunction prohibiting federal credit unions from extending their membership beyond the original core membership group. During President Clinton's administration, the Credit Union Membership Access Act was signed into law in 1998. This act further defined the fiscal responsibilities of federal credit unions and the definition of membership formation.

Serving a clearly defined group of members—who were both customers and owners—credit unions were able to provide a portfolio of services tightly focused on member needs. These included asset-based loans (e.g., car loans and mortgages), credit cards, interest-bearing savings and money-market accounts and no-fee or low-fee checking accounts. Because most credit unions were local, they tended to provide high-touch service out of local offices, rather than moving rapidly to Internet-based banking. They were, however, generally able to achieve a national presence through reciprocal relationships with other local credit unions.

Strategic Planning at USF Federal Credit Union

“Efforts and Courage are not enough without Purpose and Direction.”

- John F. Kennedy

While the NCUA, CUNA, and other bodies state that strategic planning is a responsibility of the Board of Directors, the Board at USFFCU has historically welcomed its Supervisory Committee in the planning process. Both the Board of Directors and Supervisory Committee are included in this exercise. The information gathering form (Exhibit 1), was distributed to the volunteers. When possible, the forms were completed by volunteers. Completed forms provided the basis for some follow-up “conversations” with some of the volunteers. The conversations are mainly discussions with Ron Satterfield and Rick Will via phone or video to clarify points presented in the form. When time permitted, the interpretations were sent back to the volunteers for approval prior to posting within this document. One board member provided form input only, and two volunteers did not provide advanced information.

Exceptions are summaries from the viewpoints of Ron Satterfield and Rick Will. Ron and Rick each wrote their own strategic summary and submitted it for review by the other prior to inclusion here.

The conversations were all prefaced with a few comments regarding the purpose of the conversation and how the responses would be used. Since the included statements represent the views and opinions of each volunteer at the time of the interview, volunteers could certainly change their opinions later, including during the volunteer strategic planning session.

The interviews were used to collect ideas and issues to be shared with all volunteers just prior to the strategic planning session. The purpose of sharing each volunteer's input is to provide the perspectives of all volunteers before the session. This became a foundation for developing a prioritized list of strategic directives and objectives for management. Volunteers were also provided the 2020 list of strategic directives case discussion output as shown in Exhibit 2. All volunteers were given the included interview summaries and updated summaries of NCUA stated duties and responsibilities of the board and supervisory committee just prior to the planning session. The SWOT summaries are shown in Exhibit 3 and the interview summaries are presented in Exhibit 4.

Utilizing a discussion case format, all volunteers use information provided in this "case study" to create a new list of prioritized strategic suggestions for management to use in the creation of the annual joint strategic planning session.

Key Performance Criteria: National and USF Federal Credit Union

"Anything you need to quantify can be measured in some way that is superior to not measuring it at all."

- *Gilb's Law*

For the past several years, each annual strategic planning session contained comparative summaries and some analysis of National, Regional, Florida, and USF Credit Union data. Since this volunteer session is a few weeks ahead of the joint annual strategic planning session, the Key Performance Criteria is limited to a comparative report provided by NAFCU. This comparative data is presented in the NAFCU Credit Union Performance Benchmark Report and the Operating Expense Report for years 2013-2020 (Exhibit 5).

The benchmark reports along with the following supplemental reports from NAFCU are listed below:

NAFCU Flash Reports:

- Consumer Credit – July 9, 2021
- Consumer Price Index – July 13, 2021
- Employment Situation – July 2, 2021
- Existing Home Sales – July 22, 2021
- Federal Open Market – June 16, 2021
- New Home Sales – July 26, 2021
- Retail Sales – July 16, 2021
- Vehicle Sales – July 6, 2021

Vision, Mission, Values, and Core Competency

*“The only thing worse than being blind is having sight but no **vision**.”*

- Helen Keller

*“Americans are not a perfect people, but we are called to a perfect **mission**.”*

- Andrew Jackson

*“When your **values** are clear to you, making decisions becomes easier.”*

- Roy E. Disney

*“The ability to establish, grow, extend, and restore trust is the key professional and personal **competency** of our time.”*

- Stephen Covey

Federal credit unions are not-for-profit financial institutions with a unique mission amid commercial for-profit financial institutions. The credit union board has one primary criteria for decision making, “Is this decision in the best interest of our membership?” The credit union board does not have to balance shareholder wealth against customer benefits. “Our members are our shareholders.”

It has been mentioned in the Credit Union Executive Society (CUES) board member training that the credit union’s vision, mission, values, core competencies, strategy and effective governance are among the Board’s responsibilities. To address this responsibility, the volunteers were asked to review and suggest any potential changes to the current vision, mission and values statements publicized by the USF Federal Credit Union. Volunteer ideas were solicited in the 2021 Strategic Planning Discussion Case Input form (Exhibit 1). Comments are included in the individual volunteer summary sections.

Strengths, Weaknesses, Opportunities, Threats: SWOT Analysis

“If all you’re trying to do is essentially the same thing as your rivals, then it’s unlikely that you’ll be very successful.”

- Michael E. Porter, Harvard Business School

Identifying Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) has been used to help discover Core Competencies and Strategic Opportunities. Although there are limitations to SWOT including lengthy lists of unweighted, unprioritized, often conflicting ideas (e.g. points in both weakness and opportunity) that do not go beyond descriptions whose outputs are largely not used in subsequent stages of strategic planning (Hill & Westbrook, 1997). However, SWOT is a “...preferred tool to “kick start” the strategic planning process (Helms and Nixon, 2010).

The volunteers were asked for their suggestions to each of the SWOT categories. Each category specified a few questions to help solicit input for the category. It is not expected that each question is answered. Volunteers were asked to list two to three suggestions for each of the SWOT categories. The questions are designed to assist in the generation of ideas for each category. The SWOT solicitation is part of the request for volunteer input (Exhibit 1).

Critical Success Factors for USF Federal Credit Union

*“What are the critical success factors of your job?
What must you be absolutely, positively excellent at doing to be successful?”
- Brian Tracy*

Critical Success Factors (CSFs) were presented as a method to assist senior level executives define their “informational” needs for managing their organizations (Rockart, 1979). Rockart’s method was based in part on the “Success factors” introduced by D. Ronald Daniel (1961). Daniel described success factors as “...three to six factors that determine success...” “*Critical success factors* are defined as the handful of key areas where an organization must perform well on a consistent basis to achieve its mission.” (Gates, 2010)

The critical success factor questions addressed by the volunteers are as follows:

- 1: How would you define success at the USF Federal Credit Union?
- 2: What do you believe needs to be done extremely well at our Credit Union to achieve that success?

Summarized Volunteer Planning Process and Decision

“You cannot make progress without making decisions.”
- Jim Rohn

Deciding which strategic directives to present to the senior leadership team is the outcome of the volunteer strategic planning session using the discussion case method. The discussion case materials presented here are used in the strategic planning session. USF Federal Credit Union volunteers (Directors and Supervisory Committee members) provide individual input via a completed form on Mission, Vision, Values, Core Competencies, SWOT analysis, and Critical Success Factors. The separate contributions are summarized and validated for accuracy by each volunteer prior to sharing with all volunteers in the case discussion documentation. The collective input within this document is distributed to all volunteers prior to the execution of the discussion case method in the strategic planning session.

As part of the discussion case, volunteers are presented with the latest regulatory, environmental, and comparative information related to the credit union industry. Volunteers are also presented with the strategic suggestions from the prior volunteer strategic planning session. The credit union information is used in conjunction with the volunteer input to arrive, via the discussion case method, at the decision of which strategic suggestions to forward to senior management.

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Abbreviations

ACET	Automated Cybersecurity Examination Toolbox
ALCO	Asset Liability Committee
ALLL	Allowance for Loan and Lease Losses
AML	Anti-Money Laundering
ASC	Accounting Standards Codification
Baldrige	[Malcolm] Baldrige Performance Excellence Program
BSA	Bank Secrecy Act
CARES	Coronavirus Aid, Relief, and Economic Security
CBD	Cannabidiol
CECL	Current Expected Credit Loss
CSF	Critical Success Factor
CTR	Currency Transaction Report
CUES	Credit Union Executives Society
CUNA	Credit Union National Association
ERM	Enterprise Risk Management
FASB	Financial Accounting Standards Board
FCU	Federal Credit Union
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
InTREx	Information Technology Risk Examination
LIBOR	London Interbank Offered Rate
NAFCU	National Association of Federally-Insured Credit Unions
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Shared Insurance Fund
NIST	National Institute of Standards and Technology
OCC	Office of the Comptroller of the Currency
PPP	Paycheck Protection Program
PRIDE	Personal Responsibility In Delivering Excellence
SAR	Suspicious Activity Report
SEG	Select Employee Group
SLT	Senior Leadership Team
Sterling	Florida Governor's Sterling Award for Performance Excellence
SWOT	Strengths, Weaknesses, Opportunity, Threats
TDR	Trouble Debt Restructuring
USFFCU	University of South Florida Federal Credit Union

Biographies



Rick Will is Professor Emeritus with the University of South Florida from the MUMA College of Business and currently serves as Board Chair for the USF Federal Credit Union. Prior to a 32-year academic career at USF, Rick spent a decade performing IT roles including computer operations, applications and systems programming, business analysis, computer engineering, and data center management in the Oil and Gas industry.



Rick Skaggs is President and CEO of the USF Federal Credit Union. Rick is past treasurer and serves as secretary for the League of Southeastern Credit Unions and is secretary for the League of Southeastern Credit Union Foundation. He is also the Vice Chair for Florida Shared Services. Rick is active in Governmental Affairs, directly communicating Credit Union concerns with U.S. Representatives and Senators in conjunction with the National Association of Federal Credit Unions (NAFCU) and the Credit Union National Association (CUNA). Rick served 31 years in the credit union industry.



Ron Satterfield is an award-winning instructor at the University of South Florida, MUMA College of Business in the School of Information Systems and Management. He teaches statistics, statistical programming, operations management, and process improvement at the undergraduate, MBA, Executive MBA, MS and DBA program levels. Satterfield is the academic director of the Executive MS in Business Analytics and Information Systems program. Ron also serves on the Board of Directors for the USF Federal Credit Union.

Exhibit 1: Strategic Planning Input Solicitation Form for Volunteers

Ron Satterfield and I will be conducting interviews again this year as part of our volunteer strategic planning process. We are asking that you review the following areas and make any comments, suggestions or modifications in the sections provided.

Vision, Mission, Values and Core Competencies statements for USFFCU.

SWOT analysis

Critical Success Factors

2021 - current

“USF Federal Credit Union, is a financial institution owned and controlled by members for their benefit.

Our **vision** is to be the most influential partner in each member's financial journey.

Our **mission** is to deliver financial solutions to improve members' lives.

Our **core competencies** are relationship building and leading with heart

The **Core Values** that guide us:

- **Excellence** - Deliver extraordinary results and experiences
 - Operate with integrity; be a trustworthy source
 - Ensure each interaction ends better than it started
 - Measure what matters, celebrate success, and learn from failure
 - Build value for all of our stakeholders
- **Passion** - Embrace an enthusiastic approach in all that you do
 - Exhibit PRIDE and an unwavering work ethic
 - Serve our members with enthusiasm and joy
 - Value, promote, and fiercely protect our reputation
 - Champion an optimistic, energized, and fun environment
- **Innovation** - Continuously deliver imaginative solutions that enable us to soar above the competition
 - Be curious and flexible to meet changing needs
 - Avidly pursue growth and learning
 - Proactively seek new challenges and solutions
 - Advocate for and support intelligent risk-taking
- **Community** - Create an environment of positive influence to promote "people helping people"
 - Demonstrate the desire to do what is right
 - Build meaningful relationships to enrich lives
 - Cultivate a sense of belonging
 - Embrace a healthy balance between work and family
- **Collaboration** - Work together to deliver extraordinary results
 - Foster effective communication through listening, awareness, and compassion
 - Encourage, respect, and value the ideas of others
 - Create and nurture partnerships; break down walls
 - Succeed through teamwork

If you would like to suggest any changes to the Vision, Mission, Values, and/or Core Competencies statements please specify them below:

Vision:

Mission:

Values:

Core Competencies:

SWOT Analysis

Do you have any suggestion for the SWOT analysis? Some questions to help solicit input for each category are listed below (you do not need to answer each question, the questions are just to help generate ideas for responses in each category):

STRENGTHS

What makes us better than our competitors?

What things do other people (including members) say we do well?

What are our core competencies (such as special knowledge or skills) that help us achieve our vision and/or mission?

What are our strongest assets, financial or otherwise?

WEAKNESSES

What could we do better to achieve our vision and/or mission?

What competencies could be improved?

What are we doing now that is hurting our progress?

OPPORTUNITIES

What could we be doing that we are not currently doing?

What new/modified products and/or services should we offer?

What new business models should we use, or new markets should we pursue?

What external influences might bring about opportunities?

THREATS:

What external factors could negatively impact our credit union?

What is the competition doing that might negatively affect our credit union?

What impediments might undermine our mission?

Please list two to three suggestions for each of the SWOT categories below:

STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS

Critical Success Factors

Below are the two questions from previous years. We used your responses to identify strategic directives for our credit union. We have done this by presenting your ideas at the strategic planning session for the volunteers to discuss and prioritize issues raised and directions suggested. The major outcome of this discussion is a prioritized list of critical strategic directives we believe are in the best interest of our credit union. Management has used this list to implement our strategies.

1: How would you define success at the USF Federal Credit Union?

2: What do you believe needs to be done extremely well at our credit union to achieve that success?

Exhibit 2: 2020 Volunteer Strategic Directives

Volunteer Strategic Planning Session Summary August 6, 2020

- GROWTH:
 - Be a disruptive force, while innovative in creating products/services for members' future needs
 - Early adopters of technology to entice and enhance members while protecting member data

 - Strengthen current partnerships, create partnerships, with key stakeholders
 - Ensure all Business Units are performing well (cost/benefit analysis)

 - Grow responsibly and responsively while maintain good financial health
 - Convert USF graduating seniors to productive members
 - Broaden our membership base
 - Expand on new membership groups and not solely on "legacy USF members"
- IDENTITY:
 - Balance historical connection to USF while not unduly limiting opportunities for expansion
 - Promote ourselves and ensure members are aware of our financial solutions
 - Remain member centric while maintaining a sustainable culture of excellence
- PRIDE:
 - Continue the PRIDE-Baldrige journey
 - Maintain adequate depth with succession plans

MISSION, VISION, VALUES (Suggestions)

- The current statement of "USF Federal Credit Union, is a financial institution owned and controlled by members for their benefit." be changed to "USF Federal Credit Union, is a financial cooperative owned and controlled by members." (Legal considerations???)
- Change the Passion value statement (to better fit tense of other value statements):
From: "Passion - Embrace an enthusiastic approach in all that **you** do"
To: "Passion - Embrace an enthusiastic approach in all that **we** do"
- Suggestion to add the Value Integrity:
"Integrity: We emphasize probity and honesty in all our operations."

Exhibit 3: SWOT Word Clouds

Strengths:



Weaknesses:



Opportunities:



Threats:



Exhibit 4: Summaries of the Strategic Planning Volunteer Responses:

Volunteer-1:

Mission, Vision, Values and Core Competencies

There were no recommended changes to our Mission, Vision, Values and Core Competencies statements.

SWOT Analysis

For our **Strengths** Volunteer-1 first mentions the credit union's board, SLT, and employees. We all are engaged and work well together. Volunteer-1 believes the current quality of our Risk Management function is an important strength, as is our solid financial position. Our relationship with the University is viewed as an important strength while it attracts individuals and SEGs wanting a stronger association with USF.

For **Weaknesses**, Volunteer-1 points to our identity and branding. This volunteer believes we are a "well-kept secret" and don't "brag" enough about our achievements. IT was also pointed out as a potential weakness. Though we're better than we were 10 years ago in leveraging technology, the volunteer believes we could improve how we use technology to reach our members. Volunteer-1 also sees us as lacking in innovation. "I think we have a great organization. I don't think there's any doubt about that." But this volunteer wishes we were more disruptive in developing products and services to serve changing markets. Also, this volunteer is concerned our communication between board, SLT, and employees could become fractious as we grow. Volunteer-1 believes we need to remedy any communication issues as we become larger and more geographically diverse.

Volunteer-1 sees **Opportunities** for USFFCU in expansion into new markets, geographic and otherwise. Because this volunteer sees product and service innovation as a potential weakness, it is also viewed as an opportunity for us. This volunteer also says that at our size we should be seeing some significant economies of scale in operations. The belief is there are more opportunities for this as we grow.

Volunteer-1 sees several potential **Threats** to USFFCU. Certainly, there are threats from regulation, economic fluctuation, and new banking technologies which face all financial institutions. Specific threats to USFFCU is viewed by this volunteer to include the possibility the credit union is not able to retain talent. Losing key people could be devastating to us. This volunteer also thinks we must be careful to maintain a clear brand identity as we move forward. If, through rapid growth and change, we muddy our identity it could become very difficult to attract new members and SEGs. To that end, as the credit union grows, Volunteer-1 believes the credit union must focus on creating and maintaining a unique identity with which members and potential members can identify.

Success

Volunteer-1 sees the definition of success in our current Mission and Vision statements. To achieve success at our credit union, this volunteer believes we should offer innovative financial products and exemplary service.

Volunteer-2:**Mission, Vision, Values and Core Competencies**

Volunteer-2 does not see a need to change Mission, Vision, Values, or Core Competencies statements.

SWOT Analysis

Volunteer-2 sees several **Strengths** for USFFCU. This volunteer believes we have an outstanding “company culture”, as shown by our high level of employee engagement, low turnover, high net promoter scores, and growing membership base. Central to this (and another strength) is the hiring of a strong team in SLT and the creation of a good internal pipeline for talent. Volunteer-2 also sees the young membership base of USF students and Darden employees as a strength for future growth.

Among **Weaknesses**, Volunteer-2 sees our branding as USF Federal Credit Union as a barrier to growth. This volunteer believes that to fulfill our mission statement we need to build and scale innovative financial products that consumers want (especially millennials). This volunteer sees our current brand identity as a barrier to meeting that goal. This leaves only acquisitions as a means to obtain scale and efficiencies. Volunteer-2 further states “having a portfolio of different credit union brands impedes synergies and may lead to management prioritizing the legacy USF brand over other brands.”

As for **Opportunities**, Volunteer-2 believes we need to “find new and innovative ways to expand membership from the Darden employee base.” This volunteer also sees significant opportunities in finding profitable ways to serve the underbanked – underserved.

For **Threats** Volunteer-2 is concerned for new FinTech innovations making USFFCU uncompetitive to current and potential members. This volunteer is also concerned with loss of members to other Florida credit unions entering our traditional market areas. Volunteer-2 also believes we must be very careful in managing our rapid growth. It is believed that without proper attention rapid growth may cause USFFCU to lose focus on the all-important goal of maintaining a high level of member service.

Success

Volunteer-2 defines success for USFFCU in several ways. Included in these are: 1) delivering relevant and competitive products and services to our members, 2) ensuring our products are designed and underwritten in a prudent manner, 3) maintaining high levels of member service, 4) maintaining a capital ratio which will give us financial stability, and 5) living up to the true spirit of the credit union movement through serving the un-banked and the under-banked.

To achieve these measures of success Volunteer-2 says we need excellent financial forecasting and planning. This volunteer also says we “need to ensure that we have the support structure in place to appropriately serve our product set and membership needs so that our business model is sustainable.” Volunteer-2 also says we must make sure we have a clear focus on the needs of both legacy USF members as well as new members.

Volunteer-3:

Mission, Vision, Values, and Core Competencies

Volunteer-3 does not recommend any changes to Mission, Vision, or Values at this time. The addition of the Core Competencies statement was noted. This volunteer doesn't have a problem with the core competency statement but was unclear to the meaning. This volunteer thinks core competencies might be better stated in terms of tangibles.

SWOT Analysis

In terms of our **Strengths**, Volunteer-3 mentions and is most impressed by 1) our senior leadership team, 2) the prominence we have in the credit union community, 3) our sound financials and our loan productivity, 4) our work toward the Baldrige Award, and 5) our employee engagement.

For our **Weaknesses**, Volunteer-3 is most concerned that though our stated vision is to be the most influential partner in our members' journey, we have not yet achieved this. This volunteer is also concerned that potential members typically do not know the difference between banks and credit unions, and are unaware of the portfolio services we offer.

The first items on Volunteer-3's list of **Opportunities** are mergers and the benefits from improved data analytics. This volunteer would also like to see us develop or extend programs to cross-train our employees to further develop bench strength. Admittedly thinking outside the box, this volunteer wonders if we can investigate opportunities for offering banking services to CBD and associated firms should marijuana be decriminalized at the Federal level.

For **Threats** Volunteer-3 is most concerned with our competitive environment. This volunteer notes that both local and out-of-state competitors are focusing on the USF community as a strategy for their growth. This volunteer also says we need to make certain we continue to give our members good service considering these competitive threats.

Success

Volunteer-3 defines success in several ways for our credit union. This volunteer specifically notes: 1) being financially sound and having no audit findings, 2) offering products/services that are needed/desired by our members, 3) meeting strategic goals, 4) having visionary leadership, and 5) continuing to grow our assets.

To achieve these different measures of success Volunteer-3 says we should be most concerned with continuing to look for opportunities in new financial services as well as technology to deliver the services. This volunteer also believes we must maintain and extend the capabilities of our senior leadership team, and overall to create a personal experience for our members in financial services.

Volunteer-4:**Mission, Vision, Values, and Core Competencies**

Volunteer-4 does not recommend any changes currently to our Mission, Vision, Values or Core Competencies statements. This volunteer notes these statements have served us well through the Sterling process and appear to be doing the same through Baldrige. Volunteer-4 does suggest these statements should be reviewed after we are finished with Baldrige. Given the status of USFFCU after Baldrige a review may be appropriate to take the credit union to the next level. Volunteer-4 says the Sterling/Baldrige endeavors have moved us from a good to a great credit union.

SWOT Analysis

For our **Strengths** Volunteer-4 points to our service culture. This volunteer notes we have been able to grow rapidly in assets and members while keeping “the personal touch of excellent member experience”. It was also pointed out that our SLT is an important strength. This volunteer believes the SLT’s capability was most visible during covid and has made us a trendsetter among financial institutions.

For **Weaknesses** Volunteer-4 again mentions the SLT. This volunteer believes that we need additional bench strength and sustained leadership in the Risk area. This volunteer is concerned that we might currently have extended commitments within that functional area. Especially with the expansion of regulation, oversight, and external threats, we need to be in the best position to mitigate exposure to any loss to our credit union membership. This volunteer would like to see a robust organizational and succession plan for further bolstering the Risk area to address the ever-growing risk area concerns. Risk Management is viewed as paramount to maintain the integrity of USFFCU.

Volunteer-4 sees excellent **Opportunities** for development of high-profile Select Employee Groups (SEGs) such as Tampa General, Advent Health, and other organizations both in and out of healthcare. This volunteer believes such organizations are attracted to us because they want to develop a connection with the University. Volunteer-4 believes the power of our name is critical to this and views our name as “an important touchstone for the community”. “We don’t want to be ‘Anyplace Credit Union’.”

Volunteer-4 also sees **Opportunities** for USFFCU in outreach to 1) underserved communities, and 2) many in the middle class who are suffering post-Covid. This volunteer also believes these groups need good financial leadership in their lives.

Volunteer-4 believes one of our most potent **Threats** comes from within rather than being external. This volunteer is concerned once the Baldrige process is complete, we will “take our eyes off the prize”. Volunteer-4 is worried that “our own success may work against us” in such a case and says “we have to stay hungry and energized” when it comes to member service and efficiency. “We have come too far and achieved too much to lower the bar.”

Success

Volunteer-4 sees our definition of success to be our Mission statement: delivering financial solutions to improve members’ lives. This volunteer believes outreach to underserved individuals and those in financial crisis to be very important.

To achieve success, this volunteer says we need 1) a broad portfolio of financial services of interest to people in all walks of life, 2) a focus on inclusiveness and diversity in leadership and decision making, and 3) an ability to reach into underserved communities where true financial partners can be rare.

Volunteer-5

Mission, Vision, Values, and Core Competencies

At this time this volunteer sees no need to change our Mission, Vision, Values or Core Competency statements.

SWOT Analysis

Concerning his SWOT analysis, Volunteer-5 offers observations on Strengths and Threats. **Strengths** are identified as: 1) strong financial stability, 2) strong brands, 3) a talented workforce, and 4) our internship program. The following **Threats** are recognized: 1) how environmental challenges could jeopardize our ability to sustain rapid growth, 2) whether we can continue to be competitive in a rapidly changing technological environment, 3) ever-increasing regulatory burdens, and 4) ongoing cybersecurity risks.

In an interview, Volunteer-5 states concern about the rapid growth in assets and loans that we have seen over the past year. This volunteer is concerned we can't sustain our current levels of growth in lending and believes we may be at risk if there is a repeat of the mortgage crisis of the 2000s.

Success

In Volunteer-5's original assessment form success was defined at USFFCU as "a continued financially stable environment. It would include a continued emphasis on this developing a strong workforce committed to the USFFCU." This volunteer says to achieve that success we must "continue to stress mortgage creation and other high revenue grossing activities". Further, it was said that we must "always be aware of the community and opportunities for growth. Staff should be paid accordingly through excellent pay and benefit packages. A robust disaster and business continuity plan should be maintained and advertised as an added reminder to customers and staff that should some sort of disaster happen, the USFFCU is prepared."

Volunteer-6:

Mission, Vision, Values, Core Competencies

Volunteer-6 does not recommend any changes to our Mission, Vision, and Values statements and has no issue with the additional detail for the Core Values, other than they are more complicated and lengthier.

SWOT Analysis

Volunteer-6 sees among our **Strengths** our process improvement efforts in pursuit of Sterling and Baldrige recognition. This volunteer noted that, among other benefits, this work has given us “a best-in-class lending process”. This has shown results in mortgages, indirect auto lending and our relations with dealers, and our ability to move into PPP lending so quickly and effectively.

For **Weaknesses** Volunteer-6 believes we need better balance in our view of our relationship with USF. This volunteer notes our board discussions on leaving the Main branch focused extensively on keeping the University happy rather than benefiting members. This volunteer reminds us that we need to consider the impact on our entire membership with every decision we make.

Volunteer-6 sees significant **Opportunities** for USFFCU with potential mergers. This volunteer is excited about the potential to grow membership and presence in new geographic locations.

As for **Threats** Volunteer-6 points first to ongoing technological change in financial services which can change how members wish to be served. Volunteer-6 says that, as we grown, we need to make sure we clearly understand what makes us different as a financial institution. If we lose sight of our uniqueness as we grow, we can become “just another big financial institution” in the eyes of members and potential members.

Success

Volunteer-6 views success for USFFCU as a combination of several factors. Notably these are 1) financial stability, 2) the ability to develop competitive products and services, 3) strong engagement by SLT in member service and credit union operations, and 4) maintaining a strong focus on the members in serving their financial needs. This volunteer believes focusing on these factors will ensure success.

Volunteer-7:

Strengths

Flexibility and responsiveness. The PRIDE journey has given us the ability to be extraordinarily responsive to both broad environmental forces and the needs of individual members. The past 18 months have shown we are very flexible and good at responding to change.

Member Service Culture. Our continued focus on member service, combined with our flexibility, is an incredible competitive weapon for us in the marketplace. This again comes from the PRIDE journey.

The USF Name. The past few years have demonstrated there is incredible power in our name and our association with the University. We have acquired several potent SEGs who (among other things) look for an association with the University. The name has great power in the Tampa Bay area and we should continue to leverage it.

Financial Strength. Our strong financials give us the ability to pursue new opportunities not afforded to weaker credit unions. It also gives us the ability to weather economic setbacks better than many others.

Weaknesses

Risk Management. Our Risk Management function is stable at present. However, the credit union would benefit from strengthening this critical area. We should consider redefining risk mitigation activities to attract qualified candidates to the position. This and other actions should give us flexible bench strength to protect the credit union in the future.

Communication. In subtle ways it's become apparent that our daily communication and coordination needs attention as we have grown larger and our business moves faster. Merger opportunities could multiply the communication problems.

Opportunities

Potential Mergers. Merger opportunities now under some level of discussion show great promise for us. Operating conditions for smaller credit unions may bring further prospects. These can grow our credit union in several ways – asset size, geographic reach, membership.

What's Next? We're hopefully about to achieve two goals we've been intently pursuing: assets of \$1 Billion and Baldrige recognition for the PRIDE journey. We now have an opportunity to define the "next vision" for USFFCU. This presents great opportunities to determine directions for the next several years.

Threats

Loss of Leadership. We have an exceptionally strong senior leadership team, which in turn has built a very strong network of staff. Loss of a key SLT team member could represent a significant challenge.

Growth Management. We continue to grow rapidly and merger opportunities may accelerate that growth. Not managing that growth properly is a threat to the credit union. The SLT must be very careful about managing rapid growth so we don't take a step backwards.

Defining Success

The definition of success for us is in our mission statement: Deliver financial solutions to improve members' lives.

To achieve that definition of success we must 1) have a portfolio of financial services which meet the needs of a more diverse membership base, 2) make certain our IT is secure and allowing members to access their finances in the ways they wish, 3) maintain financial strength so we can continue to serve existing and new members, and 4) maintain our agility to meet the demands of an environment which can change instantly.

Additional Comments

A few years ago the board had discussions on whether we could be "all things to all members". The issue is moot now because we're there. Our membership base includes everything from check writers (and checkbook balancers) to video chat users. We need to make sure we can keep up with new trends in services and technology while still offering legacy services, all at the same high levels of service.

Volunteer-8:

Mission, Vision, Values, and Core Competencies

At this time Volunteer-8 does not see a need to change any of our Mission or Vision statements. This volunteer does suggest one change under the “Community” heading of Core Values. Instead of reading “Embrace a healthy balance between work and family life” it is suggested to read “Embrace a healthy balance between work and personal life”. It is believed this change makes the statement more inclusive.

SWOT Analysis

Regarding the SWOT analysis, Volunteer-8 offers one entry under Opportunities. This volunteer says we may have opportunities in identifying current credit union endeavors which are consuming resources and are not delivering proper benefit. The decision to terminate the Red Lobster Credit Union Brand was used as an example of this process while there may be other activities that should be reduced or ended so resources can be more productively used. Volunteer-8 believes Management and the Board should be “cognizant of things that are probably not worth the effort”. Determining those things should be the job of Management, making recommendations to the Board.

Success

Volunteer-8 defines success at USFFCU as “simultaneously meeting the various financial needs of different demographic segments of our membership”. To achieve that success, it is believed “we have got to stay alert to challenges and opportunities in our environment”. This volunteer emphasizes the need for flexibility at USFFCU to make sure we react quickly to a rapidly changing environment. This is in concert with the suggestion we review various parts of our operations and product offerings to make sure they are beneficial to the credit union and its members.

Volunteer-9:

Volunteer-9 chose to not participate in the SWOT analysis or the review of Mission, Vision, Values, and Core Competencies. Instead, this volunteer stated observations about USFFCU’s outlook moving forward.

Management’s Strategic Vision

Volunteer-9 likes how the board in recent years has taken hold of strategic planning at USFFCU. In addition, this volunteer wants to ensure we hear Management’s vision for USFFCU and their plan for achieving that vision. Volunteer-9 particularly wants to hear our CEO’s vision for growth in terms of geographic expansion, new market segments, and new products and services. This volunteer is generally supportive of growth endeavors and would like to hear more from Management on the strategic vision for growth.

Resource Planning

Following a desire to hear Management’s vision for growth, Volunteer-9 would also like to see a broad plan for resources to support that growth. This can include branches, FTEs, technology, and services required.

Concierge Services

Volunteer-9 is very impressed with the success of our concierge services and our concierge staff. This volunteer would like USFFCU to consider making concierge services a part of our strategic plan for growth. Volunteer-9 believes these services would help us expand into other related markets and SEGs.

Communication

With the rapid development of new opportunities and continued expansion of the regulatory environment, Volunteer-9 would like to see extended emphasis on communication. This volunteer has noticed the rapid pace of changes at USFFCU and would like to see enhanced communication efforts to keep pace with those changes. This volunteer says “We’ve had it and we may be losing it.”

Employee Engagement

Volunteer-9 is very pleased with our level of employee engagement. This volunteer wants the SLT to be very vigilant in keeping this engagement as we grow and expand. Volunteer-9 believes our competitive strength is in our high levels of member service. That competitive strength will become even more important considering the recent competitive environment. This volunteer stresses that great service can only be delivered by happy, engaged employees.

Bench Strength

Volunteer-9 is happy with the improvements we’ve made in recent years in developing “bench strength” in management. This volunteer is also concerned that we will need to be more vigilant in this area when we move beyond \$1 Billion in assets.

Volunteer-10:**Mission, Vision, Values, Core Competencies**

Volunteer-10 does not recommend any changes to our Mission, Vision, and Values statements. This volunteer did note that Core Competencies were now listed on the USFFCU web site and thought they should be included on the input form for possible comments from volunteers.

Volunteer-10 noted the following items in each of the categories of SWOT.

Strengths

- Financial Strength
- Senior Leadership Team
- Process improvements (from Baldrige journey)
- Employee Engagement
- Brands (Darden and USF)

Weaknesses

- Bench strength in all areas
- Member's awareness of branch banking

Opportunities

- Building and maintaining relationships with existing Brands
- Building relationships with potential members (mergers)
- Continued technology innovation (e.g. Integration of all CU accounts)

Threats

- Cyber threats
- Economic and Regulatory environment
- Competition

Volunteer-10 still defines success as being a financially healthy institution in a position to assist its members in achieving their financial goals. Success is also maintaining the culture that embodies values associated with being a positive force in the Credit Union movement while keeping a membership first focus.

To achieve the success Volunteer-10 believes we need to do the following:

- Continue process improvement by continuing the PRIDE-Baldrige journey.
- Expand Enterprise Risk Management (ERM) with broadened categories and consistent updates
- Continue to be an early adopter of technologies to entice members with enhanced member services and to secure members' data (e.g. integration of all member accounts)
- Strengthen current partnerships and create partnerships where it benefits our membership
- Continue due diligence on succession plans
- Continue to grow responsibly
- Continue converting graduating students to productive members by offering relevant product and services

Exhibit 5: Credit Union Performance Reports



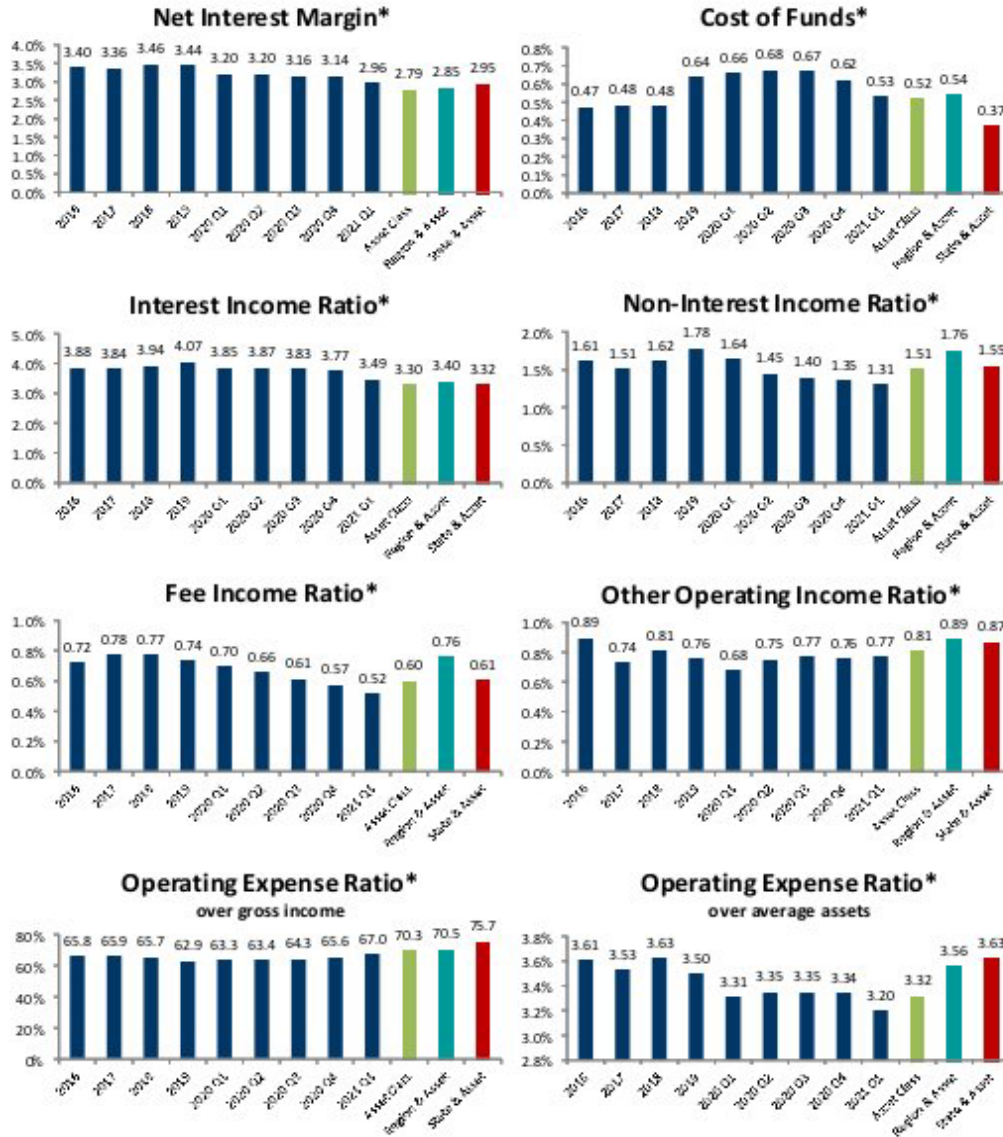
CU PERFORMANCE BENCHMARK

NAFCU's Quarterly Report on your Credit Union's Financial Metrics

USF FEDERAL CREDIT UNION
TAMPA, FL

Period: 2021 Q1
Assets (\$m): \$900

Region: Southern
Asset class: \$500M-1B



*Ratio uses rolling 12-month sum in numerator
CU Performance Benchmark (NCUA Call Report data)

NAFCU Research

www.nafcu.org/research/publications



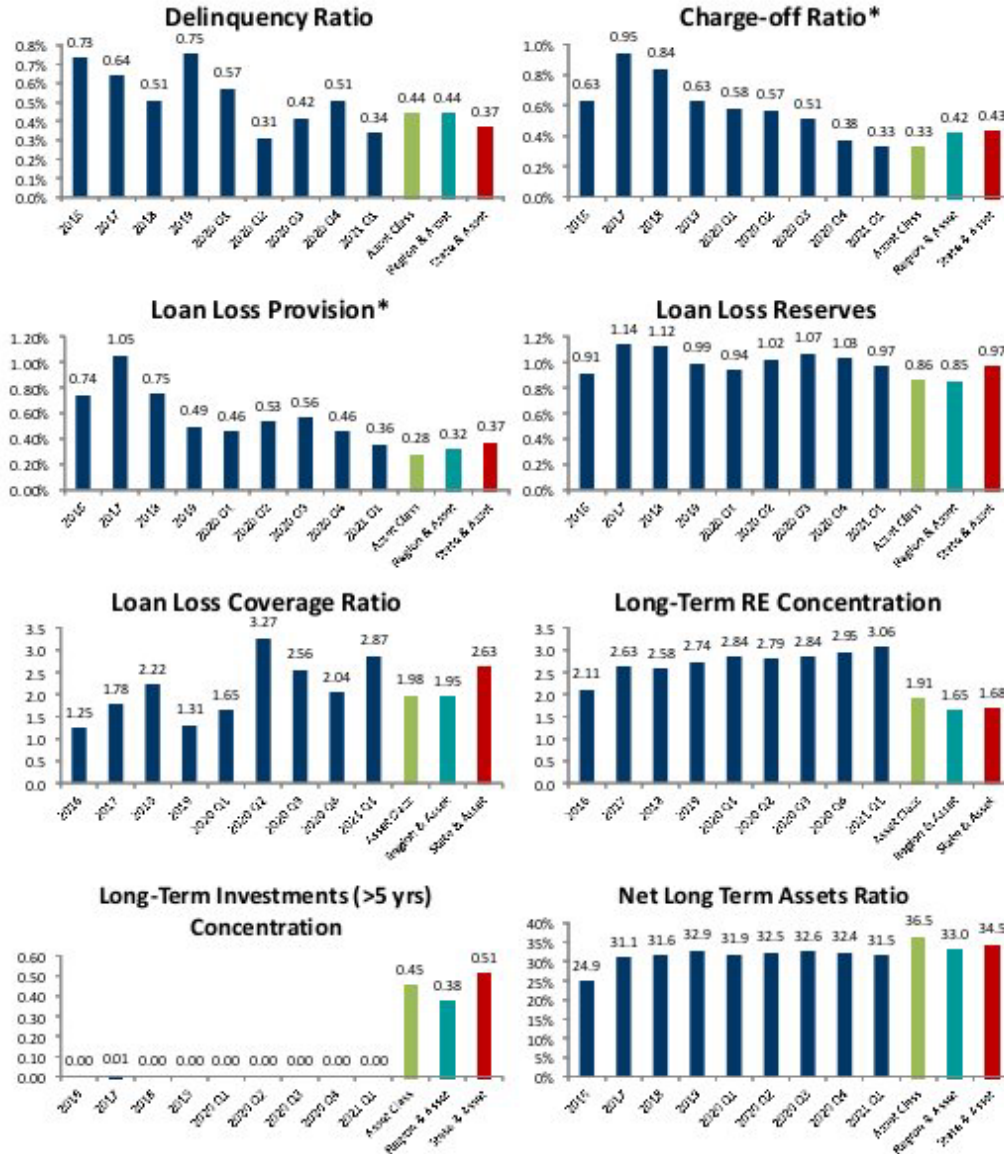
CU PERFORMANCE BENCHMARK

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Assets (\$m): \$900

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Asset class: \$500M-1B



*Ratio uses rolling 12-month sum in numerator
CU Performance Benchmark (NCUA Call Report data)



CU OPERATING EXPENSE REPORT

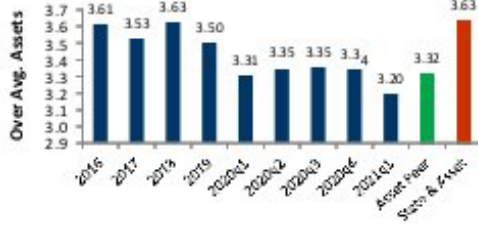
NAFCU's Quarterly Report on the Effectiveness of Your Credit Union's Cost Controls

USF FEDERAL CREDIT UNION
TAMPA, FL

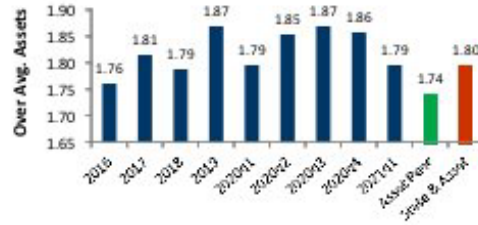
Assets (\$m): \$900
Asset class: \$500M-1B

Charter: 24223
Period: 2021 Q1

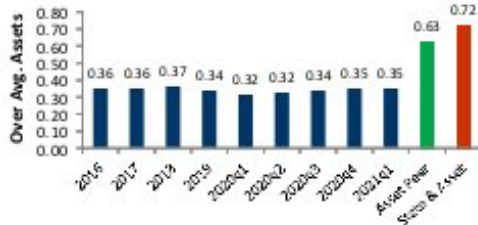
Total Operating Exp.



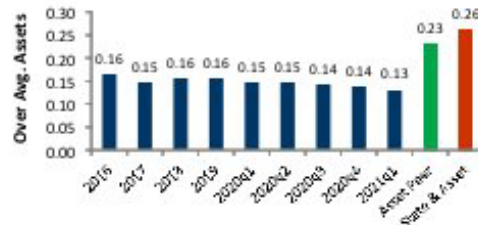
Employee Compensation



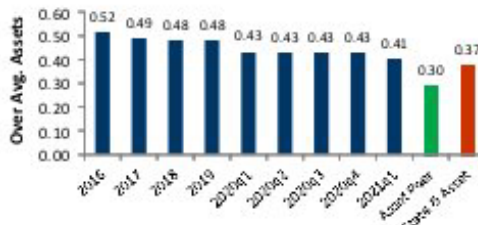
Office Operations Exp.



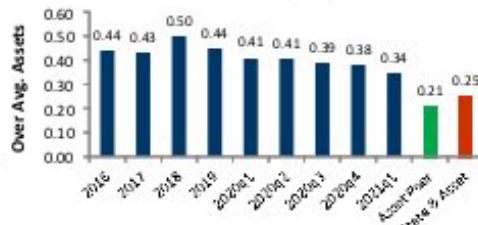
Office Occupancy Exp.



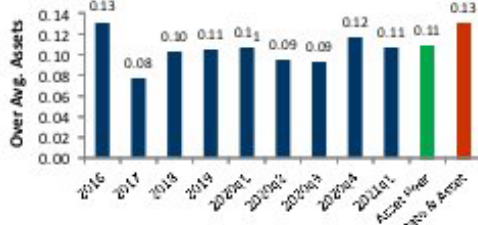
Professional & Outside Services



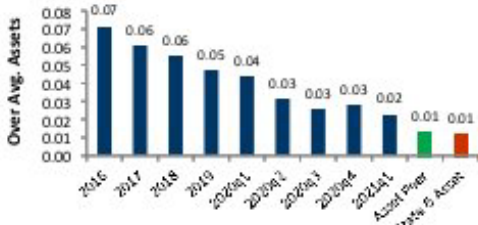
Loan Servicing Exp.



Educational & Promotional Exp.



Travel & Conference Exp.



* All ratios reflect prior four quarters of expenses divided by average assets
Operating Expense Report (NCUA 5300 Call Report Data)

NAFCU Research
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CU OPERATING EXPENSE REPORT

NAFCU's Quarterly Report on the Effectiveness of Your Credit Union's Cost Controls

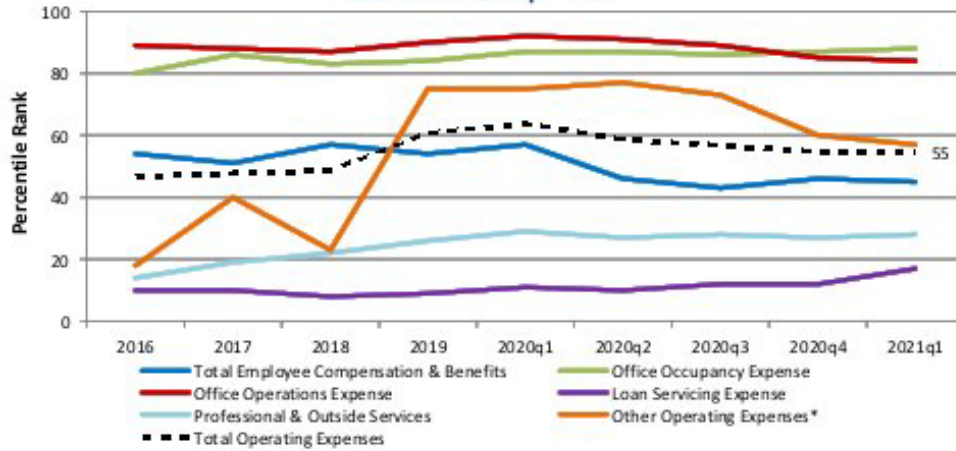
USF FEDERAL CREDIT UNION
TAMPA, FL

Assets (\$m): \$900
Asset class: \$500M-1B

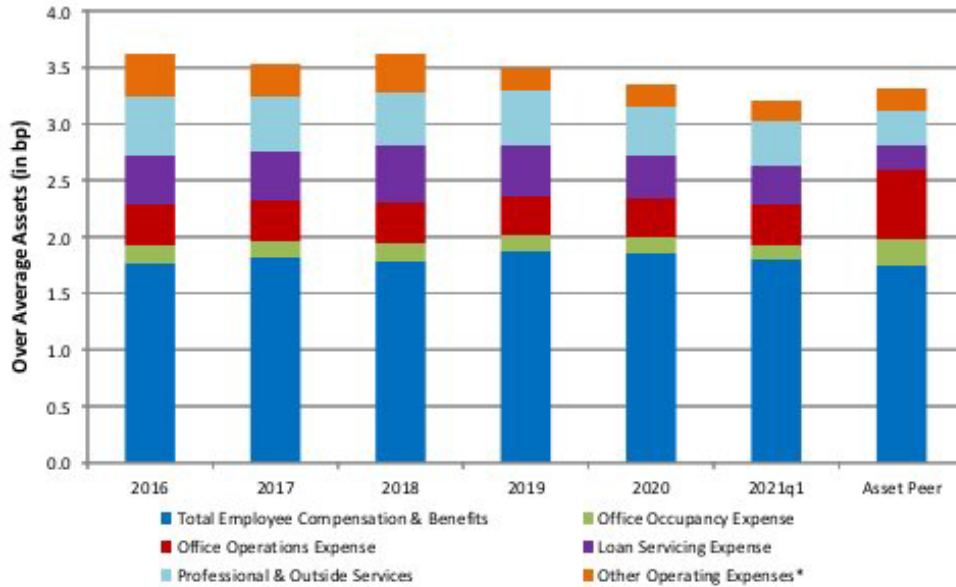
Charter: 24223
Period: 2021 Q1

Rank within Asset Class

CUs in Peer Group: 289



Contributions to Total Operating Expenses



*Other Operating Expenses includes travel, educational & promotional, member insurance, operating fees (exam & supervision) and miscellaneous operating expenses

* All ratios reflect prior four quarters of expenses divided by average assets
Operating Expense Report (NCUA 5300 Call Report Data)

NAFCU Research
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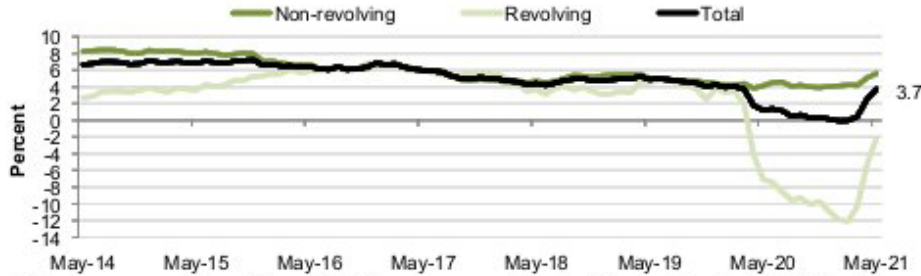


National Association of Federally-Insured Credit Unions | NAFCU's Monthly Economic and Financial Update on Issues Affecting Federally-Insured Credit Unions

FLASH REPORT

Consumer Credit - July 9, 2021

Consumer Credit Outstanding y/y percent change, seasonally adjusted



- Total consumer credit rose 10 percent in May at a seasonally-adjusted, annualized rate (SAAR) and is up 3.8 percent versus a year ago. Non-revolving credit (primarily auto and education loans) rose 9.5 percent on the month (SAAR) and is up 5.6 percent from a year ago. Revolving credit (primarily credit cards) rose 11.4 percent on the month (SAAR) but is down 2.2 percent compared to May 2020.
- On an unadjusted, unannualized basis, total consumer credit for credit unions rose 2.3 percent in May, compared to a 1.8 percent rise for banks and 0.4 percent rise for financial companies. From a year prior, total consumer credit at credit unions rose 5.1 percent, while banks experienced a 1.9 percent gain and financial companies rose 7.7 percent.
- Credit unions' share of the total consumer credit market rose 0.1 percentage points to 12.2 percent in May. Banks account for 39.5 percent of the market (up 0.3 percentage points from April) and finance companies represent 13.5 percent (down 0.1 percentage points from April).

What this means: On a seasonally-adjusted basis, consumer credit grew at its strongest pace since December 2014, still primarily driven by auto and education loans. Revolving credit posted a significant gain, rising 11.4 percent after a tough year. The shortage in semiconductors to build new vehicles could slow down nonrevolving credit in the coming months, but that will resolve itself as supply stabilizes. Where consumer confidence and the labor market are improving, consumer credit is likely to follow. NAFCU expects strong gains in consumer credit through the year, particularly in revolving credit as consumers return to spending.

Credit unions' portfolio of consumer credit was up 5.1 percent from a year earlier, compared to a 3.8 percent rise across all types of credit holders. Over the past 12 months, credit unions' share of the market rose 0.1 percentage points to 12.2 percent. Meanwhile, banks' share fell by 0.7 percentage points to 39.5 percent, and financial companies' share rose by 0.5 percentage points to 13.5 percent.

Consumer Credit by Sector (m/m percent change, not seasonally adjusted)

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021*	May 2021* (yr./yr.%)	May 2021* Shares
Total	-0.2	-0.3	0.0	0.5	1.1	3.8	100.0
Banks	-1.9	-1.0	-0.2	0.6	1.8	1.9	39.5
Financial Companies	0.9	-0.4	1.1	1.5	0.4	7.7	13.5
Credit Unions	-0.3	0.6	-0.7	0.5	2.3	5.1	12.2
Other**	1.3	0.3	0.1	0.1	0.1	4.0	34.8

* Preliminary data ** Consists of Federal Government, Nonfinancial Business and Pools of Securitized Assets

Source: Federal Reserve

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NAFCU's Monthly Economic and Financial Update on Issues Affecting Federally-Insured Credit Unions

FLASH REPORT

Consumer Price Index - July 13, 2021

Consumer Price Index
y/y percent change, seasonally adjusted



- On a seasonally adjusted basis, overall consumer prices rose by 0.9 percent in June. Year-over-year, the overall Consumer Price Index (CPI) grew by 5.3 percent.
- Core prices (excluding food and energy costs) rose by 0.9 percent compared to the previous month. Year-over-year core CPI growth was 4.5 percent.
- Energy prices were rose 1.5 during the month following no change in May. From a year ago, energy prices were up 24.2 percent. Food prices rose 0.8 percent in June and are up 2.4 percent compared to this time last year.

What this means: According to data released by the Bureau of Labor Statistics, inflation was 0.9 percent in June while rising 5.3 percent year-over-year. Year-over-year measures are still distorted by base effects, but the price index has grown by 9.4 percent annualized over the last three months, the fastest pace since 2007. The headline CPI change was concentrated in areas that were affected by the economic reopening and supply chain shortages, including new and used vehicles, lodging, car rentals, and airfare. Looking ahead, the bigger concern is housing costs. Rental price growth remains fairly modest but has risen three consecutive months and represent a large share of the overall consumption basket. It is also a category that is not likely to fade quickly with the other transitory elements. While the latest price data will give the Fed heartburn, it is not likely to prompt a rate hike in the near future as long as unemployment remains elevated. However, it does mean that Fed tapering is even more likely to occur this year.

Consumer Price Index (m/m percent change, seasonally adjusted)

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	12-Month Change
CPI	0.4	0.6	0.8	0.6	0.9	5.3
Core CPI	0.1	0.3	0.9	0.7	0.9	4.5
Food CPI	0.2	0.1	0.4	0.4	0.8	2.4
Energy CPI	3.9	5.0	-0.1	0.0	1.5	24.2

Source: Bureau of Labor Statistics

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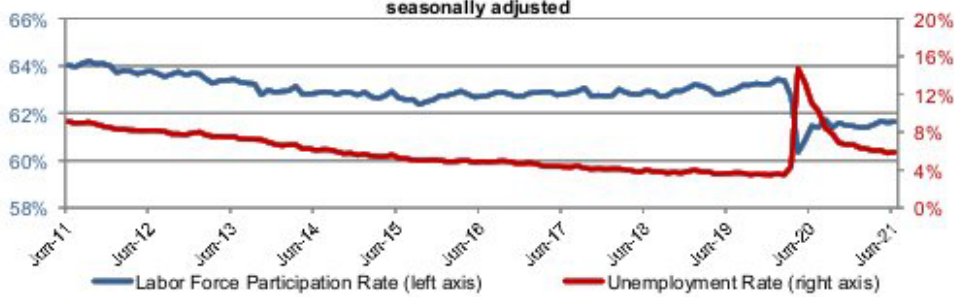


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FLASH REPORT

Employment Situation - July 2, 2021

Unemployment Rate and Labor Force Participation



- According to the Bureau of Labor Statistics, non-farm payrolls increased by 850,000 in June. May's number was revised up slightly to a gain of 583,000.
- The unemployment rate rose slightly to 5.9 percent in June. The labor force participation rate was unchanged at 61.6 percent, which is still down significantly from 63.3 percent in February 2020.
- Results among the major industries was positive. Leisure and hospitality gained 343,000 jobs, followed by 188,000 jobs in government, mostly driven by teacher hiring, and a gain of 72,000 jobs in professional and business services. The financial activities sector shed 1,000 jobs.
- Average hourly earnings rose 10 cents in May. Year-over-year wage growth was 3.6 percent.

What this means: The June jobs report was a solid one, in line with expectations. Monthly growth was the strongest since last summer's reopening, but a significant portion of the gain came from education payrolls as fewer teachers left their jobs at the end of the school year. While those positions add to the job gain totals, they do not affect the number of employed workers, which is one source of the discrepancy between strong job growth last month and an unemployment rate that failed to budge. Leisure and hospitality also posted another strong gain, which was to be expected with broader reopening of in-person services. Average hours worked remains elevated but has now ticked down for two consecutive months, so perhaps some of the staffing shortages are beginning to abate. Progress is happening but it remains slower than the optimists had hoped. With inflation fears beginning to subside, Federal Reserve officials are likely to emphasize that it will be a long road ahead before it considers tightening policy.

Summary of Selected Industries

	Mining	Construction	Manufacturing	Retail Trade	Finance	Professional & Bus. Svcs	Education & Health	Hospitality	Leisure & Government
Total Employed (000s)	630	7,410	12,318	15,306	8,800	20,836	23,537	14,734	21,840
Chg from Month Ago (000s)	+12	-7	+15	+67	-1	+72	+59	+343	+188
Chg from Year Ago (000s)	+33	+239	+319	+803	+166	+1268	+866	+2576	+487
Average Hourly Wages	\$35.00	\$32.86	\$29.66	\$21.92	\$40.10	\$36.49	\$29.54	\$18.23	N/A
% Chg from Year Ago	0.2%	3.9%	3.6%	6.2%	5.9%	3.6%	3.6%	7.1%	N/A

Source: Bureau of Labor Statistics

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FLASH REPORT

Existing Home Sales - July 22, 2021



- Existing home sales rose 1.4 percent in June to a seasonally adjusted annual rate of 5.86 million units. This represents a 22.9 percent increase in sales versus a year ago.
- Sales rose in three regions this month. The Midwest saw the largest rise, gaining 3.1 percent on the month, followed by the Northeast (+2.8 percent), and the West (+1.7 percent). The South was flat.
- Versus a year ago, sales were up in all regions. The Northeast was up 45.1 percent versus June 2020, followed by the West (+23.7 percent), South (+19.4 percent), and Midwest (+18.8 percent).
- Based on current sales, there was 2.6 months of supply at the end of June, up 0.1 months from May. Analysts consider 6 months of inventory a rough balance between supply and demand.
- The median existing home price rose from \$350,400 in May to \$363,300 in June (not seasonally adjusted). That is a 23.4 percent increase from a year ago.

What this means: Existing home sales broke their losing streak in June and recouped last month's losses. Median price rose to a new all-time high as demand continues to force prices upwards. Mortgage rates have been heading lower, boosting demand and remaining only 23 basis points higher than the all-time low set in January. Demand is ebbing somewhat from its frenzied levels of earlier this year, but that is only encouraging buyers who sat out the rush, to re-enter the market. On the supply side, housing starts rose 6.3 percent in June while permits fell 5.1 percent. The National Association of Realtors reported that investors accounted for a smaller share of sales in June than in the prior month. A further improving economy and rising wages will also boost sales into the medium and long term. NAFCU expects sales to remain strong for the rest of the year, still limited by availability and affordability.

Existing Home Sales (in millions, seasonally adjusted annual rate)

	Mar	Apr	May	Jun	Jun (mo./mo.%)	Jun (yr./yr.%)
Total	6.01	5.85	5.78	5.86	1.4	22.9
Northeast	0.76	0.73	0.72	0.74	2.8	45.1
Midwest	1.28	1.29	1.29	1.33	3.1	18.8
South	2.70	2.60	2.59	2.59	0.0	19.4
West	1.27	1.23	1.18	1.20	1.7	23.7
Months of Supply	2.1	2.4	2.5	2.6	----	----
Median Price	\$326,300	\$340,600	\$350,400	\$363,300	3.7	23.4

Source: National Association of Realtors

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FLASH REPORT

FOMC - June 16, 2021

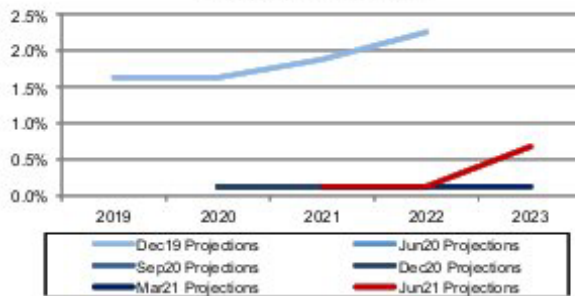
Effective Federal Funds Rate



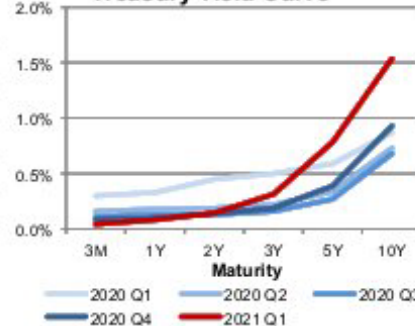
- The Federal Open Market Committee (FOMC) maintained the federal funds rate target at a range of 0 to 0.25 percent. The Committee remains firm that current inflation is transitory and that they “aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent.”
- The Summary of Economic Projections was considerably different, with 13 of 18 Fed officials expecting the first rate hike in 2023, with some expecting two hikes by the end of 2023.
- Additionally, projections were also more optimistic about growth in the near-term, with more bullish estimates for GDP growth and inflation in 2021. 2022 and 2023 were relatively unchanged.

What this means: The FOMC’s June statement was not significantly different from April’s meeting, but the story lies with the Summary of Economic Projections dot plot. Seven of 18 Fed officials now expect a rate hike in 2022, up from four in March, and 13 of 18 officials expect one in 2023. The inflation forecast increased for the current year, but not beyond. It appears that the change in the outlook for rate increases was motivated by dissipating downside risks resulting from progress in vaccine distribution, rather than the recent rise in price growth. The move in the rate outlook aligns with NAFCU’s expectation of liftoff in 2023, and it is likely that the Fed will begin tapering asset purchases at the end of this year.

FOMC Median Projected Path for Federal Funds Rate



Treasury Yield Curve



Source: Federal Reserve Board

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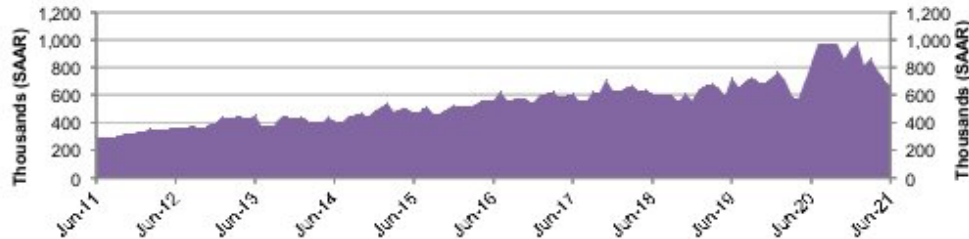


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FLASH REPORT

New Home Sales - July 26, 2021

New Home Sales



- New home sales fell 6.6 percent from May's downwardly revised rate of 724,000 annualized units to 676,000 units in June. Sales were down 19.4 percent versus June 2020.
- Sales rose in one Census regions in June with the Midwest rising 5.7 percent. The volatile Northeast fell 27.9 percent, followed by the South (-7.8 percent) and the West (-5.1 percent).
- Compared to a year ago, sales rose in one census region, but those numbers are still skewed by the collapse and snap back of housing sales this time last year in response to the COVID-19 lockdowns.
- Based on current month sales, there were 6.3 months of supply in June, up 0.8 months from May. The number of unsold homes left on the market was up to 353,000 units on the month. This represents a 17.3 percent increase from year-ago inventory levels.
- The median new home price, non-seasonally adjusted, fell from \$380,700 in May to \$361,800 in June. This month's prices are up 6.1 percent from a year ago.

What this means: New home sales fell for the third month in a row as construction struggles to contend with demand and high construction costs. Construction is pushed to its limits with increased costs, supply challenges, and an inability to keep up with the current number of projects, resulting in homebuilders putting projects on hold. New homes listed for sale reached a post-recession high of 353,000 annualized units, but the share of new home inventory that has been completed fell to an all-time low of 9 percent, compared to 25 percent before the onset of the pandemic. There are also reports that builders are keeping homes in inventory to ensure that the latest softening in demand holds. The long-term outlook is good as millennials reach their prime homebuying years. NAFCU expects new home sales to remain constrained by supply and pricing, even though the economic outlook is generally good.

New Home Sales (000s, seasonally adjusted annual rate)

	Mar	Apr	May	Jun	Jun (mo./mo.%)	Jun (yr./yr.%)
Total	873	785	724	676	-6.6	-19.4
Northeast	47	42	43	31	-27.9	-40.4
Midwest	109	88	87	92	5.7	7.0
South	550	472	398	367	-7.8	-24.8
West	167	183	196	186	-5.1	-12.7
Months of Supply	4.2	4.8	5.5	6.3	---	---
Median Price (nsa)	\$359,600	\$378,200	\$380,700	\$361,800	-5.0	6.1

Source: U.S. Census Bureau

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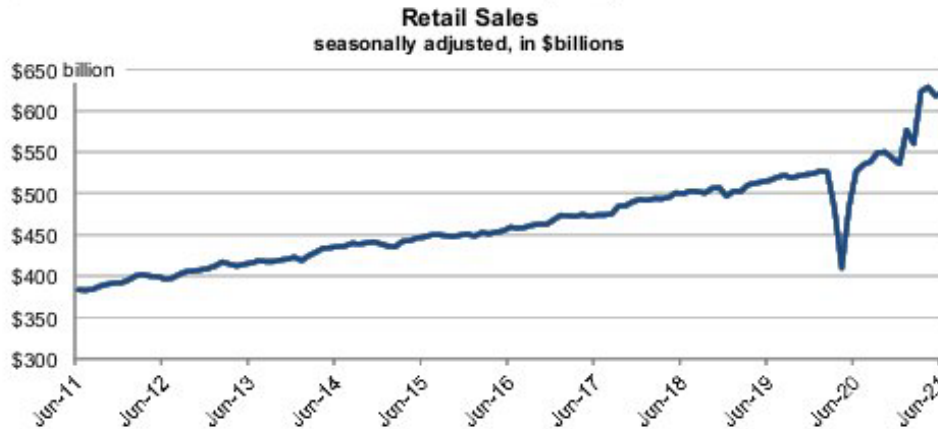
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National Association of Federally-Insured Credit Unions NAFCU's Monthly Economic and Financial Update on Issues Affecting Federally-Insured Credit Unions

FLASH REPORT

Retail Sales - July 16, 2021



- Total retail sales rose 0.6 percent in June following May's downwardly revised decline. April's number was unchanged.
- Sales within the control group, which excludes the auto, gas, and building material categories, and which is the basis of the Commerce Department's estimate of personal consumption expenditures, rose 1.4 percent in June.
- Year-over-year, sales were up 18 percent in June, which is down from +28.1 percent in May. Control group sales were up 16.8 percent from a year ago. Figures are still compared to lockdowns last year.
- Results within sectors were mixed during the month. The electronics sector rose 3.3 percent, while the apparel sector rose 2.6 percent, and gas stations rose 2.5 percent. The largest drops were in furniture stores (-3.6 percent), motor vehicle and parts dealers (-2 percent), and sporting goods stores (-1.7 percent).

What this means: Retail sales rose in June, overcoming the dip in auto sales due to supply constraints. Excluding autos, sales rose 1.3 percent but with mixed results across sectors. Some sectors such as nonstore retailers have risen 15 percent annually compared to 2019 while others such as restaurants and department stores have only recently returned to their pre-pandemic levels. Reopenings are also dampening retail sales as more spending shifts back to services and consumers have spent a year stocking up on goods with their abundant cash. NAFCU expects retail sales to remain strong but volatile as spending shifts around, the job market recovers, and supply chains sort out their problems.

Retail Sales (m/m percent change, seasonally adjusted)

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jun-21 (yr./yr.%)
Total Retail Sales	-2.9	11.3	0.9	-1.7	0.6	18.0
Control Group Sales	-3.1	9.3	0.4	-0.6	1.4	16.8

Source: U.S. Census Bureau

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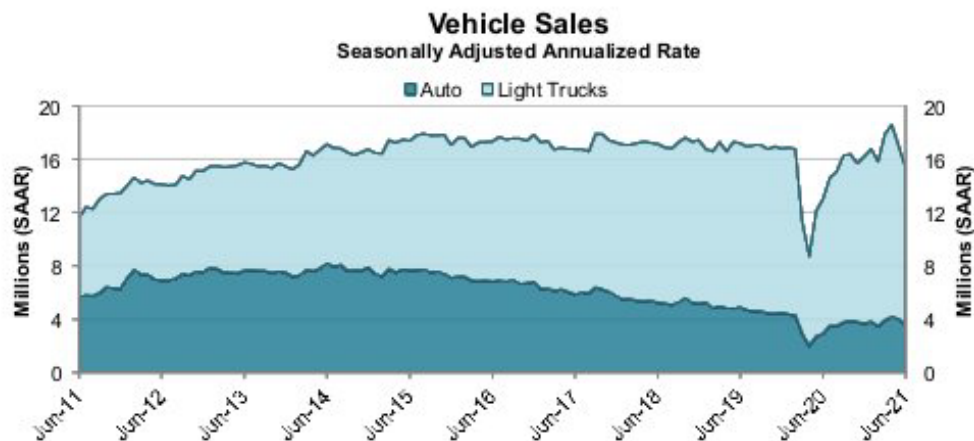
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FLASH REPORT

Vehicle Sales - July 6, 2021



- On a seasonally adjusted basis, total vehicle sales tumbled from 17 million annualized units to 15.4 million annualized units in June. Monthly sales levels were up 18 percent year over year.
- Car sales declined this month from 4 million annualized units to 3.6 million while light truck sales slipped to 11.8 million annualized units.
- Light truck and auto sales have taken a beating in recent months compared to June 2019, with light truck sales 4.3 percent below two years ago and autos down 27 percent from then.

What this means: Vehicle sales took a big tumble in June—after months of concerns about supply and semiconductor shortages, the squeeze has finally come to pass. With an economy in recovery, the macroeconomic factors exist for very strong sales, unfortunately supply is not cooperating. The May inventory number of 2.2 million vehicles is more than 60 percent below the lowest inventory level before 2020, driving up prices and leaving consumers with fewer choices. Used vehicle prices are also skyrocketing, up 40 percent on the wholesale market in the past year. Though supply shortages may be at their bottom, it will take a while to ramp production back up. NAFCU expects tepid vehicle sales through the fall, almost fully dependent on the ability of manufacturers to build more cars.

Vehicle Sales (Units in Millions, seasonally adjusted annual rate)

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jun-21 (year/year)
Total	15.8	17.9	18.6	17.0	15.4	18.0
Auto	3.4	3.9	4.2	4.0	3.6	23.2
Light Truck	12.4	14.0	14.4	13.1	11.8	16.5

Source: Commerce Department

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