



Monthly Joint Management Report September 2022

Executive Summary

The **LSCU** team has spent much of the last week focused on helping our credit unions impacted by Hurricane Ian. We mobilized the Southeastern Disaster Coordinating Council (SDCC) made up of state and federal regulators, CUNA, National Credit Union Foundation, Corporates and other system partners, readied SECUF disaster relief funds, and brought credit unions together to coordinate support for those impacted.

Earlier in the month, nearly 50 credit union advocates from 24 credit unions travelled to Washington, D.C. to participate in LSCU's annual Hike the Hill. Almost 40 meetings were held with House and Senate offices, in addition to meetings with CFPB Director Rohit Chopra and NCUA Chairman Todd Harper and Vice Chairman Kyle Hauptman. We were pleased to see just two weeks later that the House passed H.R. 6889, the *Credit Union Board Modernization Act*.

At the **ACS** board meeting in Atlanta, Management presented the 2nd quarter risk assessment report. Management highlighted the risk with Common Bond Title (CBT) and *LEVERAGE* Payment Solutions (LPS). CBT's risk has increased with the Mortgage Credit Availability Index showing a tightening of lending standards and mortgage lending rates have increased causing the refinance market to slow. LPS continues to work to migrate the CO-OP credit unions over to FIS. LPS so far has signed 11 of 21 credit unions and five have signed elsewhere. Our goal is to capture 60% of the credit unions and/or 80% of the current transaction volume. LPS always has a risk to lose a credit union client when their contract is up for renewal which is why we keep the risk rating elevated. Additionally, Management at every board meeting presents the gross margin report and highlights sub-companies that are under 10% gross margin. Please see the summaries of the companies under 10% below.

[LSCU Update:](#)

State Advocacy

Ahead of the General Election in **Alabama**, the LSCU attended the Pro-Growth Policy Conference to support members of the state House and Senate Democrat caucuses and hosted a check presentation at Rocket City FCU in Huntsville. The LSCU hosted a CU Regulatory Roundtable with Alabama Credit Union Administration Administrator, Greg McClellan, at MAX Credit Union.

In preparation for the 2023 **Florida** Legislative Session, The LSCU and CU CEOs met with Governor Ron DeSantis where he confirmed his support of legislation allowing credit unions to be qualified public depositories. We met with the Office of Financial Regulation to discuss the modernization of Florida's credit union charter, possible director compensation, state reciprocity agreements, and expanded field of membership options. The League met with incoming Speaker of the Florida House of Representatives, Paul Renner (R-Jacksonville), to move our agenda items forward, particularly qualified public depository legislation.

The LSCU executed two successful fundraisers in **Georgia** with more than 30 credit unions represented for statewide candidates Governor Brian Kemp and Burt Jones, Republican Nominee for Lieutenant Governor. Having submitted formal approval of the 2023 DBF Legislative Proposal, we now await approval and feedback from the Governor's office.

Federal Advocacy

During the Hike the Hill our meeting priorities included the *Credit Card Competition Act* (interchange), the *Overdraft Protection Act*, the *Expanding Financial Access for Underserved Communities Act*, the *Credit Union Board Modernization Act*, and the CDFI fund. Meetings were highly effective and resulted in a number of legislative leads and future cosponsors.

Nearly 30,000 congressional messages have been sent by credit unions and your members encouraging lawmakers to oppose the *Credit Card Competition Act* (credit card interchange legislation). If your credit union is not a part of the Member Activation Program, you can learn more and register [online](#) or by contacting [Murphy Kennedy](#). Through the [action alert](#), your team and/or members can send messages to Congress alerting them how this legislation will hurt consumers.

Senator Alex Padilla (D-CA) introduced a standalone field of membership bill in the Senate. This is the companion bill for the *Expanding Financial Access for Underserved Communities Act*, which passed the House this summer.

PAC Fundraising

In the 2022 Election Cycle, the LSCU has disbursed State PAC contributions as follows: \$316,894 in Alabama, \$350,624 in Florida, and \$372,696 in Georgia. Additionally, LSCU FedPAC/CULAC disbursed \$279,500 to federal candidates thus far this cycle.

Communications

We are seeing a tremendous increase in followers, engagement, and overall activity on all of our social media channels. This past month, our [Facebook](#) saw a 350% increase in post shares, our [LinkedIn](#) saw a 593% increase in clicks, and our [Twitter](#) impressions increased 163%.

Foundation

The SECUF wrapped up our annual CUs on Tap events, presented by Corporate One FCU. We partnered with six LSCU chapters to raise over \$28,000 in funds to support our programs and services. Thirty-seven credit unions brought 224 team members to enjoy trivia, network, and support these efforts. Thank you to everyone who participated!

The Florida Community Spark Programs (Eliminating Barriers to Employment) first of three cohorts began their five-week training program with a target graduation date of October 31, 2022.

ACS Update:

Growth By Design (GBD)

The operating profit margin for GBD continues to improve in the right direction from a low of -82.02% in 2020, to -46.76% in 2021 to -34.25% through June 30, 2022. The continued improvement is a result of decreased expenses. GBD is following its established *Roadmap to Profitability* designed to get the company to profitability in 2024.

Members ATM Alliance (MAA)

The operating profit margin for MAA slid to -3.17% from 6.56% in 2021. The decline is due to expenses related to the installation of security gates at ATM locations to prevent theft of machines and decreased foreign cardholder transactions. The Operating Profit Margin will always be around 10% because of how the Revenue and Cost of Goods are based off transactions.

Common Bond Title (CBT)

CBT operating profit margin fell to -44.24 through June primarily due to a slowdown in refinancing and new purchases because of continued lack of inventory, tightening underwriting standards and rapidly rising interest rates. GBD and CBT pick up a significant amount of LSCU & Affiliates overhead which impacts gross margin for both companies.

LEVERAGE Payment Solutions (LPS)

LEVERAGE has continued working with FIS on updating book of business purchased on July 1st. Seven new credit unions were added as replacements to equal an updated total of 32 credit unions now included in the book of business. Outreach to the newly added credit unions have been underway, and the responses have been positive and a welcome change for credit unions. We are also in the early stages of discussing acquiring another new book of business from FIS sometime in the near future but not until CU billing and ACS payment issues are resolved. The

team also attended the ShareTec Conference in Nashville on September 26 -27 and discovered several potential leads.

Product Management

On September 21st, Product Management moderated a webinar entitled “Growing Business Deposits” featuring Tru Treasury President/CEO John Ballantyne. The session focused on three approaches to expanding and winning business deposits and the advantages those business deposits have for credit unions.

Following feedback from some LSCU credit unions, Zest AI has completed the development of a regional credit scoring model for smaller credit unions. The model, based on machine learning, provides credit unions thousands of data points to approve member loans previously overlooked more accurately and quickly by legacy scoring models. *LEVERAGE* and Zest AI will begin marketing this product to small credit unions with webinars to be scheduled in the fourth quarter.

Shared Cooperative Services

Shared Cooperative Services, along with other CO-OP Shared Branch State Network Partners, met with Hyosung to discuss the integration of the new shared branching APIs on Hyosung ITMs. Hyosung can support 21 core processors (70% of the core market) with the new application.