

How to Have More Valuable Loans



For the first time, credit unions surpassed [\\$1.2 trillion](#) for their total loan portfolio in April 2021. Total year-to-date loan originations increased by more than [20%](#) in dollar terms over each of the past two years. This is an incredible achievement. However it's important to ensure the success of the loan—from open to payoff. In a recent webinar hosted by CUInsight, Mary Woodard, Chief Operating Officer of [Granite Credit Union](#), and Mark Ranta, Payments Practice Lead for Alacriti, discussed how credit unions could have more valuable loans through digital transformation.

Market Landscape

Ranta provided some insight into the market landscape. "It's hard to not talk about what the COVID experience brought to consumers' expectations. Think about your members through the last eighteen months on an individual basis, increasing the usage of services such as Netflix, Instacart, Uber Eats, or DoorDash, and the expectation of instant gratification. It became about not only finishing the task conveniently but having updates along the way. It really changed the way we look at operations and think about how we service members."

Banking needs to move forward and keep pace, so the member experience is more 24x7x365. One example is a mom-and-pop shop processing payroll on a Saturday to put money in their employee's pocket that same day. The pace of change isn't going to slow in terms of payments. With the TCH launch of the RTP® Network in 2017

and the Federal Reserve launching FedNow relatively soon, there will be two net new central clearing and settlement systems after four decades of everything driven on ACH processing. With the low-interest rate environment and the auto market challenges (shortages of used cars), credit unions are in the perfect position to help loan members coming out of the pandemic in terms of loan needs.

Looking at loan productivity holistically, it's not just about members repaying their loans easier. It's also the whole process—how to work the conversions going from an indirect loan portfolio to direct members and how to bring more money at a lower operating cost to the credit union.

About Granite Credit Union

Granite Credit Union was founded by teachers, in 1935, for one of the largest school districts in Utah. However, eventually, they moved beyond an educator's credit union and rebranded to illustrate that they were there for the whole community. "And so with that rollout of our rebranding, we also created a new tagline of always being there. And with that thought in mind, we actually have done some things internally moving to a universal employee model where all frontline staff will be able to meet members' needs but, it really is about the member experience," shared Woodard. "Lending is an important part of the credit union movement and where we can make money, but it's also where people in the community need help because not everyone is treated equally, unfortunately. And they have different financial needs. The reason we wanted to roll out that universal model was to enhance the member experience. With those higher skill sets, we could pay our employees more, and that'll help us retain our staff. And then, we also moved to centralized loan processing this past year. Moving to the centralized loan processing model helped us not only to speed up the loan approval process but retain high-quality control in our consumer loan process."

Granite Credit Union's Transformation

The loan payment solution Granite Credit Union had previously to Alacriti's [Orbipay EBPP solution](#) frustrated both staff and members. The fees the member would pay if they used a card were based on a percentage. So with larger payments, that could result in a very hefty fee. Unfortunately, the solution provider went out of business, leaving Granite Credit Union to have to use their merchant services provider for an interim solution. It did not retain member information, causing a lot of complaints.

Woodard shared some of the improvements they experienced. "The cool thing that Alacriti brought was retaining a person's information. We have the ability for members to set themselves up for recurring payments. They also have better reporting, and it saves our accounting department a lot of time as well. With our previous system, they would have to actually post each payment individually after a call center person took it, or a member went to our web website and made a payment. If any of those payments were returned for non-sufficient funds or an account number had been entered incorrectly, we wouldn't know for two or three

days, and then we'd have to notify the member. It was just a terrible experience. So with Alacriti, we are able to batch post those payments. Our call center loves the payment center with Alacriti. This cannot be highlighted enough that the ease of using the system and the fact that my staff is happy with it, as well as the member experience is seamless." Granite Credit Union also found the skip-a-pay option and the ability to create a donations page for community causes that waives the fee for processing a payment to be very helpful.

Indirect Lending

"The member experience is really good, and the reports are wonderful. So year to date for 2021, we posted 6,765 payments through Alacriti. And our members actually talk about how seamless it is. It also helps with indirect lending. Most of the time, when you're doing the indirect lending, of course, they're not finding out from the dealer how they can make payments. Getting those indirect members set up has been so easy, and it's caused a lot less problems with communication. So I would also say the time savings actually reduced our call center volume in 2020. We had 7,000 calls a month on average, and in 2021 were down to 5,800. And one of those systems we implemented to reduce that call volume and allow members to self-serve was Alacriti," added Woodard.

Indirect members are an opportunity for more direct members for credit unions. If there is a lot of friction in the payment experience, it's hard to make a case why they should want to do more business with the credit union. However, since Granite Credit Union was able to have a seamless payment process, they've had many indirect members want to get other loans at their credit union beyond their auto loans.

Direct auto loan growth and growing the indirect portfolio were priorities for Granite Credit Union. To accomplish this, they implemented relationship-based products. For example, if a member doesn't qualify for the lowest interest rate based on the relationship with the credit union, they can receive a rate discount after six months of on-time payments. Another member bonus was the ability to have no payments for the first 90 days. Also important is being open to matching rates to stay competitive and getting information out to members. The systems need to already be in place to handle the growth and activity, e.g., centralized loan processing and a good loan origination system.

Granite Credit Union continues to build on its indirect lending. One of the ways that they're doing that is by working on relationships with specific dealers. For direct lending, one tactic is to promote and make systems easier for people to use. They feel that now they have a good online loan application process in place and are looking at systems to make the online account opening process even better.

Universal Employee Model

Granite Credit Union also moved to help the member experience by moving to a universal employee model where all frontline staff can meet members' needs. In Granite Union's call center, they are training associates to be lenders like in the

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branch. This makes for a good member experience because when staff answers the phone, they don't have to transfer the caller. It makes a tremendous difference to have one-touch instead of having to be transferred to several different people.

Ranta added that although technology is a part of digital transformation, organizational mentality is just as important. "It's not just having the right tools or the right vendor that you've brought in to replace the service or give you a new service. It's really looking at how do we as a credit union embrace that and really run with it to better the member experience holistically. Having the technology is great, but if your employees aren't fully bought in and embracing it, it gets to a point where it's not going to work."

Call Center

Fifteen to twenty-minute calls can be very taxing and tough to scale for members to simply make payments. Granite implemented a new contact center platform to better track member communication through their call center. This opened the opportunity for chat, on-hold callback, and email routing, which allowed them to do more with less staff and with good reporting. The on-hold call back is a huge convenience for members, so they don't have to actually sit on the phone and wait when there are very high call volume times. They also plan on implementing artificial intelligence to help record member sentiments. This will help the call center manager listening to calls.

Ranta shared that Alacriti prospects continually ask about how they can lower their costs. A lot of that is driven by more efficient technology and lowering call center volume. Those drivers add to the success of digital adoption and a successful portfolio of loans. A good payment experience can turn an indirect member into a high-performance direct member and serve to help prevent late payments. When a member opens a loan at a credit union they've never used before, the chances are that the first payment will be a bit late if there is a disjointed process to log in.

Credit unions should make sure they are choosing vendors that have options, especially recurring and automatic payments. Also, think about [RTP](#) and what the RfP capability can mean for loan repayment. RfP represents a whole new world in the bill payments space, and it's important to see how vendors are looking at that and what their plans are. For RTP, there are 150 institutions signed up, which might seem small considering there are ~9,000 institutions out there. But the ownership of The Clearing House represents about 75% of all DDA accounts, so the reach today is already at 60-70% of DDA. Looking beyond card and ACH for payment or funding sources in the future is key. RfP will make it possible to reach out to members that are paying loans from non-internal sources in a different way. There will still be members paying their bills from their checking or savings account within the institution. But for those leveraging their external accounts, RfP will be a whole new money movement experience.

Closing

The digital experience also affects the actual loan closing process. Wet signature requirements can make the application process less convenient. In some states (due to regulations), they require a physical signature, but that isn't possible, e-closing is an option. Granite Credit Union used DocuSign for a few years and during the pandemic, they used it more heavily. They went from 60% lending in person to 67% internet/phone calls. DocuSign became a very important part of their centralized loan processing and sped up the process significantly. Electronic notaries can also speed up and further digitize the loan closing process.

A2A and P2P

To further improve the member experience, Granite Credit Union implemented A2A and P2P systems in their online banking. Woodard thinks it's critical to let members know that the credit union is still there for them, even with the new technology. They are actually opening a new branch and remodeling current branches so that the physical facilities are also providing great service.

Payments products and services typically started at credit unions with their core provider or online banking provider. Over time peer-to-peer payments (e.g., Zelle) were added. With different products come silos. So the funding source for one payment type, a P2P, or transfers can be different from that of the loan payment. Not having a consistent payment experience can cause a lot of friction. Ranta recommended prioritizing a consistent [money movement experience](#) across all channels

Recommendations

Woodard asserted that it's really important for credit unions to understand what the strategy is for lending and how to approach it. Obviously, more lending is a good thing, but it's important that systems that are in place are easy for members to use. She suggested that credit unions look at their processes internally and try to get rid of the clunkiness, whether it's lending or any other process.

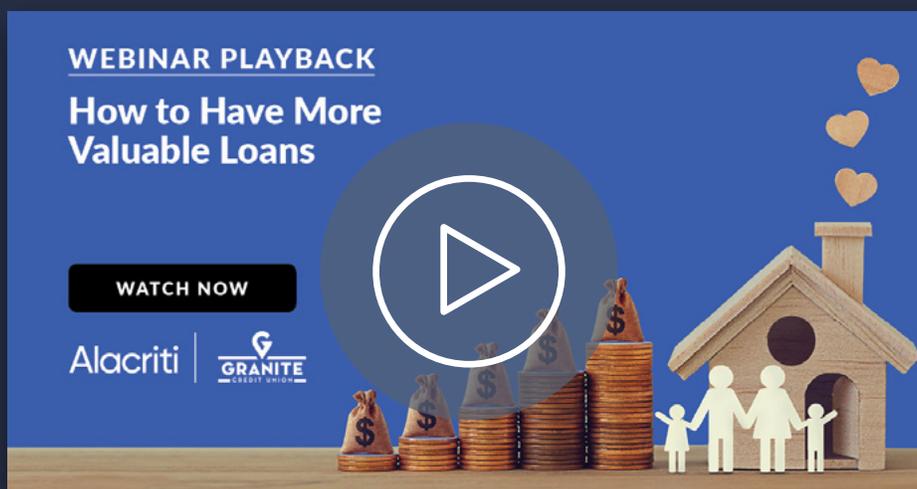
Woodard talked about how Alacriti was a help to their success. "I honestly cannot say enough. My call center manager was like, 'Mary, that was the easiest vendor to work with.' This implementation was smooth, and they communicated really well. And they're very responsive with service detail, but honestly, for the member experience, you want your payment system to work and not have to think about it. And it's been really great. It's been such a better member experience, but the other thing is the ability to get the data out of the system, and you can see how your members are using it. And that helps actually understand how they want to use other products and services. So this is something I would recommend."

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Whether it's bill pay or connecting new payment rails like the TCH RTP Network, everything Alacriti does focuses on the money movement experience. Part of that is the loan repayment process and how to make it a digital seamless experience for both the indirect and direct loan portfolio. This serves in giving members as much choice as possible, so their payments really fit into their overall digital experience.

To learn more about optimizing your credit union's loan portfolio, watch the full webinar, **How to Have More Valuable Loans**, featuring Granite Credit Union and Alacriti.



WEBINAR PLAYBACK

How to Have More Valuable Loans

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The graphic features a blue background with a white play button icon in a circle. Below the icon are stacks of gold coins and money bags with dollar signs. To the right is a white silhouette of a house with a chimney, and a family of four (two adults and two children) standing in front of it. Three gold hearts are floating in the sky above the house. The Alacriti and Granite Credit Union logos are positioned at the bottom left of the graphic.

Today's legacy and siloed banking technology infrastructure limit financial institutions' ability to rapidly innovate. It's time to look at money movement in a new way. Alacriti's Orbipay Unified Money Movement Services does just that. Whether it's real-time payments, digital disbursements, or bill pay, our cloud-based platform enables banks and credit unions to quickly and seamlessly deliver modern digital payments and money movement experiences. To speak to an Alacriti payments expert, please call us at (908) 791-2916 or email info@alacriti.com

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