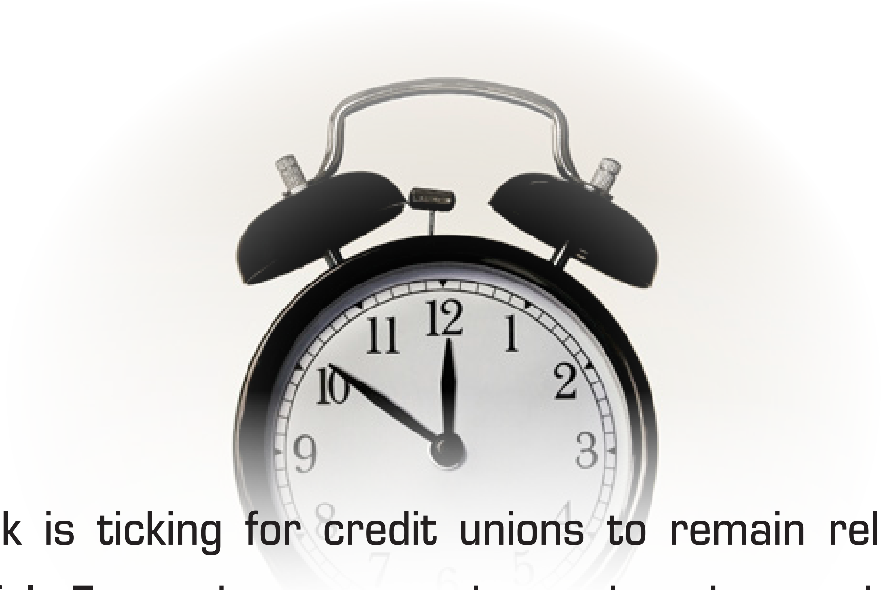
THE BRAIN DRAIN

BATTLING THE CLOCK

By Tom Burton



The clock is ticking for credit unions to remain relevant and successful. Every day across the nation thousands of Baby Boomers are retiring, taking with them knowledge and experience that is not easily replaced. ■ For credit unions the situation is more urgent. The average age of a member is pushing 50, well above the nation's average. The same is apparent for credit union employees, creating the potential for not only a leadership void, but also a lack of competent employees to keep the operation running smoothly. ■ How can credit unions reverse this brain drain? The solution lies in the ability to recruit the next biggest generation—the Millennials—to become employees and eventually leaders, and to help attract young members.

The situation isn't so dire for tellers or member services representatives. Those jobs likely will be filled with willing bodies as long as the jobs are available.

But the mortgage lending department is another matter entirely. To fill jobs and retain good employees, credit unions need to re-evaluate hiring, training and retention—and make necessary changes to keep loan operations running smoothly.

The expectations of Millennials are much higher for the workplace. While many of the current mortgage professionals spent a decade or more learning the ropes before moving into leadership positions, few among us believe the new generation of workers will wait even half that long to gain "meaningful" jobs before deciding to move on to more challenging and generationally comfortable situations.

What can your shop do to ensure that newly recruited Millennials will find the right work culture and attractive jobs to stick around and really help you? Can you beat the clock and attract this group of young adults?

The bottom line: If you don't, your mortgage operation may not survive, or at the least, both you and your members will suffer in the years to come. If you haven't already developed strategies to bring in the twenty-somethings, train them, and keep them happy, then you're behind in the race and time runs short.

WE'RE TALKING BIG

In case you haven't been paying attention to the constant barrage of information about Millennials, let's take a short timeout to consider some numbers:

- Millennials now outnumber Baby Boomers.
- They will comprise 40% of the U.S. workforce by 2020—that's just four years away.
- Currently, 41% of the U.S. population is younger than 30.

The crux of the matter is this: the more than 70 million Millennials born between the late 1970s and early 1990s (estimates put the size of the entire generation at more than 90 million) are already a huge factor in our economy–and your future mortgage-lending success. Their place in your organization is only going to become more important with each passing year, month and day. To thrive—no, simply to survive—credit union mortgage lenders must find ways to appeal to them and bring their talents into the fold.

Now—before someone else does.

The stakes are high. As the brain drain of mortgage lending employees accelerates over the next few years, Millennials will be making choices on the best places to work (as well as the best financial institutions to handle their money, loans and investments). And let's be honest: would you want to work at a place where you wouldn't want to put your money?

As the clock ticks and the window of opportunity to hire and train those mortgage professionals shrinks, however, there are a number of indications that credit unions are failing to attract enough interest from the generation that will determine future success.

According to the Social Security Administration, about 10,000 Baby Boomers now retire every day. That works out to a 4-million-a-year employee brain drain for the United States. To replace the value of those workers, you must be prepared to hire the next generation of mortgage-loan workers at your credit union.

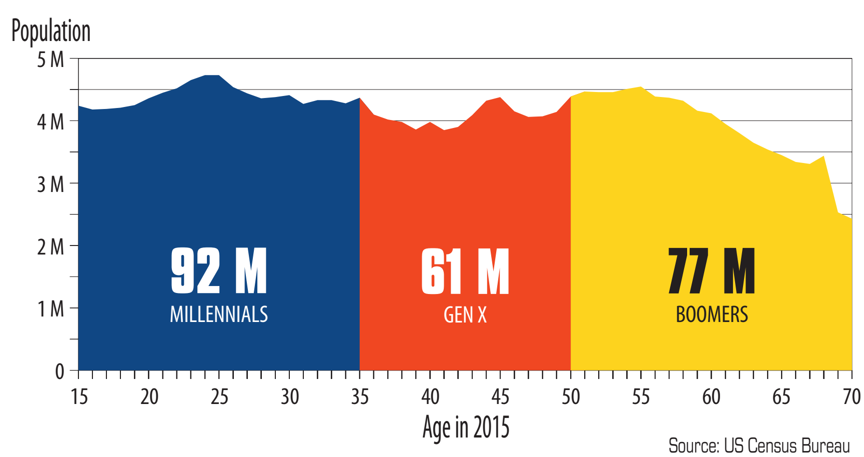
No doubt you've heard lots of stories about Millennials—the newspapers, airwaves and online world are filled with characterizations of them. Much has been made of this group, the first to be born into a post-Internet world where instantaneous communications have changed how information is shared.

Smartphones. Texting. Twitter. Mobile apps. And more.

To succeed in recruiting these young employees you must understand who they are and what they want. Two important characteristic that have been consistently reported about Millennials are their desire to be part of a "community" and their belief in seeking a positive social impact.

FIGURE 1 A LARGER COHORT

The Millennial generation is the biggest in US history—even bigger than the Baby Boom.



In fact, a 2014 Deloitte survey found that 63% of Millennials give to charities and 43% are active volunteers or member of community organizations.

First, you must differentiate yourself as a non-profit credit union—Millennials' desire to identify with causes and communities gives you the opportunity to differentiate credit unions as non-profit communities, owned by members. This credit union difference can resonate with Millennials, who came of age during the 2008 financial meltdown led by Big Banks beholden to stockholders.

The credit union difference is a starting point, but you must also demonstrate that you possess an inviting work environment for your Millennial employees.

ATTRACTING YOUNG WORKERS

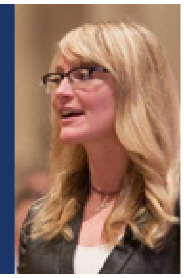
At last fall's ACUMA Conference, generational expert Hannah Ubl engaged a general-session crowd with ideas about recruiting and retaining Millennial employees. Ubl, herself a Millennial, offered some great observations and recommendations. (See accompanying article, "Recruiting Millennial Employees" on page 45)

Ubl also put the audience of nearly 400 mortgage lending leaders on the spot when she asked for a show of hands from Millennials. As heads turned and people searched the crowd for a response, only a couple of hands were raised. It was a stark reminder of the work that needs to be done to recruit talented young employees.

In her conference remarks, Ubl described Millennial attributes relating to the workplace:

- Millennials want to make a difference in the world.
- Their ideal work environment as "relatable," "authentic" and "accessible."
- They want to have flexibility to achieve work results.
- They would rather spend money on a life experience than on a possession.

Millennials want to have flexibility to achieve work results. They would rather spend money on a life experience than on a possession. –Hannah Ubl



- And keeping in mind these attributes, Millennials talk about potential employers and spend time researching them online.

Ubl's remarks, explored in more detail in the sidebar "*Recruiting Millennial Employees*" on page 45, offer a great base point to review how your mortgage-lending department works to recruit and hire employees, and more importantly, how you can continue to engage and encourage them through a welcoming culture that values and rewards good work.

Culture is extremely important to Millennial workers. Build one that emphasizes inclusiveness and helps them feel part of a community that makes a difference, such as charity events (You probably already have some.) or recognitions that include a donation to a worthy cause.

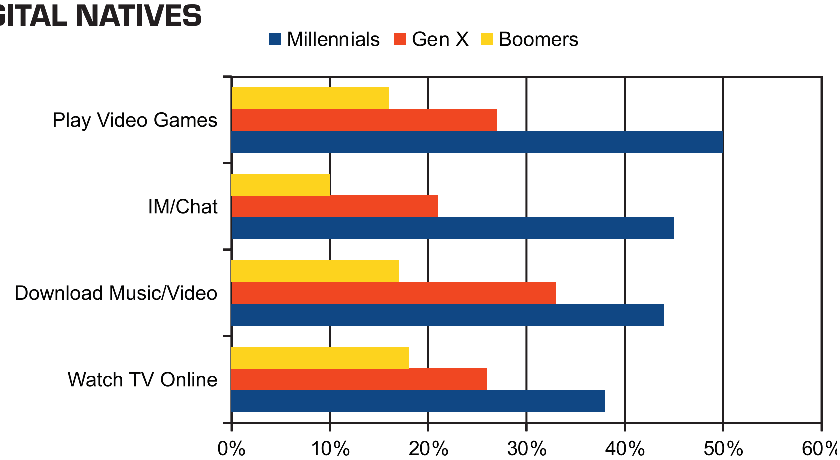
Take advantage of the skills and insights Millennials bring to the workplace by empowering them to participate and provide feedback channels. Their ideas can help you build better processes and offer better products and services to members.

Give them flexibility, too. Millennials are results-oriented. Tell them what you need, and they'll figure out the best way to get there. Offer them options for the workday. If 9-to-5 doesn't work for someone, maybe 11-to-7 would. Explore work-at-home options for a regularly scheduled or occasional time. Think about how these options can help your business plan.

In the hiring process, look for diversity. Make sure you are thinking ahead to the kinds of members who will be seeking

FIGURE 2 **THE FIRST DIGITAL NATIVES**

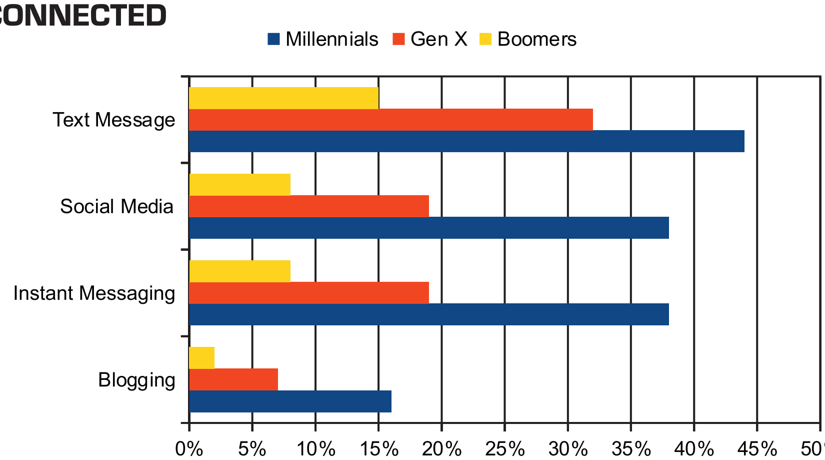
Millennials have grown up with the internet and smartphones in an always-on digital world.



Source: Prosper Insights & Analytics for the Media Behavior and Influence Study

FIGURE 3 **SOCIAL AND CONNECTED**

The online world, and social media in particular, have given the Millennials a platform to reach the world.



Source: Prosper Insights & Analytics for the Media Behavior and Influence Study,

loans. Your recruiting strategy should attempt to include differences in age, ethnicity and experience.

Ask yourself these questions, keeping in mind how they align with Millennials' values: What is our mortgage-lending mission and vision? What do we tell potential employees about careers in our department, and what do we value in an employee? How does our website portray our department (and the credit union)?

The changes you make to build a culture that accepts Millennials and provides a work environment that allows them to be happy and "make a difference" in the world will also help you to become more successful.

The bottom line is that you must have an appetite to review your operation and the will to make some changes—and soon, while the clock is still ticking. If you don't, you'll be setting yourself up to fail.

ATTRACTING MILLENNIAL MEMBERS

Recruiting new members goes hand-in-hand with attracting and retaining new employees. It speaks to your culture and purpose—that sense of community and "making a difference" in people's lives.

The best opportunity to recruit new members is when they are young and looking to build their lives—open a checking account, apply for a car loan, then look to purchase a home.

In the Filene report, *What Millennials Want: The Future of Millennials in the Credit Union System*, author Andrew Turner notes that credit unions have struggled to capture the hearts and minds of those young Millennials over the last decade.

"After all, the financial meltdown of 2008 should have been the turning point for credit unions to overtake banks as the primary financial institution

SIDEBAR RECRUITING MILLENNIAL **MEMBERS**

STRATEGIES TO ATTRACT MILLENNIAL MEMBERS

The Filene report, *What Millennials Want: The Future of Millennials in the Credit Union System,* by Andrew Turner suggests some strategies for credit unions to consider to recruit Millennial members.

TECHNOLOGY ISN'T ENOUGH TO IMPRESS.

Going mobile is effectively meaningless as a differentiator because everyone should be—and soon will be—doing it. Given that the cell phone is one of the fastest-spreading technologies in history, defining Millennials as the "mobile generation" is shortsighted. I doesn't define just them; it defines us all.

SOCIAL MEDIA IS CRUCIAL FOR ENGAGEMENT.

Social media can't be a halfhearted effort or something that doesn't spring from the authentic nature of the organization. Credit unions that have had success with social media use it as a natural extension of their work, not as a pure marketing effort.

FOCUSING ON PRICE WILL COST YOU THE GAME.

Let's stipulate that lower prices and fair treatment are critical. Credit unions must recognize that these are absolutely essential to recruitment and retention of Millennials. But that doesn't mean price and fair treatment are the best differentiators when trying to recruit Millennials. If honesty and fair treatment are credit unions' only calling card, then an honest, inexpensive bank can eat their lunch. Put another way, credit unions have to be effective at showing that a credit union is something more than an inexpensive and fair bank, or they will be unable to compete with such institutions.

In summary, credit unions that capture Millennials and hold them for the long term are those that spend time and effort to deeply empathize with the problems, challenges and opportunities that face them, and find ways to offer solutions that only a credit union could. Offering products like small-balance, low-transaction-cost savings accounts, preloaded debit cards and credit-builder loans is a good way to start. In the end, banks can never be credit unions—and it's the system's challenge to make that a living reality for today's Millennials.

of choice for young adults," says Turner, a lecturer at the University of Wisconsin Law School. But that has not happened.

"While the meltdown was complex with many facets and contributing factors, in the popular reckoning, the cause of the collapse could probably be summed up by a single word—banks," Turner says.

"And yet the flood of new members has never really happened," he continues, noting that as far back as late 2011 the Credit Union Times warned that "the window of opportunity created by the financial crisis and distrust for banks is closing on credit unions …"

Even though Bank Transfer Day and similar events have encouraged movement away from Big Banks, Turner says, it would be hard to argue that the fundamental market for financial services has shifted away from for-profit banks toward credit unions.

Just being "not a bank" is not enough, Turner says. Credit unions that succeed in attracting Millennials, he says, "will be those that mesh with Millennials' lives, thoughts and expectations, designing products and services that respond to their worldview, their experiences and the unique pressures they face." (See sidebar, *"Recruiting Millennial Members"* on page 43)

But, as Turner says, that won't be enough to attract new members. As with potential employees, credit unions seeking Millennial members must differentiate themselves by stressing their cooperative, member-owned mission and the strong sense of community it brings, and then offer appropriate products and services to meet their needs in a way banks and other financial institutions cannot. Examples often cited as Millennial-friendly include fixed-rate and adjustable-rate first mortgages, mobile apps for bill payments, use of social media for member communications and embracing diversity.

In a 2014-15 Google Consumer Survey cited by the Filene report, Millennials were asked, "Why don't you use a credit union instead of a bank?"

- More than one-third (34.4%) said they didn't know much about credit unions.
- And almost another one-third either didn't want to bother (18.5%) or said credit unions were inconvenient (13.0%).
- Only slightly more than one-fourth (27.2%) said they do use credit unions.

These numbers clearly show that credit unions must do a better job in getting the word out about the credit union difference. Meanwhile, the clock keeps ticking.

Filene reports that one in four Millennials are looking for their first checking account, and three-quarters of those are shopping for other banking products, such as first mortgages and auto loans.

However, that window of opportunity closes quickly. According to a report by Mintel, only 56% of 18-to-24-year olds own any banking product, but 70% of those ages 25-29 do. Despite the abundance of opportunity to recruit Millennials, the 18-to-24 demographic makes up only 9% of credit union membership.

And although one-third of Americans are credit union members, older members are more likely to use them: 38% of Baby Boomers, 33% of Gen Xers and only 26% of Millennials, according to a 2014 Harris Poll.

Perhaps credit unions are showing their age.

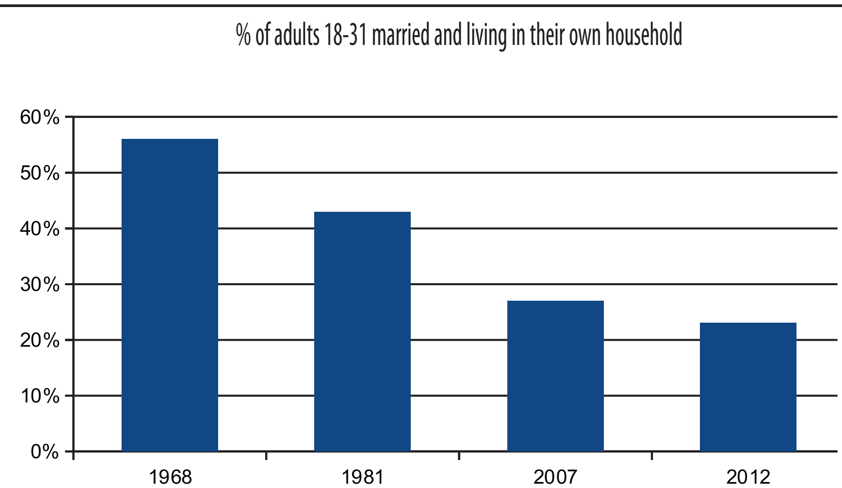
Time grows short to recruit Millennials—for the mortgage department and as members that would seek home loans. Credit unions that fail to act on the brain drain within their organizations and the decline in numbers of young members may wind up sitting on the sidelines as others take their place.

Tom Burton is a freelance writer and editor who worked for 10 years in the credit union industry. Prior to that, he was an editor and manager at a daily newspaper.

To learn more about Filene, which published Andrew Turner's report, *What Millennials Want: The Future of Millennials in the Credit Union System,* visit the website at filene.org.

FIGURE 3 **DIFFERENT PRIORITIES**

With less to spend, they're putting off commitments like marriage and home ownership.



Source: Pew Research Center, Current Population Survey

SIDEBAR RECRUITING MILLENNIAL **EMPLOYEES**

UNDERSTANDING THIS YOUNG GENERATION HELPS CREATE A WELCOMING WORKPLACE

By Tim Mislansky

Awhile back I wrote about the need to recruit the next generation of loan originators. I profiled four new originators at Wright-Patt Credit Union and encouraged credit unions to think about how to attract Millennials as loan originators.

In September 2015, I attended the annual ACUMA conference (a must-attend event for credit union mortgage executives) and heard Hannah Ubl speak. Hannah is a generational expert and works for a company called Bridgeworks (www.generations.com).

From the Bridgeworks website, here's a quote about who they are and what they do:

"There's one phrase that defines every member of our team: Generational Junkies. And we don't toss that phrase around lightly. Every Bridgeworks employee is a research hound and generational expert in his/her own right. We eat, breathe, and live generations. Seriously. Our friends beg us to stop talking about it during happy hour."

At ACUMA Hannah certainly lived up to that description. She talked about how to recruit Millennials and perhaps more importantly, how to retain them as employees. What did I learn and what does it mean for credit unions wanting to be member-friendly?

There are lots of stereotypes about Millennials—some good, some not so good. Here are the key take-aways from Hannah's presentation.

MILLENNIALS ARE MOTIVATED DIFFERENTLY THAN OTHER GENERATIONS.

They want to know how they can make a difference in the world. So be sure to connect the dots for them about how helping your members with home ownership can have a positive impact on your community. It's a fact that home ownership promotes neighborhood growth and stability. And home ownership helps Americans create a source of future wealth. Share with Millennials how they can help make this a reality.

MILLENNIALS VALUE THE WORKPLACE ENVIRONMENT AND WORKPLACE RELATIONSHIPS.

The top three words they use to describe the ideal work environment are relatable, authentic and accessible. They want to be able to personally relate to the work they do. They want the work to be real and authentic, and they want accessibility to others in the workplace. They want work/life integration (not work/life balance). This means we need to make sure they understand the higher purpose of mortgage lending at your credit union, and that they are able to create networking opportunities and make friends.

MILLENNIALS DO NOT EQUATE WORKING LONG HOURS AND STICKING TO A SCHEDULE AS HARD WORK.

They want to know what results are needed and be given flexibility to achieve them. If you are going to hire Millennials as loan originators, you must first decide how you can offer them flexibility to achieve this. And you must remember that they want their work to integrate into their life.

MILLENNIALS ARE AN EXPERIENCE-BASED GENERATION.

Hanna noted that a recent survey showed 74% of Millennials would rather spend money on an experience than a physical thing. They want to enrich their lives. Questions you must answer include: How can mortgage lending allow them to do this? How can you structure their workday and work life to allow them to experience more of life? It's certainly a culture change for mortgage lenders, but it's necessary to attract Millennials.

MILLENNIALS DO THEIR RESEARCH ON EMPLOYERS.

Hannah also talked about how Millennials research potential employers. They spend time online researching what others say about the employer. They look at the employer's website to see how it speaks to them in terms of the workplace environment and allowing them to satisfy their motivations of changing the world. So make sure the employee/career section of your website tells a story that is relevant to Millennials rather than simply lists the jobs available.

Bethpage Credit Union has done an outstanding job of this on their website. Check out the great video Bethpage created to tell its story (https://www.bethpagefcu.com/about-us/careers/working-at-bethpage.aspx). The introduction to the video, which features a variety of Bethpage employees talking about the organization, includes this millennial-friendly snippet:

> "… If you want to work in an organization where the desire to provide world-class service is shared by all your colleagues, and where doing the right thing is more important than corporate profits, then we encourage you to consider a career at Bethpage. … We are as committed to our employees as they are to our members."

Attracting Millennials to your credit union and to mortgage lending won't be easy. It will mean many changes in how we think about our employees, especially what we expect from them, as well as how we recruit them. But it's necessary if we are going to be successful into the future.

Tim Mislansky is the Senior Vice President and Chief Lending Officer of Dayton, Ohio-based Wright-Patt Credit Union, Inc., and President of its wholly-owned CUSO, myCUmortgage, LLC. This article has been adapted with permission from Mislansky's online blog. Sign up to follow his blog at mortgagesarememberlicious.com.