



Future of FinTech

in Irish Credit Unions





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Introduction

The financial world is constantly evolving. In the past decade, the rise of Financial Technologies (FinTech) has emerged as one of the greatest opportunities for Credit Unions to ensure you stay competitive and adjust to the changing demands of your members.

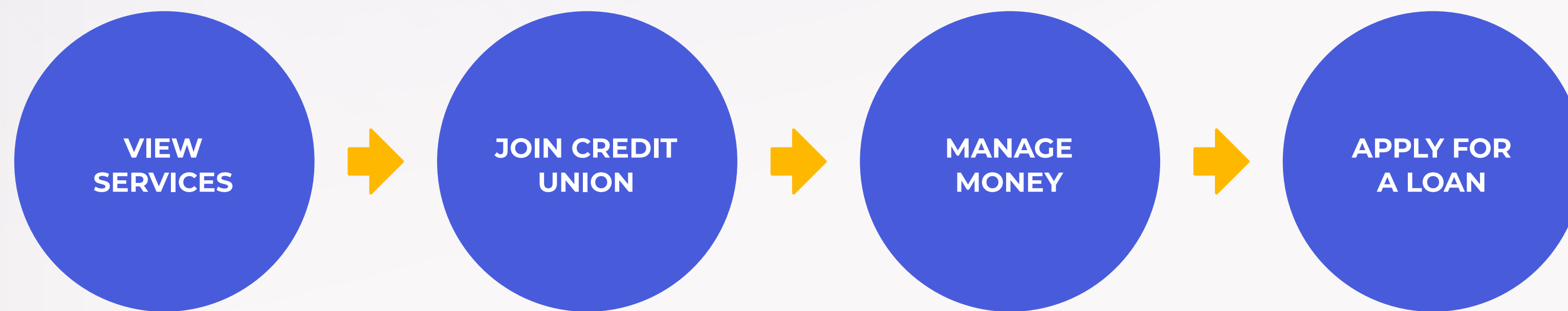
With Credit Unions taking the CXi Survey crown four years in a row, it's clear that you already have high levels of consumer trust – but with increased competition and new regulations, now is the time to refresh your approach and begin seeing returns. Investing in new technology provides opportunities to improve member experience, provide new services, expedite decision-making, create efficiencies and ensure governance.

In this eBook we will take a look at the current state of play of FinTech in Irish Credit Unions, examining some of the new technology that's improving both member experience and operational efficiency in Credit Unions today, and discuss what technology trends we see coming around the corner.



2019: the current state of play

Credit Unions have come a long way from pen and paper, and in 2019 digital innovation is continuing to transform their relationship with members and their communities. Behemoths like ING and HSBC have announced investments in digital totalling over €1 billion, and home-grown AIB has invested €870 million in a three-year digital reboot to get their customers online. This is the landscape Credit Unions are competing in – so it’s time to put your best foot forward.



END-TO-END MEMBER EXPERIENCE

Credit Unions can now offer an end-to-end member experience, completely online. They can view your services, sign up for membership from anywhere, at any time, check their balances and transactions and even apply for a loan – all without having to set foot in a branch. While it may seem impersonal, or seem like a step away from your traditional community ethos, having this digital presence will actually strengthen your relationship with your members.

They can rest easy in the knowledge that no matter where they go or when they need you, your local Credit Union is always open for business.

In order to keep focussing on improving member experience, Credit Unions need to look towards technology designed to help streamline their operations. Getting back some of the time that you spend on administration means you can channel it into creating member engagement strategies, and reaching out to new communities in innovative ways. New digital technology is making it possible to do this through making huge improvements to end-to-end operational efficiency.

END-TO-END OPERATIONAL EFFICIENCY



If you’re feeling like your Credit Union isn’t keeping up, it can be hard to know where to start making improvements. To give you a helping hand, we’ve put together a list of some the key objectives of Credit Unions across the country, and highlighted some of the technology available to help achieve these.

Attract new members who take out loans

In order to attract new members who will take out loans, you must first try and understand your current membership. **Business Intelligence software can help Credit Unions gain a deeper understanding of their members who currently take out loans so they can actively target this demographic.**

On average, 65% of new members took out loans from their Credit Union in 2017.

Using a subset of anonymised customer data, we found that, on average, 65% of new members took out loans from their Credit Unions in 2017. While this differs across Credit Unions, the burning question is, do you know who your core borrower profile is?

If you don't know the answer, you're not alone! Developing member profiles is a real struggle for many Credit Unions. The answer? Research. Research within your common bond. Research into the FinTech space. Research with your existing customer base.

There is a wealth of customer knowledge from your business intelligence software such as age, occupation, loan types etc. all of which can help you build up your member profiles. So why not use it?

Now that you understand your current members, it's time to start attracting new members.

On average*

Age: 32 **Gender:** Female

Occupation: Hospitality, Sales, people-facing positions

Who does that sound like:

Facebook's average user is:

- 30–49
- Female
- Works in a mid-senior, people-facing position



*Sample from Wellington IT data 2018

Engage your key demographic

Having a strong digital presence makes it easier for potential members to find out more about your Credit Union. It also makes it easier for them to apply for membership and they're easier to onboard.

Digital member onboarding makes it easy for new members to join anytime, from anywhere and it's 4x faster than traditional methods.

“There's no such thing as digital strategy – just strategy in a digital world.”

Scott Gibson, Group Executive, Digital Practice

In a 2018 report, PWC called the onboarding processes of many banks *'anachronistic.'* P.A.ID put it much more plainly: banks have dropped the ball.

Credit Unions have always had the edge on banks when it comes to providing an exceptional service to their members, and while both traditional and challenger institutions are still playing social responsibility catch-up, now's the time to take this a step further and offer new members an amazing digital onboarding experience where the banks are failing.

Digital onboarding means that a prospective member can apply to join your Credit Union from anywhere, through their mobile phone, tablet or laptop.

This offers convenience for new members who can apply and upload supporting documents from their devices. For a Credit Union, being able to verify those documents instantly saves time and costs on printing, scanning and physically signing member documents.

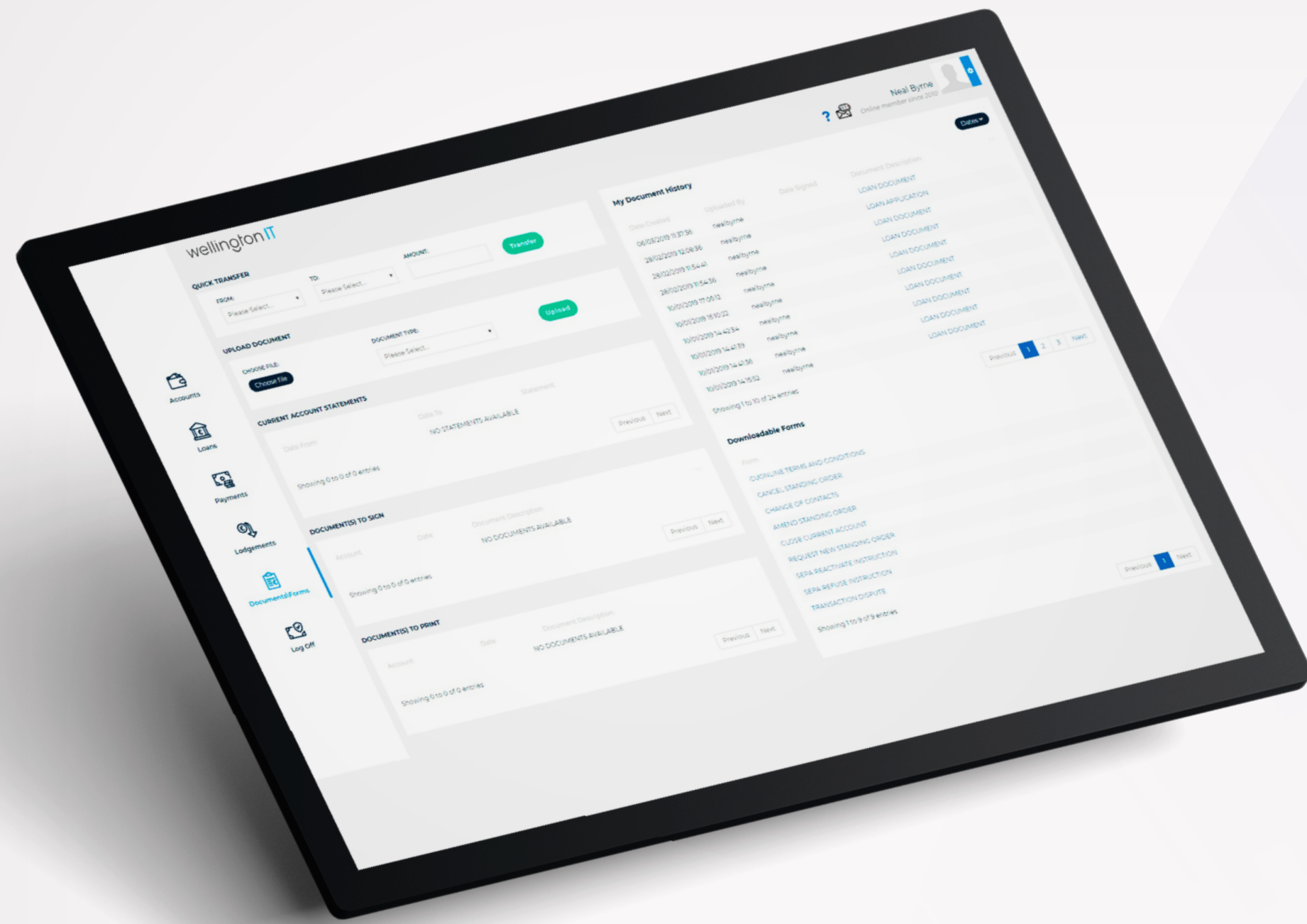


Member Onboarding for Credit Union Market

Here is a quick look at the different ways Credit Unions currently onboard new members, compared to digital member onboarding.



*Member onboarding comparison is based on averages from profiling 10% Wellington IT customers and comparing against cuOnline+. Note: This is a measure of the time taken for the basic application process but does not include the total accrued time from start to finish. i.e. time for postage, travel, etc.



Much of the current member onboarding process for many Credit Unions relies heavily on manual intervention from staff. **Joining a Credit Union can be a weeks-long process, especially if a potential member doesn't have time to come in, and Credit Unions are seeing high drop-off rates at different parts of the process.**

Although each Credit Union will have their own rules and regulations to process applications, digital member onboarding takes much less effort than traditional methods.

A member joining online can be completed within the same day and is, on average, four times faster than the current onboarding methods. This is particularly important for younger members who expect digital member onboarding as part of the process.

Advancements in online banking make it easy for your members to keep track of their finances, on their terms.

Since mobile phones became smart and began to mimic and then beat the power found in computers, financial institutions have been striving to provide members with mobile banking apps that allow them to manage their money from wherever they are.

With 78% of Irish people now using their mobile devices to keep track of their finances and make everyday payments such as bills, parking and groceries, the adoption of mobile banking in Ireland is continuing to grow at a rapid pace.

78% of Irish people now use their mobile devices to keep track of their finances.

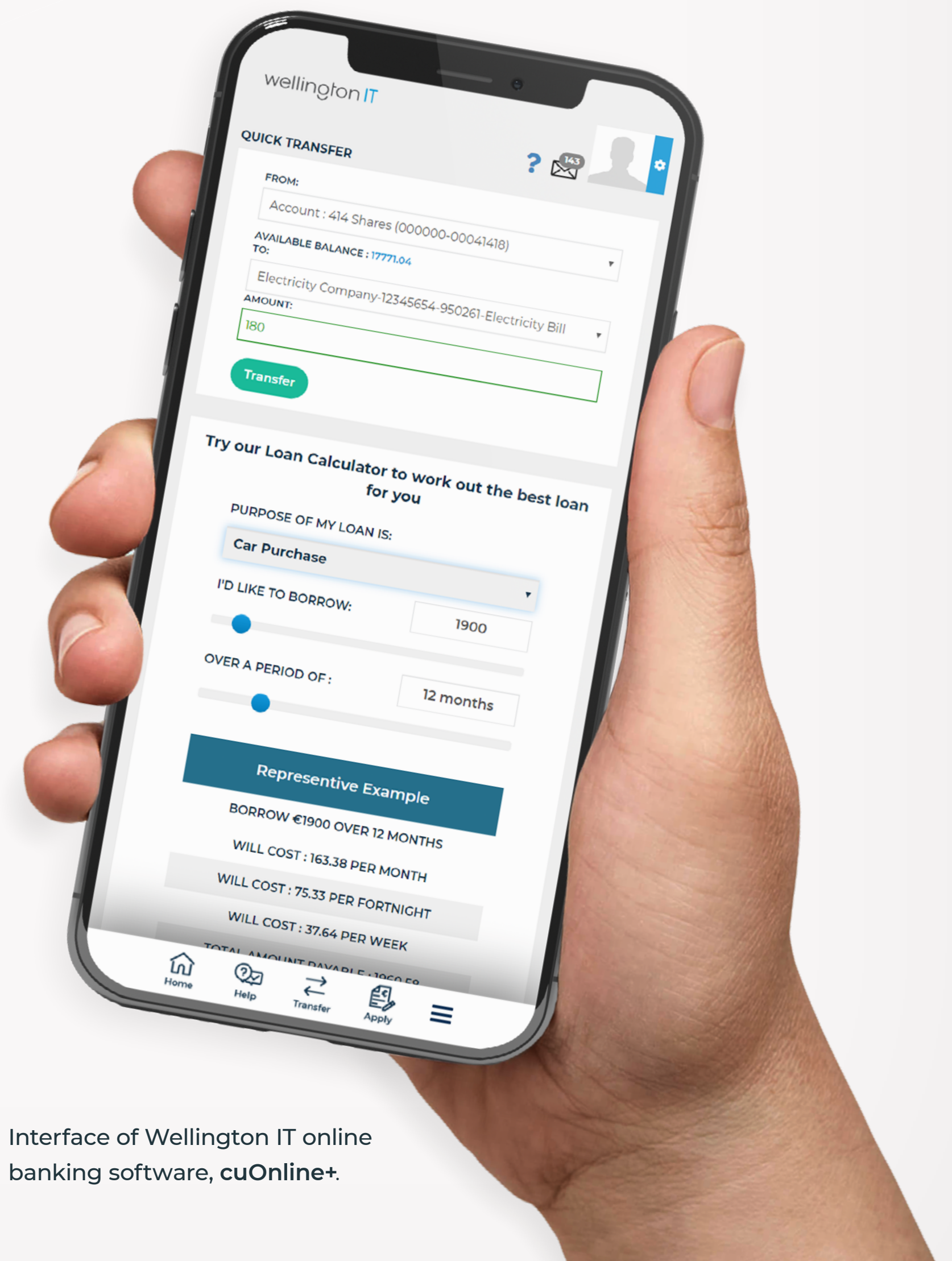
► [Visa Digital Payments Study 2017](#)

With Credit Union online banking platforms undergoing major improvements and now matching (and even beating) the majority of the big banks, members and potential members will feel more at home managing their accounts with a Credit Union. Members will also feel safe in the knowledge that they are using a modern, secure financial provider that can offer the holistic money management they're searching for.

Online loan applications make it easy for members to apply for loans (loan approvals are much easier too!).

"In 2017 Member First issued around 18,000 loans. There are three to four documents per loan, per member that would need to be signed and scanned to the member's account. That can take up to 20 minutes in the office. If a member was to do that online, it would take them about five minutes."

Niamh Warren – Senior member services officer, Member First Credit Union



Interface of Wellington IT online banking software, cuOnline+.

Members are busier than ever, and they want streamlined, uncomplicated tools that enable them to enquire about a loan, make an application, upload documents and find out if they've been accepted all on the same platform. Although customer service is what a Credit Union does best, if your processes aren't up to scratch, members may go elsewhere.

Electronic signature (e-signature) technology provides Credit Unions with a way of allowing a member to upload and sign documentation for loans and membership online without ever needing to enter their Credit Union.

With e-signatures, getting accurate details into your system is much quicker (average of five minutes for the member), reduces overall costs, and means staff can spend time selling the loans that are now much easier to process.

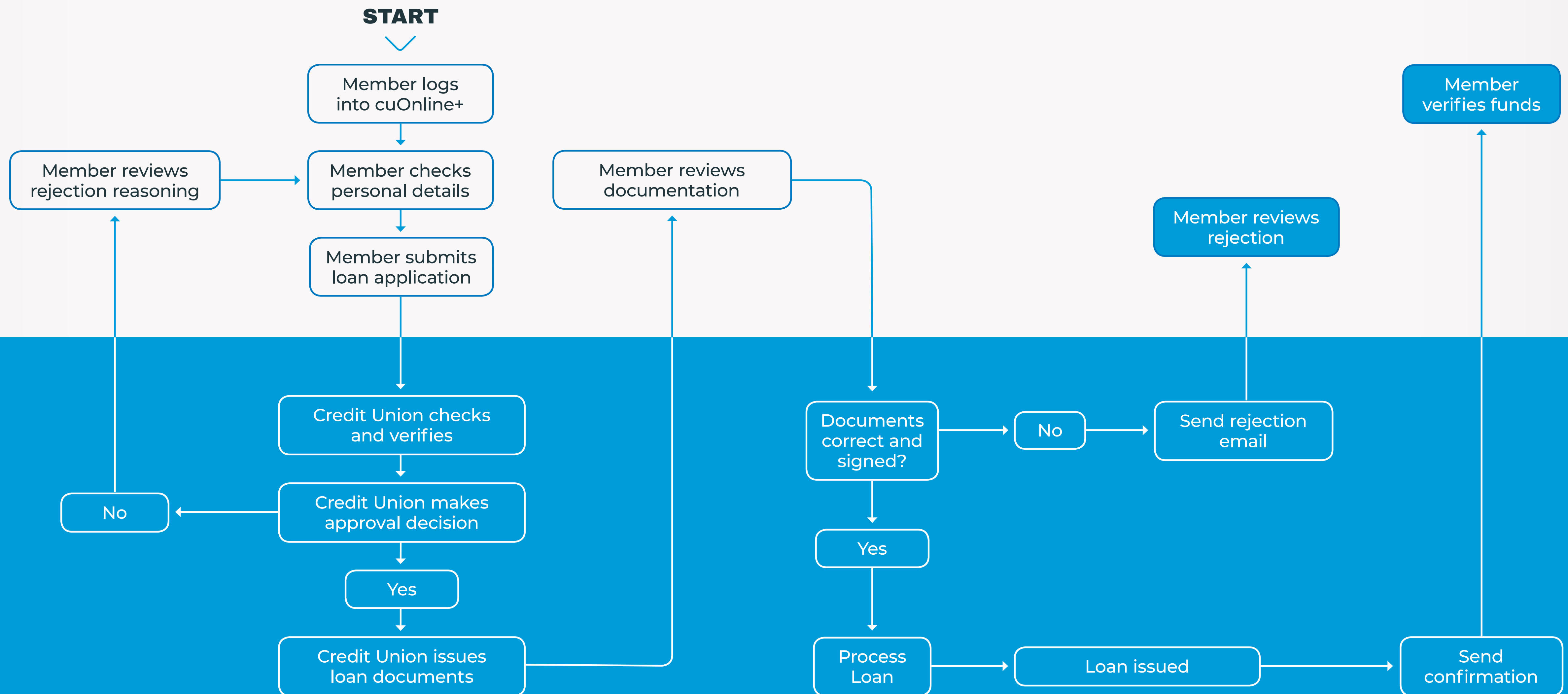
The diagram shows a loan process using e-signatures.

According to our data, it takes a staff member an average of 20 minutes to process a loan application, scan documentation and upload it all into their database.

Now that you have engaged your key demographic and made it easier for them to engage with you, it's time to start looking at your current operational processes to see where else you can empower members to do more.

Members

Credit Union



Save time with improved processes

There are numerous steps for many standard transactions in your Credit Union. Why not cut processing time by allowing your members to do more of those steps.

Self-service technology enables Credit Unions to strike the balance between personal contact and a more efficient service.

New start-up banks such as Revolut, Monzo and N26 disrupted the financial market by offering a fully digital experience to their customers. Whilst these new institutions are particularly popular with millennials, the success of these digital natives isn't based solely on them being exclusively apps. Almost all challenger banks focus on a mixture of corporate social responsibility and making their users feel like they part-own the bank. Sound familiar?

From Virgin's tree planting initiative for customers paying their bills, to Monzo's initiative to getting customers involved as investors, modern banks are striving to create the ethos you've always had!

"50% of consumers feel branch banking is important, and more than four in ten millennials find branches essential for their banking."

cuToday 2018

Credit Unions can take advantage of this opportunity to bridge the gap between a digital and physical service by offering in-branch self-service technology, such as:

Digital signing at the counter

This technology not only helps speed up counter transactions, but automatically stores the digitally signed document in your core system, removing the need to print, sign and scan the paper copies.

How many pages do you print, sign, and scan a day? How much time would you save if your members could sign on the dotted line digitally at the counter?



ATMs and deposit-taking kiosks

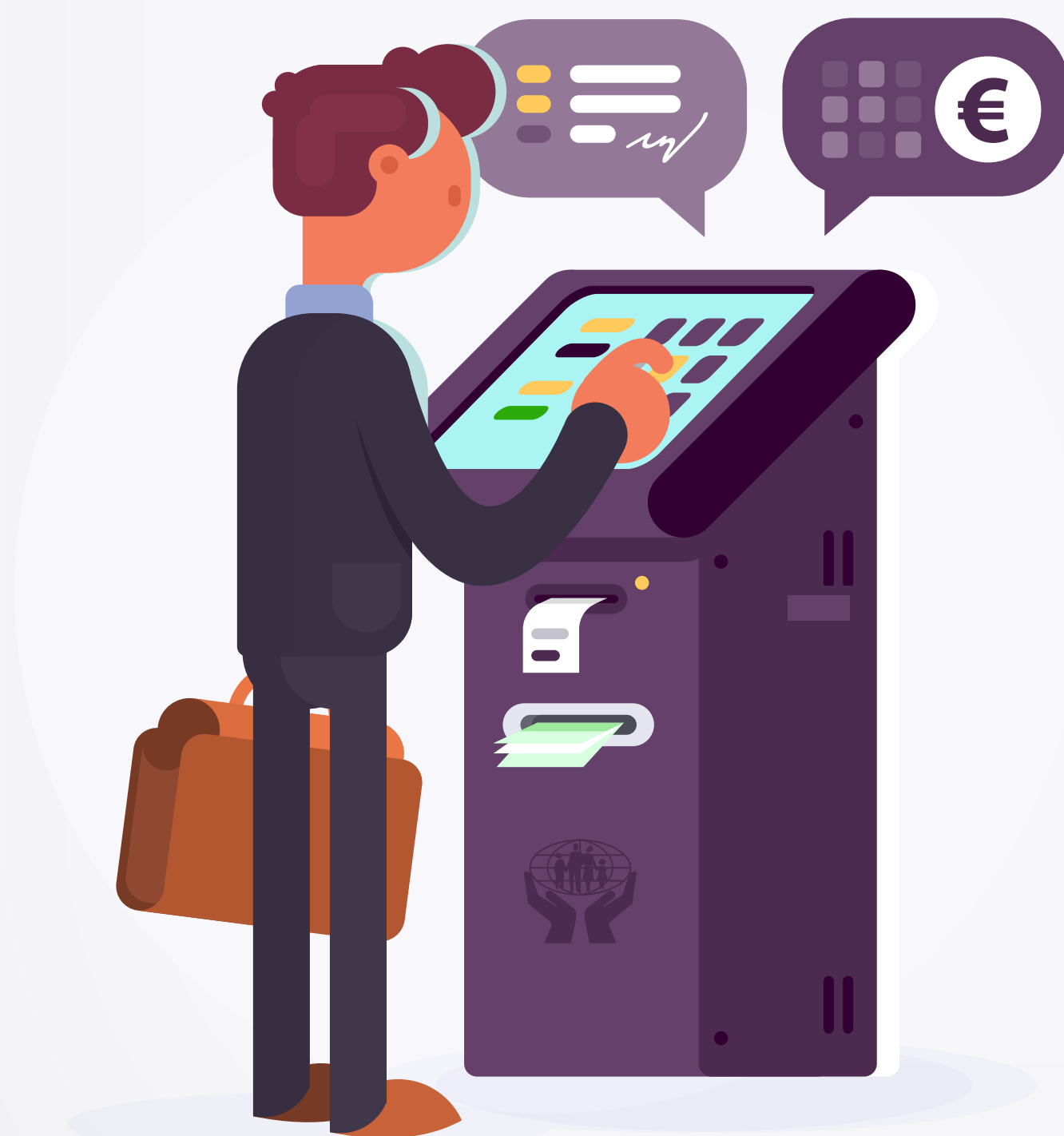
These help reduce queues in Credit Unions by allowing members to self-serve. These positive interactions allow staff to give more time and effort to promoting services such as loans. Members who simply want to withdraw cash can do so conveniently avoiding the queues, and still leave with a smile on their face.

Kiosks can save your Credit Union an average of 50 hours of operation time, per week.

Wellington IT data

Our customers' kiosks are currently processing up to 1000 transactions per week. At an average of three minutes per transaction, that's 50 hours of operation time saved per week!

Whilst in-branch self-serve technology is important, you need to also ensure that you have improved online processes as well.



Loan submissions, processing and approvals done electronically, save time for both members and the Credit Union.

Credit Unions are currently undergoing big changes to how they lend, including the addition of the Central Credit Register (CCR) to the existing Irish Credit Bureau (ICB), which gives them greater visibility of an applicant's financial history. With this, risky lending becomes less of an issue, and Credit Unions can focus on getting more good quality loans through their books.

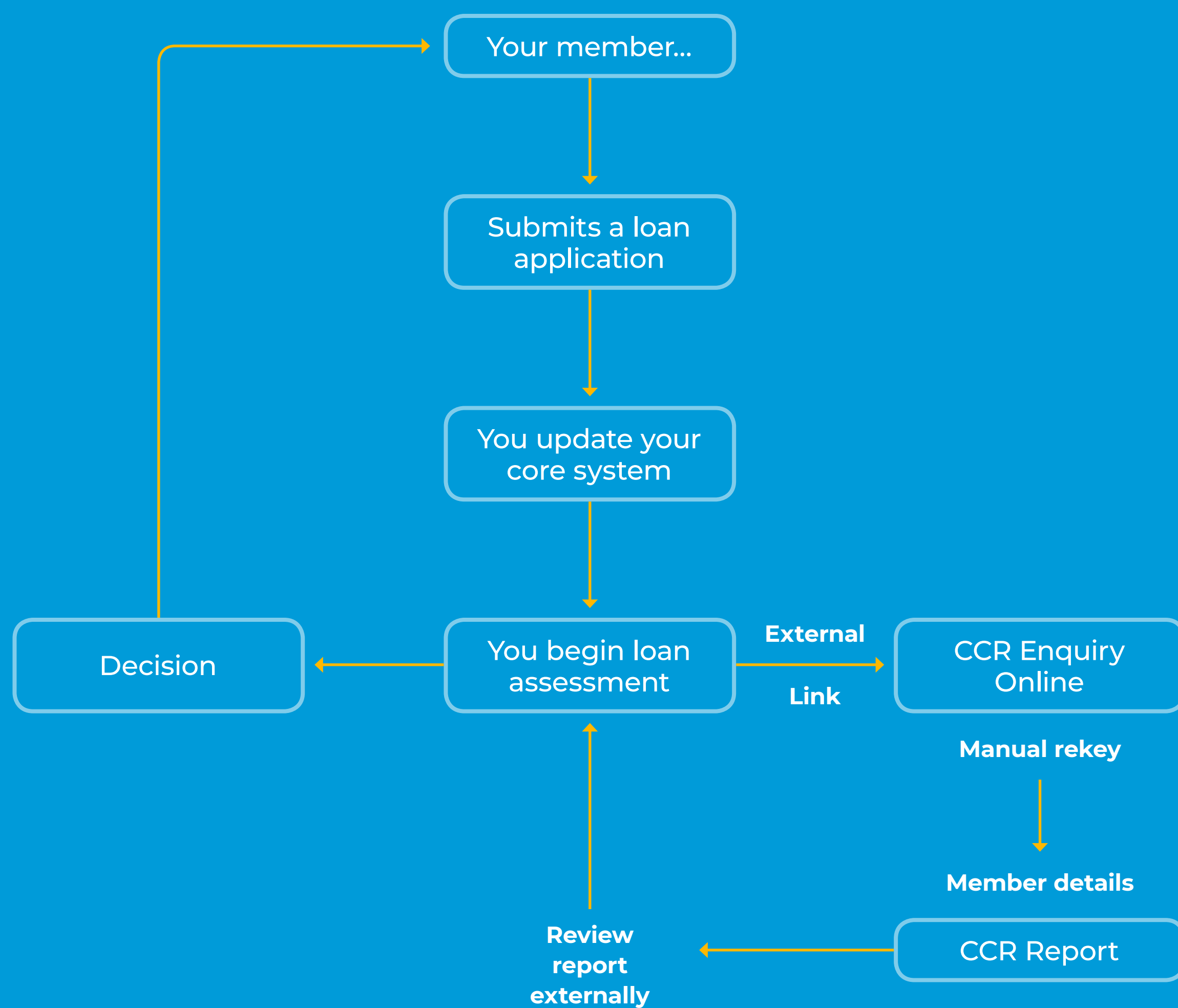
Third-party technology company CRIF are currently working with Wellington IT to create a multi-bureau solution that, combined with pooled data and improved analytics functionality, will eventually give Credit Unions a single view of their member's history, creating an automated credit score following any application.

The projected time savings of electronic credit checks for an average sized Credit Union is almost 700 hours* per year.

The ability to apply for loans online combined with this automated decision engine means that Credit Unions will only need manual intervention at the final stage of the process – saving them almost 700 hours per year! Faster approvals opens up a future where you can complete more loans, with less risk, in the same amount of time.

*Based on a typical annual loan volume of 5500 and a manual process taking approx 5-10 minutes.

Manual CCR Enquiry



As you can see from the diagram, a manual CCR enquiry requires the member of staff to access an external link completely outside of the core system meaning all of the member's details need to be rekeyed.

The integration with CRIF means that the entire CCR interaction occurs solely within your core system and requires minimal manual intervention.

Streamlining your core processes will give you back the time you need to spend on growing your members and revenue.

Integrated CCR Enquiry



*CCR enquiry comparison is based a manual CCR enquiry comparing against the integrated CRIF enquiry for Wellington IT customers.

How to generate revenue from existing members

Member to loan ratios vary between 31% and 10%, with an average of 17% of members having taken a loan (Wellington IT data 2018). Getting someone to first join the Credit Union, then take out a loan, can be a difficult sell – so how can you make the most of the members you already have? Simple. Make sure they can truly bank with you. Let's take a look at the technology that will help facilitate this.

Current accounts help position credit unions as a viable alternative to banks.

Providing a current account means your members will be able to truly bank with your Credit Union – managing all of their finances with you rather than viewing you solely as a loans and savings provider.

Debit card transactions rose by 8% in 2018, with a total value of €18.1billion.

CBI Figures Q3 2018

This opens up new possibilities attached to current accounts, such as fees and overdrafts. It also opens up the door for you to become their primary financial provider – if a member can do the basics with you, they'll be willing to try to do more.

This year, third-party integrations from FinTech providers working alongside PaYac and the ILCU will produce functionality that includes debit cards, salary mandates, online and mobile banking, overdrafts, and approved fees and charges – making you a viable holistic financial provider.

New mortgage capabilities will offer a longer-term solution to growing your loan book.

The 2018 ILCU Annual Report places Credit Unions affiliated to the ILCU in a positive financial position. For the third consecutive year they have experienced

strong lending growth (7.4%) and in 2018 loans increased by €289 million.

The average first time buyer in Ireland is 34 years old and needs at least a €50,000 deposit.

CBI Figures 2018

Although loan growth is on the rise, much of this has been through short-term lending (the most popular Credit Union loans being for cars, holidays, and home improvements). These loans are repaid quickly, and it's necessary to have a sustained high volume of these loans coming through the Credit Union to maintain your loan book. This eventually becomes unsustainable, and means Credit Union loan figures yo-yo in response to short-term consumer demand.

If Credit Unions are to survive in this competitive landscape, they must be able to offer long-term loans to members. Expanding loan services to encompass longer-term lending has been a priority area for Credit Unions for some time.

Now, third-party integrations with ILCU and The Solutions Centre will facilitate new mortgage modules that will allow Credit Unions to provide a viable alternative to current mortgage lenders in a more significant way.

While there is a cap on the amount that Credit Unions are currently allowed to lend, many in the marketplace hope that if Credit Unions prove themselves prudent when it comes to mortgage lending, current restrictions will be lifted.

Expected to fully launch this year, the impact of being able to compete in the long-term lending arena will be a gamechanger, especially as the CBI-imposed cap begins to rise.

Roundup

For the last few decades, the financial world dictated that Credit Unions had to compete on service alone. Now, members and Credit Unions have more choice than ever – so the challenge will be to learn how to leverage a combination of your existing community ethos, data and emerging technologies to achieve a personalised, holistic experience.

Today, there are lots of exciting opportunities for Credit Unions in Ireland. Current accounts and mortgage modules will help grow your membership and open up new markets. An increase in digital services positions you as a viable contender to banks, and data-driven decisions and self-serve technology will help increase your operational efficiency and move towards a paperless office.

Now that we have looked at the current state of play, let's take a look at what's coming up in the future of FinTech for Credit Unions.

What's coming up in FinTech?

The major development areas coming to Credit Unions in Ireland over the next 12 months will continue to drive your core goals of increasing membership, growing your loan book and improving operational efficiency, all while bringing you into the FinTech arena as meaningful competitors.

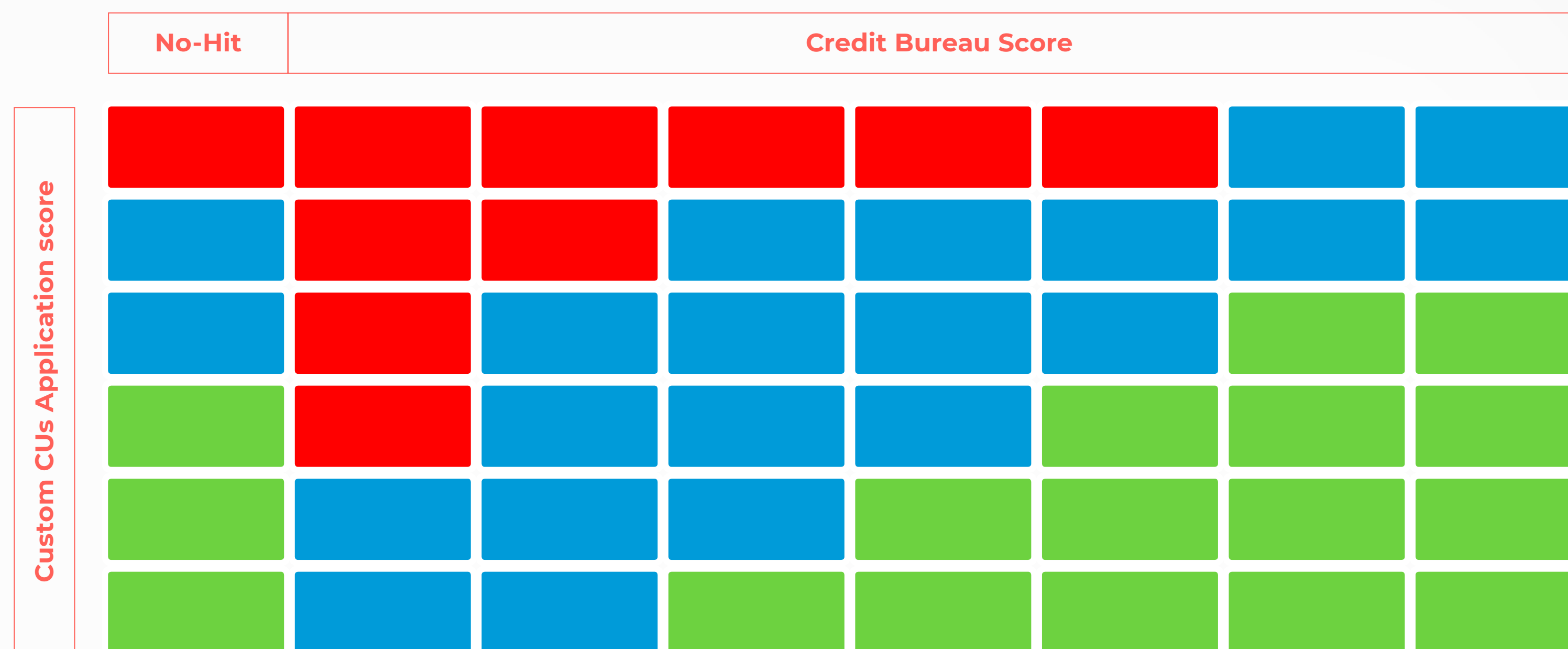
So what's coming down the line?

Data-driven decisions will facilitate smarter lending and offer true end-to-end loan processing.

Bad lending costs your Credit Union money, so ensuring your bad debt is as low as possible is essential to your future growth. The easiest way to do this? Smarter lending using accurate data.

As we discussed earlier, CCR facilitates smarter lending decisions and gives you a greater overview of your member's background. Furthermore, a CCR reporting portal means checking members' credit reports is integrated with your core system. However, the real end game is to have a fully automated end-to-end lending process all within your core system

In 2019, work will continue to allow Credit Unions to integrate an online credit checking system as part of their decision making process – Decision as a Service (DaaS). This system will aggregate data from multiple sources, including ICB and CCR, whilst



applying local Credit Union rules and policies, to new loan applications. This will provide the Credit Union with a recommendation for each lenders application so they can make better informed decisions on loans.

As this system progresses, if the recommendation comes back and falls within a certain threshold, the Credit Union can save time on underwriting and the system will automatically approve it.

This means, higher volumes of loan applications can be credit-scored without compromising levels of service to members. It also reduces staff time and opens up opportunity for the Credit Union to use the data gathered to understand members better and actively market to them.

PSD2 and Open Banking could expand the market for Credit Unions

Open Banking has been predicted to be the biggest shake-up the financial sector has ever seen.

From 2018, customers have been able to take control of their banking data, opening them up to better loans and credit cards, and helping them to make the right financial choices. For Credit Unions, open banking is more than a compliance exercise – it's a springboard for innovation.

At the end of 2018, KBC Bank Ireland enabled customers to add accounts from other banks to their banking app, allowing them to view the balance of current accounts they hold with other financial institutions, from the one application. Already KBC Ireland are seeing a growth with 20,000 new customer accounts opened in three months, bringing the total number of new accounts added in 2018 to over 60,000 (*BankingTech 2018*).

Imagine if your members could see all of their financial accounts from their credit union online banking app, offering an holistic view of their finances and opening up your services to them. Open banking could make this possible!

The driving force behind Open Banking is The Second Payment Services Directive (PSD2), a European directive. Launched in 2015 it was designed to boost the variety of products in the banks and payment space whilst improving security.

PSD2 introduced two new types of regulated service providers:

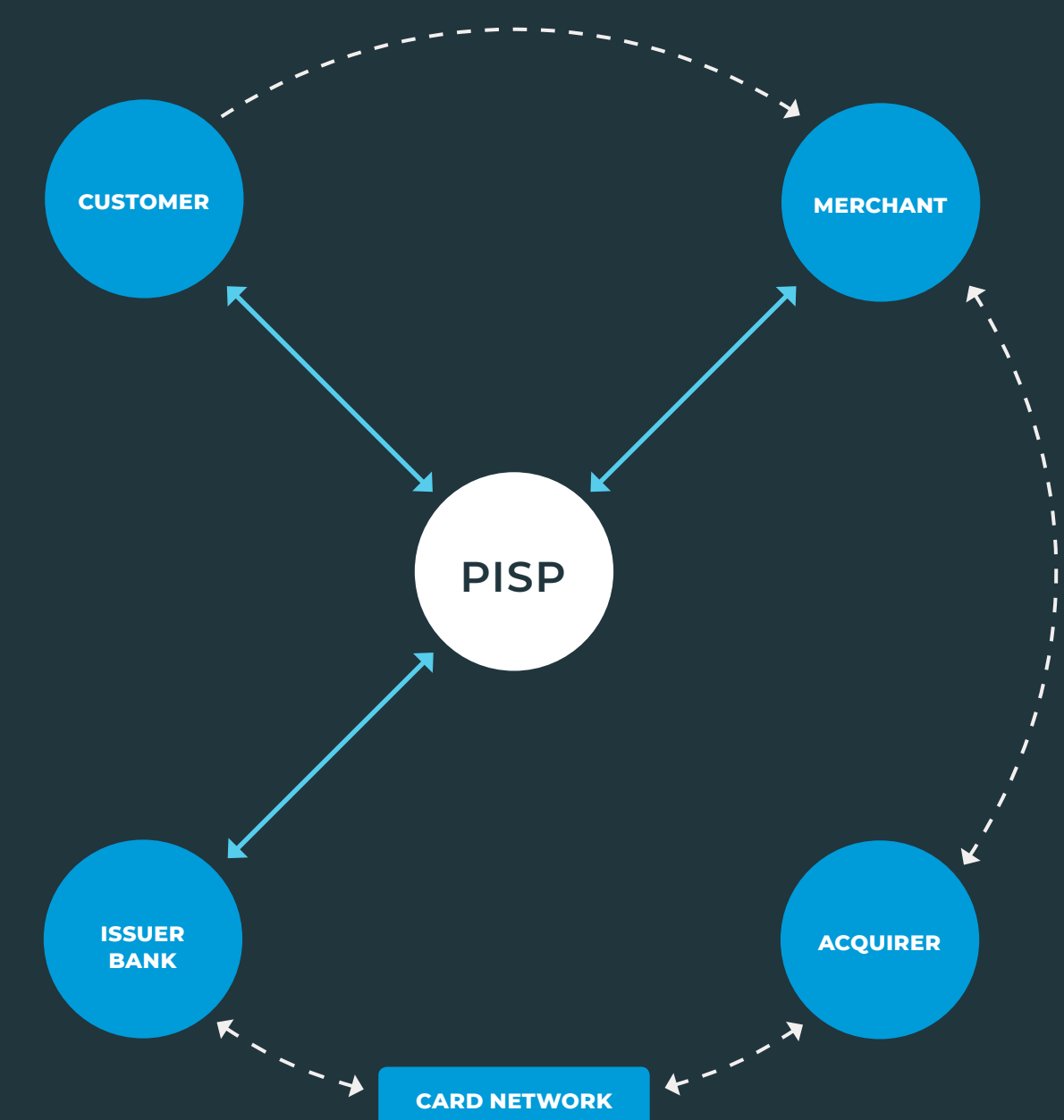
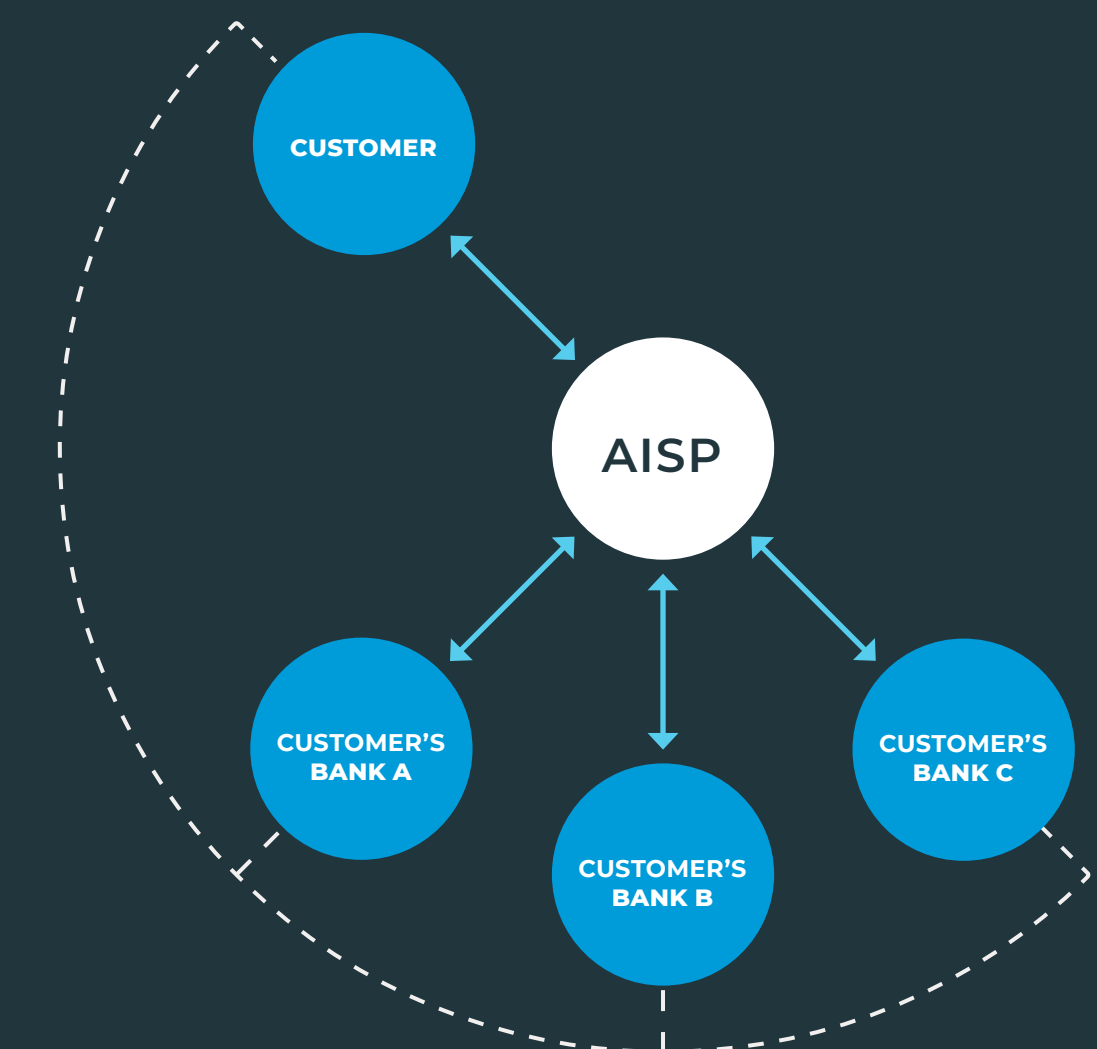
- ▶ **Account Information Service Providers (AISPs)** offers consumers a consolidated view of their data, even those held in multiple banks or payment accounts.
- ▶ **Payment Initiation Service Providers (PISPs)** allows a payer to make an online payment, like a direct debit, to a third party beneficiary.

PSD2 not only opens up more choice for members – the European directive also introduces new requirements relating to operational and security risks.

The new provisions include applying strong customer authentication for all remote electronic payments. That authentication must include two of the following criteria:

- ▶ **Something you know** e.g. username and password
- ▶ **Something you have** e.g. mobile device
- ▶ **Something inherent to you** e.g. fingerprint authentication

Meeting this challenge requires a clear strategy, operational and infrastructure changes, a clear focus on assessing and managing risks, and meticulous execution. In 2019 Credit Unions have an opportunity to work with technology partners to fully embrace PSD2 and see it as a real advantage for them and their members.



Debt management and budgeting tools will help members keep better control of their finances

Although debt levels have fallen in the past few years, Irish households remain among the most indebted in the European Union.

Overall Irish household debt was €140 billion in the first quarter of 2018, with Irish households in the 35-44 age cohort remaining highly indebted.

Credit Unions are already ahead of this curve, offering members initiatives like budget accounts which help them calculate their outgoings and set aside money for their bills.

Banks like Monzo have also adopted this concept, however they take more of a self-serve approach to money management. Recognising their customers need to manage their finances better, they introduced applications like 'pots'. Pots allow customers to set aside money for scheduled payments and an option to 'try again' if a direct debit fails. This helps customers avoid missing payments or incurring additional charges, and can be managed through their online banking app.

Personal debt in Ireland is the 4th highest in the European Union

CBI 2018

Customers can keep track of their regular payments, predict committed spending for the month ahead and set aside money for regular bills.

What if Credit Unions could extend their current budgeting facilities and allowed their members to self-serve through mobile apps? This would take away much of the admin work from the Credit Union and would be a valuable tool for members. This concept will be part of the consideration when we review our own mobile development strategy at Wellington IT later this year.



Biometric ID verification will become more mainstream

Whether it's your thumb, your voice, or your face, accessing your sensitive data from anywhere in the world is becoming increasingly intuitive.

A 2018 report by Goode Intelligence forecasted that 1.9 billion bank customers will be using some form of biometric identification by 2021. Already, a growing number of financial institutions are using biometric data, like fingerprints, to replace or augment passwords and other forms of member verification.

For example, in 2017, Health Services Staffs Credit Union (HSSCU) were the first Financial Institution in Ireland to launch Touch ID (in partnership with Wellington IT and TouchTech) which uses a QR-code and fingerprint as a secure, convenient gateway for members to access their online banking.

For Credit Unions, Biometrics shortens member ID login time, and improves security and operational efficiency.

In 2019 we will see Credit Unions offer new forms of biometric identification for ID verification and ID renewal. For example, when a member joins a Credit Union they need to provide proof of their identity. Biometric identification such as facial recognition will enable a member to do this securely online by carrying out both a 'liveness test' video (to ensure they aren't just holding up a photograph to the camera) and getting them to take a picture of either their passport or driver's licence to verify this. The system will automatically match the liveness test to the photo

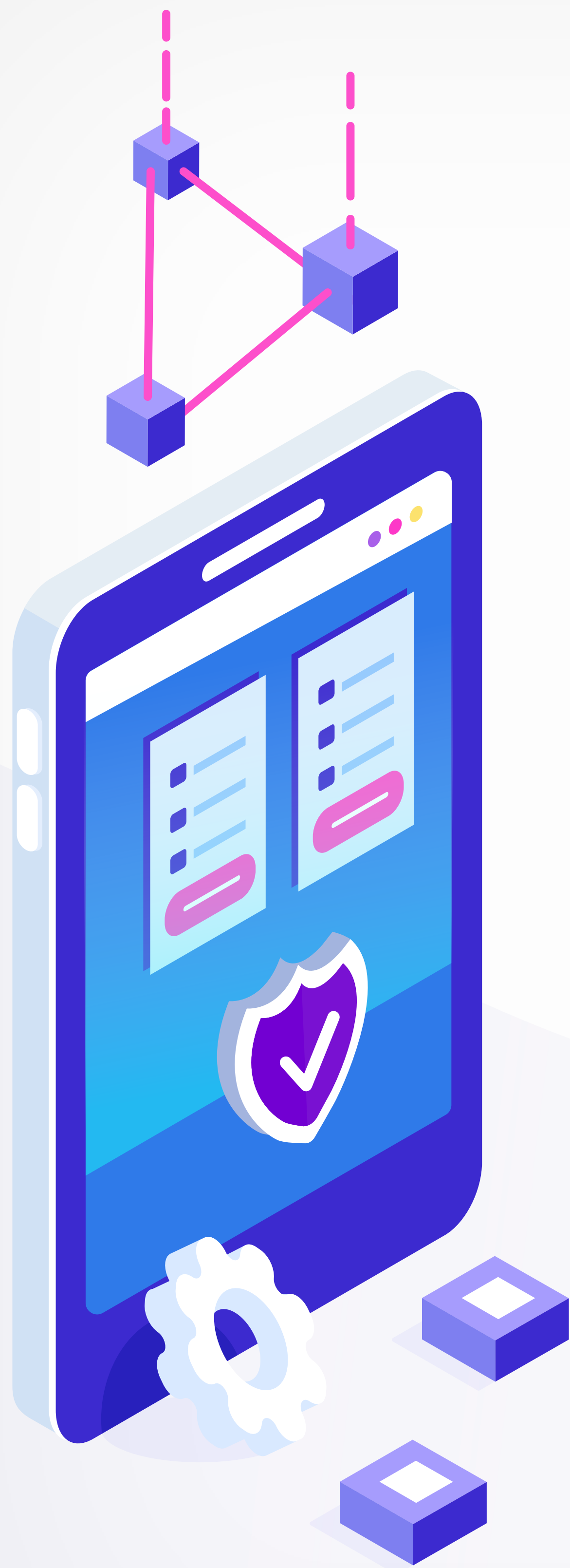
on the passport or driver's licence and verify whether these are valid using verification techniques based on the data printed on it e.g. check digits. The Credit Union will then get a report with a 'pass' or 'fail' status.

This means that the member does not need to visit the Credit Union to have their ID verified, saving time for both the member and the Credit Union.

1.9 billion bank customers will be using some form of biometric identification by 2021.

Goode Intelligence 2018





New third-party APIs offer greater flexibility to increase security, expand member services and improve operational efficiency

Third-party APIs (Application Programming Interfaces) are not new to the financial market. Banks, FinTech startups and Credit Unions have been interfacing with third-party applications for years.

APIs are essentially sets of requirements that govern how one application e.g. your CRM system, can communicate and interact with another – your core banking system for example.

Before you look at APIs, it is important to know the difference between an Open API and a Private API.

Open API: APIs that are open are available to the public and provides **any** developer access to your software (e.g. core banking system) or web service.

Private API: APIs that are private offer front end interfaces to back end data and application functions by offering a ‘point of entry’ for developers to access.

For Credit Unions, your technology partner should be receptive to APIs with third-parties, however they must do so in a way that doesn’t compromise the system. It is our responsibility to make sure that your banking system is secure and robust. Therefore, it is also our responsibility to ensure that all third-party APIs and integrations have been fully vetted and that we have a secure plan for roll out – it is your core banking software after all!

The reason that APIs will become more popular in FinTech the next 12 months is due to a paradigm shift in the changing needs of the members. The various channels (and devices) people use to make and receive payments and manage their finances has changed significantly in the past 10 years. This year, integrations, such as biometric authentication, will offer an easy (more secure) way for members to provide ID verification and login.

In addition, we are seeing Credit Unions adopting new tools to help manage their operations such as marketing and sales. Facilitating APIs for business management tools, such as Customer Relationship Management (CRM) systems, will enable Credit Unions to tie in their other core systems with their core banking software and support campaigns for lending.

At Wellington IT we strategically integrate with dozens of third-party applications to increase security, expand member services and improve operational efficiency for our customers. In 2019 and beyond, we plan to continue to integrate with third-parties by creating flexible APIs for specific business functions. Below is a sample of some the APIs on our roadmap over the next 12 months.

ID VERIFICATION

Integrates with your core banking system to provide digital identity document authentication for members through facial recognition.

CRM

API allowing your Credit Union's Customer Relationship Management (CRM) system to integrate directly with your core banking system.

CRIF DAAS

Decision as a Service (DaaS) facilitated by CRIF, will enable Credit Unions to get automated decision recommendations on loan applications. This will reduce human error, save time and promote smarter lending.

LOAN APPLICATIONS

Interface to allow third-party systems/solutions to create a loan application to be pushed into the Credit Union's core banking system, avoiding the need to duplicate data.

DOCUMENT MANAGEMENT

An API that can push documentation from your core banking system into your document management system, allowing for a central source of truth and facilitating document workflows.

SAM MORTGAGES

3rd party mortgage application system that produces a decision offer which imports directly into your core banking system, producing a mortgage loan.

Final thoughts

The next 12 months is a challenging, yet exciting time for Credit Unions with new technology trends and industry compliance giving you the opportunity to compete on a level playing field.

As a technology partner, we are always keeping a close eye on both the FinTech arena and the Credit Union market to keep abreast of emerging trends and legislative changes. There's lots of technology currently available with new innovations coming round the corner. However, this is only part of the solution. Without a clear strategy in place of how you want to use it, technology alone will not achieve all of your business objectives.

So, before you make decisions on what technology you need, make sure that you have a clear strategy of what you want to achieve first.

At Wellington IT we work in partnership with top Credit Unions across Ireland to make sure that our development strategy maps the needs of the Credit Union and their members.

If you want to find out more about how our technology could transform your Credit Union's future, book a discovery session with the team today.

Email sales@well-it.com or call us on +44 (0)28 9068 1531.

Resources

BankingTech 2018

CBI 2018

cuToday 2018

Deloitte

Goode Intelligence 2018

ILCU 2018

Visa Digital Payments Study 2017

Wellington IT anonymous data from Scion system