

# LendIt Fintech



Welcome to the Fintech, One-on-One Podcast, episode number 313. This is your host Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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**Peter Renton:** Today on the show, I'm delighted to welcome David Tuyo. He is the CEO and president of University Credit Union. Now, University Credit Union is based in Los Angeles and began at UCLA. And they are on several university campuses throughout the state. And but I want to get David on because he's been a real trailblazer with technology, which we get into it in some depth, he talks about the things that the credit unions need to do, how they partner with fintechs, he talks about the experience that they've had partnering with fintechs. We also talk about digital offerings and lending and how credit unions are really set up to, I think, grow dramatically in the coming years. And he talks about sort of how that's going to happen. It was a fascinating interview. Hope you enjoy the show.

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**Peter:** Welcome to the podcast, David.

**David Tuyo:** Thank you for having me.

**Peter:** My pleasure. So I want to get started by giving listeners a little bit of background, it seems looking at your LinkedIn profile, you've been around the credit union space for most of your career, but can you just give us some of the highlights to date?

**David:** Starting out in college, I was in consumer finance, and then went into retail investing then into more institutional investing, representing with different pension funds, insurance companies, banks, credit unions, and the like. And then moving my way over to credit unions full time. After that, for the past 17 years, been a fantastic last few years here at University Credit Union for four years, and currently serving the organization as its President and CEO.

**Peter:** Okay, so then what was it that attracted you to this job? And I've been in a few years, as you say, but what was it? Do you remember that really sparked your interest here?

**David:** Yeah, University specifically, it was who we are, who we serve, being somewhat of an academic as my background, you know, being able to serve the community that gave me so many benefits throughout my life through education, something I'm very passionate about. And so for me, it was a pretty easy fit. And then after meeting our board of directors and understand more about the business, and what we're trying to do for the future, can be more excited to get started four plus years ago now.

**Peter:** Right, right. And so what about credit unions specifically? And is like, how did you kind of get involved and what's attracted you? And you've continued to stay involved in most of your career, but what is it about credit unions that you like?

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**David:** I'm unbelievably lucky to fall into this space. I was sitting as a financial advisor at a well known firm doing extremely well, and enjoying helping people on their financial plans, helping them with estate planning, tax planning, risk management, change management, but then I got a phone call one day from what is a banker's bank or a credit union's credit union, so to speak, a corporate credit union, and they said, Hey, we want to start this investment division, it's a financial strategy division, would you be open to making a move? And at the time I didn't know anything about credit unions, and I didn't know what a credit union was. And so I did do some research. And going through the process just for my own edification, at that point, fell in love with credit unions. Fell in love with the whole idea that you know, what we can do this for a not for profit, cooperative manner, where we are helping make sure that we operate and execute at a national level around economic inclusivity. And not just for one segment of the market for all but not necessarily around profit being the main motivation but in true service to the member owners that you are built to serve that you're founded by. So for me, it was fairly simple. And having two children, young children at the time making a decision, I knew that I could come home each and every night, look them in the eyes and know that I was doing good work for, for their future.

**Peter:** Let's talk about University Credit Union for a bit for looking at the website. It's been around for several decades. Can you give us some of the history there?

**David:** University Credit Union, is an amazing organization, was founded in 1951, by employees at UCLA and so we talk about disruption in today's world. Well, you know, credit unions were their original disruptors of banks. So in 1951, there was a handful of employees that said that they wanted an alternative to traditional banking to the big banks, and they founded University Credit union then, started at UCLA been expanding ever since. And currently we serve...we serve a variety of universities and higher education facilities across the great state of California.

**Peter:** So it's just within California, right? So it's a geographic footprint located like focused on LA or what is the geographic footprint?

**David:** Although we are physically located in California, we do serve members in every single state in over 30 different countries. So pretty exciting there as far as the physical locations, we do focus on providing facilities at our university partners. And so we have a variety of branches. We call them advisory centers. That's really what they're there for, at different universities across both Southern California and Northern California.

**Peter:** No advisory centers outside of California?

**David:** No advisory centers outside of California. In fact, we only have one advisory that's off campus. And that is at our main headquarters, just off campus at UCLA.

**Peter:** Okay, got it. Got it. So then maybe you could give the listeners a short summary of the different product offerings you have is that a pretty typical mix, that what you guys are providing?

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**David:** For us, we are a full service financial institution. And so we are providing everything from basic services like checking savings, money market, you know, to more advanced things. So we cover on the loan side as well, you know, residential mortgages, commercial mortgages, all types of consumer loans, credit cards, debit cards, of course, online banking, mobile banking, I mean, it's a full service, it does the same kind of service that you're gonna use anywhere else. We offer those same things, similar offerings at University Credit Union. In addition, we have wealth management, insurance Services, as well, to help our members around retirement planning, education planning, and more advanced strategies there too.

**Peter:** Right, so what about, you mentioned mobile banking, online banking, but I wanted us to spend a bit of time here on the digital offering. I mean, how are we operating digitally? And how, what do you need to do at the start of the pandemic to serve your members differently?

**David:** You might be regretting asking that question, because it's something I love talking about.

**Peter:** Okay, that's great.

**David:** Being in California, being in LA, we have some of the best partners. And just really, culturally a good environment to be extremely creative, particularly in the digital space. And so we launched several different AI initiatives. And so we're leveraging artificial intelligence and machine learning to better serve our members. We use it to automate our expense reduction methodologies internally, also, our income generation that we're trying to do going forward, we've been able to manage through the pandemic because of our AI solutions.

Right now we have our AI bot answering about 26% of all phone calls in a first call resolution basis. It's pretty impressive. Right now, we think we can get that number closer to 60%, as it continues to mature. But right now, it is something that's resonating really well with our membership, but then also helping us battle the staffing up and downs that you're going to have through the pandemic. And whether it's our employees are affected directly, or whether it's their family members at home, or friends of some nature that that caused them to be out of work, we want to make sure we can support them in this time frame, but still make sure that we can serve our member owners. And so artificial intelligence has been a great tool for us in that regard.

With digital banking, of course, we continue to make different choices there. But before the pandemic, we were already doing video conference banking, where we had live chat, of course, that was more of a chat feature. But then also video banking, where our coaches, our financial coaches, were meeting with our members wherever they were, whenever they were in the world through a video interaction, and being able to do everything in the interaction as if you were in the branch. So if they need to sign loan documents, or they want to look at financial planning and make some different changes, they could do that as well, all within that environment. So they could do that in the comfort of their home on a Saturday morning, or they could do it in their office on a lunch break. And so they don't have to worry about getting in a car and driving to a branch anymore, it's something that we thought was an ultimate convenience for them.

**Peter:** So that all started before the pandemic, you started all that?

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**David:** We actually launched that initiative back in 2018, is when we went live with our 1.0 version of that we've probably now into our 3.0 version of that today. But it's been a fantastic benefit for member owners. And our employees are enjoying it as well. Because, again, in the pandemic environment, as we went remote, is more work from anywhere, they were able to take a similar backup to riot behind me. And they're now operating in this video environment again, to the past 15/16 months.

**Peter:** So it sounds like, well, I mean, I'm sure it obviously was disruptive for everybody, it sounds like you managed to serve your members in a similar way to what they were used to. Is that correct?

**David:** It's fairly accurate the disruption for us was more than employee side. Trying to get everybody at bay in a very short time frame in less than three weeks to work from anywhere. You know, at our size organization, we didn't have an inventory of access devices, you know, such as services laptops for people to say, oh, here's your laptop, go home now. And so we had to make those adjustments. And at the time, if you recall, trying to find computers in that timeframe, very difficult.

We did a pretty good job. But we were still about 30 short when it was all said and done from being able to have everyone working from home. And so we were going around to all the different Microsoft stores. All the different Best Buys locally on our executive team was trying to find devices from all over Southern California to get in the hands of our team members. We actually put orders in online for 300 different devices in hopes that we might get fulfilled for 30. And so it worked out fine. We ended up going through this, but it was a challenging time for sure. That talk about the unknown unknowns that this was something that we've never faced in our lives that we haven't our country hasn't seen in over a century. So, in this from this perspective, we have plans in place that help us prepare, but nothing at this level.

**Peter:** So, um, what about fintechs? I mean, are you partnering with fintechs at all today?

**David:** Yes, we love our FinTech partners. I know some of my peers are looking at them as a potential competitor. But for us, we really do find tremendous value in partnering with various fintechs and not just fintechs also insure techs, reg techs, you know, there's a variety of technology verticals that can help support your operations as a credit union, or a bank for that matter.

And we're using in partnering with Fintech companies that help us around different solar loan initiatives that we have residential lending, also, loan origination we also have using for various systems and support in the back office as well, where they're solving some back office issues around robotic process automation, making sure that as our various systems that don't, aren't more built to talk to one another, helping us build seamless and frictionless integrations across the board that then provide a superior experience either our team members or to our member owner. So it's been a great partnership for us.

Also, we have several CUSOs...in credit union land, are usually joint ventures or subsidiaries. And so, in this case, even our CUSOs are leveraging many Fintech partnerships as well to offer

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solutions to other credit unions. Or in one case, we launched a case recently, that now is investing in supporting Fintech companies, as they continue to start to launch and grow and scale.

**Peter:** Right, right. Okay. So what have been the challenges of working with fintechs? Have you find that culturally, your organization was open? I mean, what were some of the challenges?

**David:** So some of the challenges were just the vernacular, we're so in creating land. And I think most industries are this way, where you're kind of you have your, your way of speaking or your version of English. And when we started working with different fintech companies, in particular one they have a lot of the programmers were formally trained, and we're engineers. And so something very, very simple.

When we started launching one of our chat bots, one of the questions that came back from one of engineers where they wanted us to start with what is your inquiry? You know, I don't know about you, it's not a lead question. I go around asking people like, what is your inquiry? Like, you know, you wanna find out, you know, how can I help you today? Right, you know, what problem can you solve, you know, how is your experience? those kinds of things, but just to lead with those kinds of things. It's a little bit different. And so those are just some of the basics that that very entry level that we saw some challenges with.

For the most part, it's refreshing to work with fintech companies, because many of our legacy providers in our space can't move at the speed that we want to. And we find that our fintech partners move as quick as we can move. And so it's refreshing...in one instance what normally would take six months to launch with a legacy partner, we did that in 10 days with one of our fintech partners. I mean, 10 days from the time we signed the contract to go live. 10 days, and it was just, it's amazing and refreshing to have people that are as passionate about their business as we are.

**Peter:** Right. So I want to switch gears a little bit. And for the second part of this interview, I want to really focus on the credit unions more broadly, because you've got it, you've got a really rich experience here. And I think, I think the listeners would appreciate this. So maybe we can start with when you look at the sort of the range of different tech innovations that are out there. You've mentioned a few of them already. But we look at the credit union space more broadly. I mean, what are the tech and innovations that are impacting credit unions the most?

**David:** Ones that are maybe a threat, of course, or this unbundling of our business where various competitors and startups are taking pieces and focusing on one area of the business and then disrupting that for credit union and credit unions are reacting to that very, very well, by the way, but then other pieces, I think, I think I can't say enough about AI and RPA.

I think when you look at artificial intelligence or robotic process automation, may be the two single technologies, two of the most important technologies of my career. Historically speaking, we've always talked about that you had to be a certain size to be competitive. Right? Especially in a low interest rate environment, when you have the 10 year treasury trading at 36 base points

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as it did during the pandemic, that is squeezing a margin that historically would have been at three, or four or even 5%.

Over the last 20 years still in low rate environments compared to what we saw in the 80s and 90s. And so when you look at that, as a margin based business, how do you create a bottom line that's sustainable in that environment, you have to have size. Historically speaking, that meant you had to have lots of assets, because you need to be able to take and invest in these things, support your services, have IT support that kind of stuff.

But when you think about AI, now you're able to scale at a fixed cost. So your variable revenue that you can generate from a fixed cost perspective, can allow your business to scale more efficiently and faster than ever before. As I mentioned before, just 26% of my calls, and that might be five contact center agents. That's a very different cost structure, saving me about \$251,000 per quarter, over a million dollars per year just in that one slice of the business I'm mentioning today, there's many others as well.

I think also from an experience perspective in credit unions land as we don't have the ability to be on your size of your credit union, some can some can't, many can't, in our industry, create solutions, or have programmers on staff to help provide a great experience across different platforms to member owners. And so robotic process automation allows you to connect different systems in an automated fashion, that then allow you to provide the low cost goal that you're going for internally, but then also a superior member experience, where you don't have hiccups and hurdles along the way. And so that RPA process is big.

So for instance, I'll give you a tangible example. And some legacy core providers, it still requires that when a member selects a checking account online, or if it's somebody in the branch, choosing a checking account, they still require a manual touch in another system to order a debit card. And I know that doesn't sound like much, but you think about the overhead the cost of issuing that debit card and the cost of that actual plastic itself, if you start adding these things up, it becomes exponentially expensive, and not sustainable.

And so leveraging RPA to have that system say okay, like we originated a checking account, and then have the workflow automatically happen across the board and a member gets their digital debit card, they can put it out on Amazon, they can put it out in their various retailers that they have, it can be stored in mobile, and then the plastics, either overnighted or are shipped and more ... in the branch is a completely different experience than what we've seen historically. So those two technologies, my opinion, are probably the most important that we've seen in the last 20 years.

**Peter:** It's interesting, because I mean, AI is talked about all the time. And I think Robotic Process Automation is talked about less. But I think I appreciate you mentioned bringing it up, because I think it's probably has just as much potential as AI. And I think people are just starting to wake up to that.

So what about like, when you look at the competitive landscape for credit unions? I mean, obviously a lot of credit, most credit unions are pretty small, you know, and some of them don't



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have, you know, great technology. But what do you see as sort of the competitive threats for credit unions? You know, is it large banks? Is it fintechs? Is it community banks? What's the competitive landscape like when you talk to your fellow credit union CEOs?

**David:** I think I think it's just the legacy culture, right? I mean, that can be, you know, how do we re-invent and re-create ourselves on a continuous basis, because that's what our competitors are doing. When you look at, for instance, there is I'm not gonna name names, but there was a bank that recently started up in less than five years, they achieved \$50 billion in assets, that would make them the second largest credit union in the United States. And so just to kind of give you an idea of that size.

But I think, you know, we have to find a way to recreate ourselves, we have to find ways to continuously add value, we have to have a relentless focus and discipline serving our member owners, finding out what their needs, wants and desires are and fulfill that in a way that no one else does. We have rich data across the board, every credit unions has it on their member owners, that allows them to really take a prescriptive and predictive approach to business to where they can anticipate the needs of the member.

And they can then serve up a solution to them, whatever it might be in a way that they don't have to go search for, and you think about the quality of life that we can provide and helping people reach the best person themselves in this environment. It really is quite outstanding, if we can, you know, just kind of take this and execute it, but in my opinion, it's just we're probably our own biggest competitor.

**Peter:** Right. Okay. So then credit unions, obviously, they're your nonprofits serving your members only. I mean, is that what I'm trying to get at is what are the advantages you have? You do have some advantages over, even community banks certainly over large banks, and certainly over fintechs. How do you think credit unions are really leveraging this sort of, you know, the inherent close relationship with your members that I think others other types of organizations struggle, maybe you feel like that's being leveraged to the, to the extent that it should be?

**David:** You know, we've done a lot of work with different organizations and different foresight practitioners. And we believe that over the next, as the world becomes more and more digital, especially in the financial services space, trust is gonna play a large role in selection and utilization of a financial service partner, financial institution. And so for us, we think that credit unions have a huge advantage in trust that we can be trustworthy because of our design because of our DNA of how we've been created.

When we look at how our financial properties are structured. We have a volunteer board of directors that ultimately oversee the credit union's operations on behalf of the member owner, making sure that our organization is serving them in the best manner possible. So you start think about fiduciary of care, fiduciary of loyalty, you know, credit unions have, by design, a better structure. Now, I'm not gonna say that banks are bad or anything like that, but I just think that credit unions, that is something that is a tremendous advantage for us. And again, can't say

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enough about that trust. I think that trust factor again, if we fast forward about 10 years, trust may be the single biggest differentiator.

**Peter:** Right, now, that's a really good point. And that's something that I think fintechs still have to earn that trust with the industry here is it's still sort of grappling with how best to do that. But I mean, I think it's just inherent with, with credit unions, I think even I mean, some people that knock on the large banks, but they trust them to actually take care of their money. So that's important, too.

But anyway, so what about the younger generation? Yeah, the younger millennials, the Gen Z crowd, how you focusing on them, and you're on a university, you're, you're on university campuses. So this is obviously maybe a little bit easier for you for your organization. But credit unions in general, how do you think, what do you think they need to do to attract this, this younger crowd,

**David:** I think we need to go back to our roots. I think if every credit union went back to their founding members, they're gonna find passion that can be unlocked, they're gonna find cause they're gonna find value, that can be communicated in a way to all segments of the population, but particularly the younger generations. I think we look at value orientation, you know, I think you can't just have a cheap product anymore. Now it needs to be, you need to be creating tangible value financially, but then you also need to be a great corporate citizen. And there are very few industries that are as good as credit unions. You look across the board of the last, you know, 100 years, 112 years that credit unions have inside the United States.

You know, you don't see credit unions on the front page for doing bad things. And you see a lot of causes where they're supporting causes, whether it's a Children's Miracle Network, whether it's building hospital wings, whether it's coming together for a common industry goal, and maybe it's a regional goal or even a local goal of helping the community in some way. Credit Unions are always there, have been a consistent player throughout time and I think that ultimately is the reason why we're gonna see continued growth with the younger generations. Amongst all generations to as we continue to go in that direction as a society.

**Peter:** Yes, interesting, I hadn't really thought of that before to you this meant to you just talked about them. But yeah, because the younger generation, they want to sort of live their life in line with their values, probably more than any other generation. And I could see that I could see how credit unions could really take advantage of that. Which, I think other organizations are going to struggle with.

But then on the technology side, I mean, when you look, obviously, we had the pandemic, which I think has forced the hand of a lot of people who are resistant. But when credit unions are sort of looking at technology, particularly partnering with fintechs, what do you think they need to do to really make those partnerships successful?

**David:** I think this is really a question where you're gonna have to execute with very high level of discipline and focus. Don't fintech to fintech. I don't know if that's the right way of saying it. But what I'm saying right, don't don't just go partner with FinTech or choose a FinTech, you need



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to make sure that you have a robust and detailed strategy that has a clear vision, not necessarily certain vision, but a clear vision, people have clarity when we tried to do something that aligned with your values and your purpose, and really the uniqueness of your business model.

So for us, like if I went out there and said, Okay, I want to partner with a FinTech company that specializes in supporting manufacturer and assembly plants across the country from whatever need they may have, that would be a bad fit for us. But if I can find a FinTech company that wants to help support us around some initiative that could help us support the university campuses that we serve, that would be fantastic, obviously, a good fit for us.

I have already mentioned AI and how we're using it another great fit for us. But I think, then addition, after that you get through that piece of it, you got to make sure you look at you know, how's this going to help us from a speed perspective, how it's going to help us from a people perspective, both inside outside. And again, I think another big piece of this is you got to make sure you have a FinTech partner you can trust.

**Peter:** So what about on the lending side? I mean, obviously, there's a huge number of fintechs focused on the lending space. Do you find that your members are satisfied with the experience whether it's a personal loan or a credit card or mortgage or something like that, when what is it on the, what about the lending space do you think is missing or is is needed for credit unions to really to satisfy the younger crowd?

**David:** At University Credit Union, we operate with one continuous improvement principle and that is, everything can be improved upon. It doesn't matter what it is everything can be improved on. So to answer your question, everything can be improved upon when it comes to lending. I think, you know, from a hiccup or hurdle perspective, it really is trying to work with other companies that are required in the process that are outside of our control, to help streamline and, again create this frictionless experience for our member owners.

So for instance, a car loan, how do you integrate with the DMV for titling? When you're dealing with a mortgage transaction, you think about all the different players that are in that from their appraiser to getting the various documents needed for the you know, from a tax return perspective? And maybe it's an asset, or financials from CPA. How do we get all those documents in place? How do we make that automated? How can we make it simpler?

And those are the things that I think that really get in the way that makes these processes so long. I mean, when you think about a mortgage, why do mortgages take 45 days or 30 days? I mean, there's no reason why they can't take, you know, 10 days, with the exception of maybe some movers, and even then another player in the transaction needs to be thought through and how do we address that? So I think there's a tremendous amount of opportunity for improvement in lending. And there's probably no better organization to solve for that, then credit unions, because after all, that's what credit unions do best.

**Peter:** Right, right. Okay, so I can hear it in your voice. And clearly, you've devoted your career to credit unions. But I presume you're very optimistic about the future of credit unions. But

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maybe you could just take us out five or 10 years. And what does the future look like for credit unions?

**David:** It's a tough question, because I always get myself in hot water sometimes in this question, within the industry. But, you know, I think the industry's got a bright future, I think as a not for profit, financial cooperative, how we're design, you know, our regulatory framework continues to be very supportive of growing our industry. I think you're gonna see more consolidations, that's definitely going to happen, we're at less than we're approaching 5000 credit unions now coming down from 5300, beginning of last year. So you know, those consolidations will continue to happen.

But I think that we will see growth in market share. So market share will continue to grow. At the same time, I think that as people continue to search out value, they're going to find that inside credit unions. And so our industry is set to do very, very well in the future. We have tremendous talent coming into our industry, from banking, from outside banking, from technology from, you know, all different verticals. And I think that talent, those insights, the diversity that we have, can be the secret to our success.

But ultimately, it's the fact that we are so focused on our member owners, because we are built for them. We are built to serve them and our entire business models around how do we return more to them? I think anytime you have a business that's structured that way, you're not worried about trying to pay some shareholder generating profits off of some customer base. I think that you probably have found maybe a potential blue ocean that is sustainable. And I think that, you know, we've loaded credit unions, we're putting 7%-9% market share now. I don't think it's too crazy. As soon as that number doubles over the next 10 years.

**Peter:** Interesting, interesting. Well, we'll have to leave it there, David, but it's going to be fun to watch. I think credit unions, you know, I think do have a bright future. And they have inherent advantages that many other types of financial institutions don't. So anyway, really appreciate you coming on the show today, David.

**David:** Thanks for having me. I really enjoyed the conversation.

**Peter:** Okay, see ya.

**Peter:** You know, David and I were chatting after we stopped recording and he was telling me about this study they did around the younger, I think it was Gen Z, Millennials talking about their spending habits, how they kind of move throughout the economy. And they do as I said earlier, where they shop is aligned with their values, but where they bank, for the most part has been wherever their parents banked, and that is both a challenge and an opportunity.

Because, as I said, credit unions mission driven by nature, they're member, they're really member oriented. They really do align a lot with that sort of values driven shopper, but unless they can find out about it, they won't switch. But, I think David said that credit unions could double their market share, I could see it happening. If they can sort of basically get out there and get into the minds of all these younger generations, and really make it clear that they do

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have an alignment with their values. Anyway, on that note, I will sign off. I very much appreciate you listening and I'll catch you next time.

(music)