



Winter 2024

# TruStage™ Report

## Embedded lending will be key to credit union loan growth in 2025

Today's loan-growth leaders in the credit union industry share a common proficiency—digital integration. New research from TruStage™, [Making Strategic Choices for Growth](#),<sup>1</sup> reveals the strategic decisions behind the success of top-performing credit unions. Credit unions with a compound annual growth rate (CAGR) of 12.7% or higher are significantly more likely to adopt digital tools like cloud computing (60%), APIs (50%) and automated loan underwriting (27%) compared to those in the bottom third of loan growth.<sup>2</sup>

**Digital integration propels embedded lending, potentially one of the most needle-moving capabilities for credit unions in 2025.** Embedded lending can help supercharge the volume of prospective borrowers and loan originations for a credit union, simplify access to credit and allow credit unions to respond quickly to consumer credit requests, engaging digitally and sometimes with instant decisions.

**Competitive differentiation hinges on digital focus and a culture of agility.** Nearly 60% of the credit unions in the top 1/3 tier of loan growth agreed with the statement, "My credit union has the ability to pivot and adapt quickly to change."<sup>2</sup> Having a culture of agility certainly helps credit unions meet fast-shifting member demands by embracing various digital integration pursuits, including embedded lending.

### Three actionable steps to advance digital integration

- 1) **Leverage member data:** member intelligence, including payment and purchase transactions and loan application and repayment behaviors, identify key points in the member journey where embedded offers are most likely to drive loan growth.

- 2) **Think beyond the loan:** integrating loan applications into the consumer journey is only one of the many possibilities of embedded lending. Credit unions can enhance the borrower experience by also embedding things like debt management education and payment protection insurance into the experience. Credit unions that offer TruStage payment protection products, for instance, use their MeridianLink Portal to provide educational content [directly within the loan application](#).
- 3) **Supercharge marketing:** mastering digital integration enables credit unions to meet evolving consumer demands for speed and personalization, ultimately helping credit unions remain competitive in the pursuit of member attention and loyalty. TruStage has found that leveraging marketing to increase member education and awareness of protection products leads to a 13% increase in loans being protected.<sup>3</sup> Strategic digital marketing plans may also help solidify trust by showing members that their credit union knows them, understands their preferences and is there when needed.

### Maintaining a presence with modern borrowers

Credit unions looking to grow their loan portfolios in 2025 may do well to emulate the strategic choices of the industry's loan-growth leaders. Prioritizing agility and adaptability, focusing on personalized digital experiences over branch engagement and pursuing digital integration strategies like embedded lending enables credit unions to be there for members, precisely at their moment of need.



**Corrin Maier**

Vice President of Lending  
Member Experience



Discover what sets top performing credit union growth leaders apart.  
[Download our fact sheet](#) for a high-level overview of the key strategies driving success in loans, membership, and ROA.

<sup>1</sup>TruStage, [Making Strategic Choices for Growth](#), 2024.

<sup>2</sup>TruStage [Understanding Strategic Choices of Credit Union Growth Leaders Fact Sheet](#), 2024.

<sup>3</sup>TruStage Lending Media Program – May 2023 Campaign Results: 5/1/2023 – 6/28/2023

# Credit unions may be able to broaden strategic giving

**John Pesh**, *Director, Executive Benefits Solutions, TruStage™*

Supporting members is a core value of the credit union heritage. Importantly, that support doesn't only manifest in fair and dignified financial services and products. It's also found within the engagement credit unions have with causes and communities.

Because community advancement is part of the credit union mission, people expect credit unions to do the right thing. Fortunately, there are a growing number of options available for credit unions to do exactly that.

Among these options is [leveraging charitable donation accounts](#). The strategy empowers credit unions to actively support the causes and communities important to their members and employees, while also broadening the base of investments that back their giving endeavors.

## Three things to know about CDAs

A CDA can provide a win-win-win scenario for a credit union to demonstrate commitment to its community and the causes important to constituents.

1. Credit unions may invest up to 5% of their net worth in non-703/704 investments that dually support charitable giving and executive benefits programs. Funding options include annuities, investments, business-owned life insurance and combinations thereof.
2. Earnings and capital gains may be donated to 501(c)(3) and/or 501(c)(19) charities. (This applies to federally chartered and most state-chartered credit unions. See state regulations for confirmation.)
3. Excess liquidity can be put to work also, providing financial support to an important community cause.

## A CDA history lesson for interested credit unions

Credit unions have leveraged non-703/704 investments toward strategic initiatives since 2003. That year, NCUA approved the use of these investments to fund employee benefits. Adoption started slowly following the tech bubble, then declined after the economic downturn of 2008. As the economy recovered, credit unions started investing again, making use of the expanded universe of investment options available to them.

Beyond the financial advantages, credit unions also began to realize that charitable investment funding of executive benefits has a softer return. Because executives are often engaged in the selection of charities, they tend to feel some ownership over and responsibility for the donations.

After a decade in play, the strategy received an additional boost in December 2013. That's when the NCUA established [§721.3\(b\)\(2\)](#) for federally chartered credit unions. This regulation mandated that funding account gains be tied to donations to 501(c)(3) charities.

Most recently, in November 2023, the NCUA expanded the definition of qualified charity to include 501(c)(19) organizations.

## Investments contribute to battle for top talent

The CDA funding strategy is widely used across the industry, and adoption continues to grow as credit unions face an unprecedented need to attract and maintain executive leadership.

Competitive compensation and executive benefits packages are crucial for credit unions sparring with other financial institutions for a finite resource of top talent.

Connecting with current executives—and those identified for succession—is a good first step. By determining the causes and communities important to key leaders, credit unions may establish a relevant and meaningful launching pad for an effective CDA funding strategy.

### Discovery2024 Conference

Strategic insights.  
Human connections.

### Access on-demand sessions now

Over 2,300 leaders from across the country joined this groundbreaking event and tackled timely topics impacting our industry. Gain the strategic insights and human connections you need to launch your credit union into 2025.

**View any Discovery2024 session on our complimentary [OnDemand hub](#).**

The views presented here are the author's alone and not necessarily representative of opinions held by TruStage, LPL Financial or any affiliated entity. TruStage is not affiliated with LPL Financial or its affiliates, subsidiaries, and affiliates. TruStage™ is the marketing name for TruStage Financial Group, Inc., its subsidiaries, and affiliates. Certain brokered insurance products from various insurers may be offered through CUNA Mutual Insurance Agency, a subsidiary of TruStage Financial Group. Each insurer is solely responsible for the financial obligations under the policies and contracts it issues. For more information, contact your Executive Benefits Specialist at 800.356.2644.

**Securities and advisory services, when presented, are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC).** Certain insurance products may be offered through LPL or its licensed affiliates. Registered representatives of LPL offer products and services as part of the executive benefits plans at TruStage. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of TruStage Financial Group Inc. Securities and insurance offered through LPL or its affiliates are: **Not Insured by NCUA or Any Other Government Agency | Not Credit Union Guaranteed | Not Credit Union Deposits or Obligations | May Lose Value**

CORP, EXBEN, LPS-7415540.1-1224-0127 © TruStage