

James Lenz 0:04

You're listening to the CUES Podcast episode 113!

Hello, CUES Nation, welcome to show number 113. My name is James Lenz, CUES Professional Development Manager, your host and editor of the show. We use his special delivery channel to speak with credit union industry leaders and cross-industry experts for a wide range of perspectives on trends and topics relevant to you.

You may have just completed listening to episodes 111 and 112 of this CUES podcast episode series devoted to bringing you an economic outlook to help you better understand this dynamic environment.

CUNA Mutual Group's chief economist Steve Rick shared his US perspective and Episode 111 and Bryan Yu, chief economist at Canada's Central 1, shared his Canadian perspective in Episode 112.

Our guest for today's episode is Dan Berger. Many of you recognize Dan Berger is the President and CEO of NAFCU. The National Association of Federally Insured Credit Unions' mission is to strengthen credit unions by providing the best federal advocacy, education and compliance assistance in the industry.

Dan first joined NAFCU in 2006, and President and CEO in 2013. Berger is also an author and economist and one of Washington's top lobbyists. He is a well-known figure with the political and financial press. He is also a recurring guest on Fox Business and has appeared on CNBC and CNN. You also find him regularly quoted in the national and financial news outlets, such as Forbes, The Wall Street Journal, The Washington Post and Bloomberg.

Now, let's join the conversation again, Dan Berger's perspective on the US economy.

Hello, Dan, welcome to the show!

Dan Berger 2:02

Thank you very much. Thanks for having me. Look forward to it.

James Lenz 2:05

Now Dan, we often start the show by asking our guests if they have a mantra or success quote that they live by, to allow our listeners to get to know you a little bit more and to add some perspective. Dan, do you have a mantra or success quote that you would be willing to share with our listeners?

Dan Berger 2:19

Actually, James, I have two. The first one is coach Bobby Bowden, Florida state's legendary football coach. He always told players work hard on being 1% better every day. So, anything you do, whether in life and athletics, business, whatever, try to be 1% better every day. You

don't succeed every day. But that is my goal every morning that I get up and come to the offices to try to be 1% better every day.

And then of course, the next one is when you walk into NAFCU headquarters here in Washington, D.C., in the NAFCU lobby, it says on the wall, our employees are our greatest asset. And that's true, you take care of your employees, you take care of your staff, and then in turn, they take care of our members. You have to do that. And it's just you have to take care of staff where there's the compensation and the benefits and things like that, but more importantly, creating a culture that they want to work in. And so those are my two mantras that I try to live by every day.

James Lenz 3:17

Great nuggets of advice, thank you for sharing that, always moving forward, always growing. I love that. And it's about the people business. Wonderful.

Now, as we speak here during the middle and end of February 2021, there's both positive and negative news for the coming year. There is a greater sense of hope now, with the progression of the vaccine distribution. On the negative side, there are still so many unknowns. Today, we are going to focus on the economic outlook in 2021. And beyond perhaps the first place we could look at is the four-letter word: jobs.

Now, Dan, wasn't it just a little over a year ago that we had the lowest unemployment rate in the United States? And then the pandemic hit. What was the highest unemployment rate in 2020 that you can recall? And where are we now in terms of unemployment rate? And what are your projections for the labor market for the remainder of 2021, and then heading into next year?

Dan Berger 4:10

James, you're absolutely right. The lowest unemployment rate we had was about a year ago, and it was 3.5%. And then in April, it spiked up to 15%. And it's now settled back down to about 6.5%, 6.3, depending where you look. But there's a lot of damage done when everything got shut down. And unfortunately, it really impacted folks in the lower social-economic environment that we operate in the most. And that's the folks that work in the restaurants and hospitality and things along those lines. It was absolutely devastating, and it still is. It's beginning to trickle back but it's still elevated and will probably remain elevated, I think, for the rest of 2021.

James Lenz 4:52

We have a higher unemployment rate. Now, of course, that has gotten smaller, which is a positive thing, but consumer spending obviously has taken a hit. We've also had predictions and actualities of evictions, foreclosures, personal bankruptcies ... to counter the economic downturn and provide relief for impacted households and businesses, governments across the world have enacted record amounts of stimulus. What kind of impact did these measures take? Will they take? What do you see happening next?

Dan Berger 5:23

That'll bring a lot of liquidity to folks out there, including, you know, credit unions as well. And then so there'll be extremely helpful for the folks that need it today. I think they're looking to enact some type of means testing. So, make sure that people who really need it need it and that people who don't need it, don't receive it. That's kind of the debate that's going on behind the scenes right now in the sausage-making that is Washington, D.C. But now the stimulus is going to be very helpful. I think you're going to see Congress and the various regulatory agencies that have the ability to provide funding to local government, state governments, to individuals, I think that continues on through 2021. I know they're talking about an infrastructure bill and shovel-ready projects and things along those lines. That will have a tremendous impact as well.

James Lenz 6:18

Thank you for sharing. What will it take, though, to get back to the very, very low unemployment rates we had before the pandemic? I mean, do you see that happening? What needs to take shape?

Dan Berger 6:28

I think continuous stimulus, targeted stimulus needs to occur. The vaccine has to be you know, widespread. We have to see scientific results of the virus abating and slowly going away. It's never really gonna go away. Flu's always out there. But that has to that'll be an impact, I think the mask will still be part of our lives going into 2022. But for the economy to continue to start humming again, increase stimulus, you know, so those businesses can reopen. But the vaccine, it all hinges on the vaccine and everybody getting their two shots. And now I think I read the word Johnson and Johnson is going to have a single shot and some other companies are looking at single-shot vaccines. When those start rolling out, that will have tremendous positive impact. And quite frankly, James optimism, you know, and a lot of some so much of it is psychology on whether it's the consumer spending and people feeling good and feeling safe enough to go out and spend again, and go out in the community and go to the restaurants and go travel and stay in the hotels and things along those lines. But it hinges the catalyst for all this to really work is the backseat.

James Lenz 7:39

It's so exciting that there are other vaccines on the horizon. That certainly will help incredibly, but it's interesting, you brought up the psychological elements that are into play here. You know, that probably goes down to job security, right? More and more spending opportunities there. But also spending quality time with family. Yeah, there's so many things that go into that just feeling like it's a good time to maybe embark on some of those spending that obviously people have been withholding on.

Dan Berger 8:04

Yeah, and when we saw that, if you look at it was record amounts of liquidity within the credit union industry, because people were saving. Then they got the stimulus check, and they just

weren't spending it. And I think some of the folks in Congress and the economists were hoping they were going to go out and use some of that, but they were reluctant to do it for safety concerns for, and you mentioned it, job security. I don't know what's gonna happen with my job. And things along those lines and so the second round of stimulus, targeted stimulus, I think that's positive, but it all hinges on that vaccine being widespread and people getting their shots.

James Lenz 8:36

It's been a crazy time for credit unions ... pandemics, social unrest, an uncertain economy were hallmarks of 2020. What things have you seen credit unions do that have served them well in responding to last year's big issues?

Dan Berger 8:51

I'm so proud to advocate for the credit union industry. They're actually the stories I hear from across the country with, you know, skip-a-pay programs and workout loans and things along those lines. And that's the difference between us and the big banks. When people were helping folks even before Congress said they had to do it with moratoriums and things along those lines. And, in terms of forbearance, this industry has really responded to their members as well as their communities.

And then so credit unions have come up with very innovative programs to help their members through this. And that's where, in the long run, people are going to remember that institution that was there that did a workout loan for them, or did some loan modifications for them. They're gonna remember that and that loyalty. You can't buy a full-page ad like when Wells Fargo does try to re-establish trust. You have to build that over time. And that's what credit unions have, they have this incredible amount of trust, and it's even built upon even further through 2020. And you'll see it throughout 2021 as well.

James Lenz 9:50

Yeah, great examples there. And of course, the great differentiation with credit unions versus other financial institutions. Now, what are some trends you are seeing as we move into 2021 credit unions might want to respond to or watch out for?

Dan Berger 10:05

We're seeing a large migration of people from big cities. Everybody was, we had teleworking here at NAFCU, but a lot of people were piloting it and may not have had it, you know, company-wide or so to speak. But now they're showing that it can be done. People can do their work and be held accountable to do their work. I think you're gonna continue to see some of that migration. People live in the big cities and go into places that they've always wanted to live. You know what? I can work from anywhere now, and my employer is gonna allow me to work anywhere I want to live in, you know, Vail, Colorado, or Key West Florida, or Nashville, Tennessee, or Austin, Texas, you know what I mean? Just those dynamic places, especially the young people feel like, you know, what, I can work from anywhere, let's go live where we want to live, not necessarily where my job is and is forcing me to live. And you're going to, I think that

migration is going to continue. It's beginning to slow down a little bit, but I think you're gonna see that continue a little bit.

James Lenz 11:03

Yeah, I don't see that reversing. It may change a little bit in the rate, but long term, you know, those are options that didn't exist before, I think is general trust in, you know, accountability, and just parameters and scaling. So many great ways to scale. And so, you know, we're forced to do this. And I think organizations, individuals and teams have handled it so well. I think that changes economics, you know, changes housing markets, or shifts going on. The impact is incredible if you really think about it.

Dan Berger 11:32

It really is incredible. And we invested heavily technology here at NAFCU several years ago, not to be prescient because of a virus. But when I became CEO, we had a snowstorm here in the Washington, D.C., area where we had five or six feet of snow. I mean, it was ridiculous. And everything shut down, as you can imagine. So we can't operate that way.

So, I went to my board of directors, and they immediately, unanimously supported it. So, everybody got laptops and cameras and microphone capabilities and things like that. So, when we shut down here at our headquarters on March 13, we were digital, fully virtual within 24 hours, because we had that platform. And so with all that, there's something I don't know 12,000, 15,000 trade associations in Washington, D.C., some of them it took six to nine months to kind of find the platforms and be able to deliver content. We could deliver content immediately. And all the conferences switched over to virtual. Now we're beginning to do hybrid conferences, some of it in person and some of it online. And so, because of that investment in the strategic vision of my board of directors that are all credit union CEOs, by the way, we could flip a switch and pivot. And so that proved we always had teleworking in some format at NAFCU, but it just accelerated everybody's looking at teleworking. And so, and it works.

And it doesn't work with every position, as you know. But it works the best we do. I don't care if you do it at a coffee shop, and I don't care if you do it at two in the morning. Get your work done. And you have something deliverable by, you know, 3 p.m. on Friday, and you can get it done. I don't care how you get it done. Yeah, get it done.

And then so and I think that dynamic is going to be with us for a long time, James, like you mentioned, is that the workforce is going to start demanding that and we've seen that we have people in working in different states around the country that works. And they prefer that I want to be with my family in South Dakota, or I want to be with my family—we have an employee in Madison, Wisconsin. And so it works. And it just we give them that type of flexibility, but it takes the investment in that infrastructure to provide that flexibility.

And having said all that, though, James, this is a terrible environment. I really dislike working in this drama. Yeah, I'm a Type A extrovert. I like seeing people in person. I like going up into

Madison and Bob Trunzo and the whole team up there and not being able to do that is really frustrating to me. The relationships you build within the credit union industry with supporters like CUNA Mutual Group and others. That connection that you have for a common goal of supporting the credit union industry. It's really powerful and not to be able to do it in person, I find really frustrating. And so, I can't wait till we go back in person. One of my first trips will be up to Madison.

James Lenz 14:23

As you said, you set up the infrastructure of what you have done and what organizations have done very recently, obviously, due to the pandemic or you did it prior to that. You know, it's like turning on a switch, you're ready to go. So great preparation there. Now, let's shift gears here. What are the expectations for the impact on the economy of the new Biden administration?

Dan Berger 14:42

I think it's going to be twofold. I think under the Trump administration, we saw kind of a deregulation occur, which was beneficial, quite honestly, to the credit union industry where we can in turn do more for credit union members and their communities. But with the Biden administration, we're gonna see more stimulus and then to really help our economy and in help the folks out there, because there's a lot of people hurting across our country, and especially folks like we mentioned earlier in the restaurants and hospitality, industry, hotels, airlines, things along those lines. But you, I think you're gonna see a lot of focus on trying to help those that really need it, number one, but I think you're also going to see a focus on some of the social justice issues as well, the inequality issues and things along those lines. To have that discussion is awesome, and it's needed. And you can define and point to inequality in various channels throughout our society and throughout America. But I think you'll see further engagement and along those types of discussions.

James Lenz 15:40

Now, besides economic considerations, what are some other ways that the new administration might impact credit unions? You actually just mentioned some of those things. Anything else you want to mention here?

Dan Berger 15:49

Yeah, I think you'll see some increased activity with community development financial institutions. I think you'll see some increased CDFI funding in order to help those parts of our communities, parts of our economy, and individuals. They were just devastated by COVID. And you'll see that now I think they'll see a lot of that through CDFIs. And I think that's a real good thing for the economy, good thing for America, good things, the people that really need it. I think that most of it still relies on Congress to provide the appropriations in order to take care of the folks out there that really need it.

James Lenz 16:21

Yeah, CDFIs, I had a couple of guests talk about that. And they can make such a difference for the community. It's a way for credit union to be very inclusive, you know, in their community

and to serve, serve all. All right. Now, what can credit unions do to best manage these kinds of changes for the organization and members?

Dan Berger 16:42

Well, you're gonna see an influx of liquidity coming. That provides an opportunity for credit unions to make more loans. And I think you're going to see them be very aggressive out in the communities and in marketing and reaching out to their members and providing loans to the folks that need it, small businesses that need it, maybe a shot, they need a new vehicle, they held off for a while and kept running and driving their clunker. And then they need to change it. And I think there's gonna be some opportunities for doing that. But credit unions had historically always done a great job of serving low- and moderate-income households. And it's the working men and women of our country, and they've done a great job. And I think you're gonna continue to see them do that.

I think that we got some more stuff to get through in 2021 in regards to COVID, and cranking up the economy and getting more people and to be financially inclusive with the economy. And you'll see some more of that coming up. And it'll really, I equate it to laying the runway in 2021 so you can really take off in 2022. But I'm so pleased with this industry, in the CEOs I speak to across the country, in the jobs that they're doing. I mean, it's really been an incredible effort across the board and I don't see it stopping.

James Lenz 18:01

That's wonderful, positive news means a lot that you're here. Now, if people want to connect with you and with your organization, then what's the best way for them to connect?

Dan Berger 18:12

A couple ways, of course, our websites [nafcu.org](http://nafcu.org). I'm on LinkedIn. That's B. Dan Berger, and I'm also on Twitter. That's also B. Dan Berger. Reach out, love to connect. We respond within 24 hours. So, we're known for our responsiveness, James. And so, you send me an email or give me a phone call. You will be in touch with me. So, I look forward to folks reaching out.

James Lenz 18:35

Well, thank you so much. Thank you for serving as guest and for spending some time with CUES podcast nation. Thank you.

Dan Berger 18:41

Thank you so much. Appreciate it James.

James Lenz 18:44

Thank you to Dan Berger for serving as guest for this episode and Steve Rick and Bryan Yu for serving as guests in the previous two CUES Podcast episodes. This episode concludes our three-part series dedicated to providing new views and perspectives on the economic climate.

I also want to take this opportunity to encourage you to visit a couple of our links to find out more about some of our new and exciting programs. For more information on our new CUES High Performing Board Digital Series, one fee for your entire board, your board liaison and your CEO, please visit [cues.org/HPB](https://cues.org/HPB).

You might also be interested in learning more about our digital marketing options and opportunities. You can do so by enrolling in our all-online Strategy and Digital Marketing Cornell Certificate Program that CUES is offering starting on April 21 of this year 2021. Learn more at [CUES.org/ecornell-marketing](https://CUES.org/ecornell-marketing).

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