

FRONTBURNER

Last month, we introduced *The FrontBurner*. As just a quick reminder (or perhaps intro) this is something we are pleased to now provide monthly. It will always have a brief note from me and a primary content piece from a subject matter expert at VolCorp. The plan is to always provide you with something brief, but meaningful, always worth your time to read, and relevant to either the industry or your partnership with VolCorp.

For this month's edition, our focus is on what we are seeing in regard to how credit unions are adjusting to inflated balance sheets combined with limited loan demand. More specifically, how VolCorp can help you plan for the other side of liquidity.

I hope you enjoyed our inaugural edition last month discussing Lessons Learned from 2020. If you missed it, the February edition can be read on our [website](#). We have many exciting things planned for 2021 with *The FrontBurner* being just the tip of the iceberg. We also have a special anniversary this year — **40 years of service to credit unions!** Stay tuned to hear more of what is to come as we navigate 2021 together. Proud to serve you.



Jeff Merry, President/CEO

HELP!!! I've Got Too Much Cash

If you have uttered the words *"I have more cash than I can remember ever having in the past"* or *"I've got to do something with this cash, but I don't know how long it is going to stick around"* at least once since the pandemic started, you are NOT ALONE. Here at VolCorp, we have certainly seen an uptick in member credit unions searching for new investment options outside of what has typically worked over the years. Credit unions spend a lot of time planning for a liquidity shortage, but they don't always plan for the other side of liquidity, especially one caused by a global pandemic that NO ONE had on their radar. That's why this month's issue of *The FrontBurner* is dedicated to discussing some account and investment options you may not have previously considered.

Cash Management

It is normal for credit unions to worry about how long the higher-than-normal level of liquidity is going to stick around. If you have not explored all of your account options at VolCorp, then now is the time. For example, you are likely familiar with



the Transaction Account and the Premier Account. Anything over the required minimum balance in your Transaction Account automatically sweeps over into your Premier Account each night. However, did you know that you have other account options to park your cash like our **Member Managed Account** or **Notice 90 Account**? Both of these accounts pay a higher rate than the Premier Account, so if you are not familiar with them, now is the time to learn more.

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You can also open an **Excess Balance Account (EBA)** through VolCorp. The EBA allows credit unions to earn interest on their excess balances in an account relationship with the Federal Reserve Bank (FRB) through VolCorp, who acts as the EBA agent between the credit union and the Fed. The EBA is a limited purpose account, meaning it's a place to hold excess cash while still maintaining ease of access to cover activity in your VolCorp accounts. In addition to paying a higher rate than the Premier Account, some of the benefits include same-day access to funds with no withdrawal limits, a 0% risk weighting per the NCUA's risk-based capital framework, and easy set up with no fees.

Investment Options

Even with several options for cash, let's face the cold, hard truth. Cash really doesn't pay well anywhere. If you are not lending, then you need to be investing. The first place the majority of credit unions turn is CDs, but the CD market is tough right now. The rise in liquidity has decreased the need for issuance, which has led to fewer issuers in the market. If you are not already signed up for our **SimpliCD** program, what are you waiting on? There is no cost to sign up for access to the program, no monthly or annual fee, and you will have access to issuers you won't find anywhere else because they issue exclusively through the program. Loan participation has also gained in popularity since the pandemic hit as credit unions continue to search for yield. The drawback to loan participations right now has to do with supply. Again, because of unusually high liquidity for the majority of credit unions, loan participation opportunities sell out quickly and they do carry

higher risk than other types of investments. The good news is access to the **LoanStreet** platform is completely free with no monthly subscription fee and no minimum purchase requirements. With loan participation opportunities few and far between and less CD options, either as a result of a large CD portfolio or because of fewer issuers in the market as mentioned previously, you may want to consider our brokerage service. Keep in mind that suitability must be taken into consideration with securities and they might not be a good fit for your credit union, but don't you owe it to yourself to see if it makes sense for your portfolio? Remember, we are not just some broker telling you to invest, we are a broker owned by you who is also managing billions of dollars in liquidity ourselves. Plus, our brokerage service has no upfront costs, and if you already have securities in your portfolio, we may be able to save your credit union some money with free bond accounting and portfolio analytics, a service many credit unions currently pay for.

The key takeaway is that 2021 is going to be challenging for all of us, so make sure you are putting your cash to the best possible use. Focus on staying safe and know what is permissible and what is not. Since every credit union's balance sheet is unique, it is impossible to fully discuss all of your investment options in one article. Therefore, we encourage you to contact our **Investments Team** at **Option 2** to discuss your specific needs in greater detail.

