



## Apple FCU Improves Lending Practices With eLearning, Gamification and ILT

Apple Federal Credit Union  
Best Use of a Blended Learning Program  
August 2018



### Company Background



<b>Company-at-a-Glance</b>	
<b>Headquarters</b>	Fairfax, Virginia
<b>Year Founded</b>	1956
<b>Revenue</b>	\$107,739,396
<b>Employees</b>	438
<b>Global Scale</b>	Northern Virginia
<b>Customers/Output, etc. (Key customers and services offered)</b>	Base consists of education and community members. Provide financial services, such as savings and checking accounts, consumer and mortgage loans and credit cards.
<b>Industry</b>	Banking/Finance
<b>Website</b>	<a href="http://www.applefcu.org">www.applefcu.org</a>

### Budget and Timeframe

Overall budget	\$50,000
Number of (HR, Learning, Talent) employees involved with the implementation?	4
Number of Operations or Subject Matter Expert employees involved with the implementation?	14
Number of contractors involved with implementation	1
Timeframe to implement	12+ months
Start date of the program	January 2017

### Business Conditions and Business Needs

Apple Federal Credit Union was struggling with high-quality loans and a good member (customer) experience. The organization has 22 branches, a call center and an online team handling member loans from start to finish, resulting in 150 people answering product-knowledge questions, directing the member to a solution, underwriting and making loan decisions.

The service and quality of loans was inconsistent. It was challenging to keep the underwriting decisions in congruence with organizational goals or make changes to policy procedures involving so many individuals. The organization hired a consultant to look at the member experience, lending practices and the challenges the organization faced.

Based on information from the consultant, company leaders decided to move from decentralized underwriting to centralized underwriting. This change meant that underwriting would no longer occur in the branches and call center (member-facing staff) but would be done in the back office by an underwriting team.

The goals to improve consumer-loan member experience, increase loan growth, and make quality loans became part of the organization's strategic priorities in 2017. A new approach to training on lending became a critical component to the execution and success of this organizational strategy.

## Overview

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The approach consisted of developing new lenders and retraining current lenders on the centralized approach. The training was developed for branch staff, online-lending staff, outbound-sales staff, member service-center staff and others responsible for consumer loan requests. The lending training was designed to improve efficiency by creating a blended- learning approach. Pre-work is assigned via eLearning, followed by a two-week, instructor-led course that consists of lecture, videos, eLearning modules, skill practice, and gamification. Once the staff completes the blended two-week course, they finish their learning with on-the-job training.

The goals of the blended learning approach were to:

1. Decrease the amount of time it took an individual to be lending proficient by decreasing “formal” learning time from six months to one month.
2. Improve engagement and individual-learning experience by appealing to all learning styles.
3. Increase knowledge retention.

The transition from decentralized to centralized underwriting was a major organizational shift. The initiative was integrated throughout the organization through a project with a specific scope and measurable metrics. The project evaluation criteria to measure success was a strategic priority to improve the consumer-loan member experience. The goals included:

- Improve the speed of loan turnaround time.
- Improve quality of loans.
- Enhance cross-selling abilities and results.
- Increased Member Net Promoter Score (NPS).

## Design of the Program

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The organizational change impacted the way the Talent Development (TD) Department delivered learning to the organization’s lending staff. Pre-change development included product knowledge, interviewing skills, compliance and regulatory knowledge, loan origination system, operations, policies and procedure knowledge, credit report analysis, and underwriting skills. The time to develop a new employee into a competent loan



officer was six months, including three classroom training courses, Lending Academy I, II, and III, and job shadow rotations to the Collections Department and Consumer Lending Titles and Underwriting Departments. The TD team conducted a needs assessment with internal-business partners and uncovered the needs:

- Heavy emphasis on underwriting, operations, policies and procedures, and credit-report analysis is no longer needed.
- Teach staff to be member advocates as opposed to loan underwriters.
- Spend more time developing soft skills, sales skills and product knowledge.
- Develop interviewing skills and effective notes for underwriters.
- Create effective communication of loan decisions (approvals, denials, counteroffers) and credit counseling.

In addition to gaps in content, the pre-change training resulted in higher costs due to longer periods in training, mileage reimbursement, and longer time to proficiency. For staff members to participate in the instructor-led training, they had to travel to the organization's headquarters. Apple is spread over a 60-mile radius, so a blended-learning design was needed to reduce costs and gain efficiencies.

Talent Development initiated a project with Subject Matter Experts in support of the Strategic Goals:

1. Update the lending training to address organizational changes and skill gaps.
2. Create a more efficient approach to develop the skill set.
3. Improve metrics (loan-turnaround time, quality of loans) to ensure better member experience.
4. Improve loan cross-selling.

Once the target-audience's needs were identified, it was time to design the training. The first step was to update content from an operations-heavy approach that focused primarily on processes and procedures to a more consultative approach. This new approach offers a well-balanced curriculum that includes interviewing skills, product knowledge, cross-selling, and communicating decisions. Additionally, the Chief Lending Officer and SMEs speak to the class about the organization's lending strategies, cross-selling, and collections.



To make the class more efficient, the Talent Development staff worked with the Consumer Lending team to create lending pre-work. The pre-work included eLearning modules that would need to be completed before a staff member would be eligible to enroll in the lending training. This eLearning not only provided staff with background knowledge of certain lending aspects but also decreased the time spent on the topics in the classroom. Instead of teaching brand new material, the Lending instructor could reinforce content and improve knowledge retention. The training was assigned to each person’s Learning Plan prior to attending the class and could be completed remotely. Another component of the pre-work was job shadowing. Students are required to sit side by side with a lender in their department or branch to ensure that they have seen the lending process from start to finish prior to attending the classroom training.

Adults are experiential learners who learn and retain information by relating concepts to their prior learning and experiences. The pre-work was a critical element because it put all prospective students on a similar playing field and provided them with a baseline of knowledge and experience they could use to get more out of the classroom session.

**Figure 1: Pre-work eLearning modules**

Bankruptcy and Consumer Loans	FCRA: Credit Reporting Regulations
Consumer Lending Basics	Loan Documentation: Ensuring Your Right to Collateral
Consumer Loan Collection	Loan Documentation: The Basics
Document Preparation and Consumer Loan Closing	Reg B: An Overview
Ethics: Policy and Personal Judgment for Lenders	Reg B: Nine Prohibited Discrimination Factors
Fair Lending: Basic Topics and Terms	Reg Z: Purpose and Application
FCRA: An Overview	Underwriting Consumer Loans
Skills for Interviewing	Consumer Loan Products and Services
	Credit Card-Right Product for the Right Member

Source: Apple Federal Credit Union

The learner then would attend instructor-led training with the Talent Development Specialist on the Talent Development Team. The redesigned training is two weeks instead of three weeks. The first week focuses on non-systems training, including such topics as successful interviewing, discovering member needs, credit consultation, communicating loan decisions, product knowledge, and becoming member advocates. Much of the program focuses on memorization and reinforcement of the right product for the right member.

Being able to have an educated conversation with the member and give good advice are skills that are critical to improving the quality of the loans and, in turn, meeting member needs. The training also included credit investigation and counselling. The staff spends time looking at credit reports, discovering red flags, and finding areas of opportunity to help members improve their credit.

The second week is spent navigating through the automated loan-origination system, the loan process, documentation, and lending-management system. The TD trainer utilizes videos, gamification, eLearning modules, and SMEs to deliver the course. The videos teach what a “good” and “not so good” loan interview looks like. Involving SMEs enable learners to hear from various stakeholders and receive different points of view regarding the loan process. This program was designed to provide learners with an overarching holistic view of the entire lending process.

### **Delivery of the Program**

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To initiate the shift in the organization’s lending process, the TD team trained 125 staff members over two months. Each full-day session, the organization’s change rationale and strategic priorities were reinforced, the new approach to lending was taught, and the metrics for accountability were communicated. The blended learning program was delivered to all member-facing lenders. In addition, several micro-eLearning modules were delivered for learning retention.

The training and change management process continued after the initial rollout. When a staff member is promoted from Member Service Rep I to Member Service Rep II, where taking loans is part of the position description, the lending pre-work is assigned. Two weeks prior to the training, the TD Specialist ensures that pre-work has been completed. Once the pre-work has been completed, staff members can enroll in the ILT course. The

pre-work is both eLearning and on-the-job training (OJT), sitting side by side with an existing lender.

The instructor-led training starts with a knowledge check that includes 15 questions on basic knowledge about lending. The goal is to show at least a 25% increase in knowledge in the post test.

### **Change Management Efforts**

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With this change initiative, the largest challenge the organization faced was to address the morale of the member-facing staff who no longer would perform loan underwriting, which was a rewarding and gratifying part of their responsibilities. This perceived “loss” had to be addressed. They were going from decision makers of a loan request to having no authority to make a loan decision and now had to rely on back-office staff members to make the final underwriting decision. The member-facing staff felt they could best represent the interest of the members they served.

Until the change was made, there was not a clear understanding of how dearly the member-facing staff held this authority they had been granted. Talent Development also was also challenged with overcoming a mindset that management was taking something important away from them that they were knowledgeable and skilled to do.

In addition, there was criticism of the individuals who were now underwriting as some member-facing staff believed they had more tenure and knowledge than the underwriter and didn’t agree with their decisions. Finally, they now were expected to use the time normally spent underwriting to cross-sell other products and services, a function they had less training and experience to do successfully. Talent Development needed to focus on developing the member-facing staff to move from order takers to solution makers.

The process for facilitating change management was to create a project that was sponsored by the Chief Lending Officer (CLO) with a defined scope, benchmarks for success, and team members from across the organization (leaders, key influencers, SMEs, branch managers). Tasks were identified to help envision what the change would look like (vision and strategy), how the organization would measure success, how staff would be informed, what training and retraining would take place, and what process would be followed to get feedback from employees and members.



Buy-in was not easy to generate as the organization was making major changes to the workflow. There was frequent communication from many sources regarding the vision for the organization, which included sound and consistent underwriting, high-quality loans, and the desire to provide better member experience.

Assessing the impact of the change along the way enabled the team to identify a lack of trust in the loan officers' underwriting decisions. The relationship between the underwriting team and the member-facing staff was strained. To help overcome that challenge, Talent Development added a training section that allowed each member-facing trainee to sit side by side with back-office loan officers as they made loan decisions in real time. The learners would watch the loan officer go through the step-by-step process of the things they are seeking in a strong-loan request, taking away the mystery, helping bridge the gaps and building relationships with the loan officers and member-facing staff.

The change was challenging, and Talent Development was flexible in receiving feedback and providing resources during the transition. There also were regular check-ins with the CLO and branch managers. The CLO spoke at each ILT session. Calibration exercises with the centralized underwriting team now take place.

Talent Development provided refresher training on product knowledge and cross-selling skills through eLearning modules and other resources. In the ILT session, it was important to recognize the feelings and emotions of the member-facing staff. Talent Development also reinforced why the organization was changing from decentralized underwriting to centralized underwriting and provided data that showed the benefits of a centralized-lending environment. The CLO and SMEs also conveyed the message.

The team measured progress with various metrics, including Member Net Promoter Score, Staff Loyalty Score, Delinquency Ratio, Charge-off Ratio, Cross-Selling growth for credit cards and Refi-Analyzer, Training time to proficiency, Growth in lending knowledge (pre-test, post-test) and Loan Turn-Around Time.

Data shows positive results for both the staff and the members. However, the organization is not where it ultimately wants to be with regards to overall loan growth. Progress can be seen in the one year since the change-management process began.



### Measurable Benefits

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Talent Development's blended-learning approach helped the organization exceed efficiency expectations. With the implementation of the training program, the amount of time that it takes to train a new lender decreased by 50%, going from three weeks of lending training over a six-month period to two weeks of lending training and one month to proficiency. This new training allows the member-facing staff to start producing in the branch sooner.

Staff members are given a pre-test at the beginning of the lending course to understand their level of knowledge before the course and a post-test to measure the level of growth they experienced from the course. Talent Development set a goal to increase knowledge by 30% in the post-test. In 2017, participants had an average increase of 42% in their knowledge. The pre-test average score was 63 and the post-test average was 90.

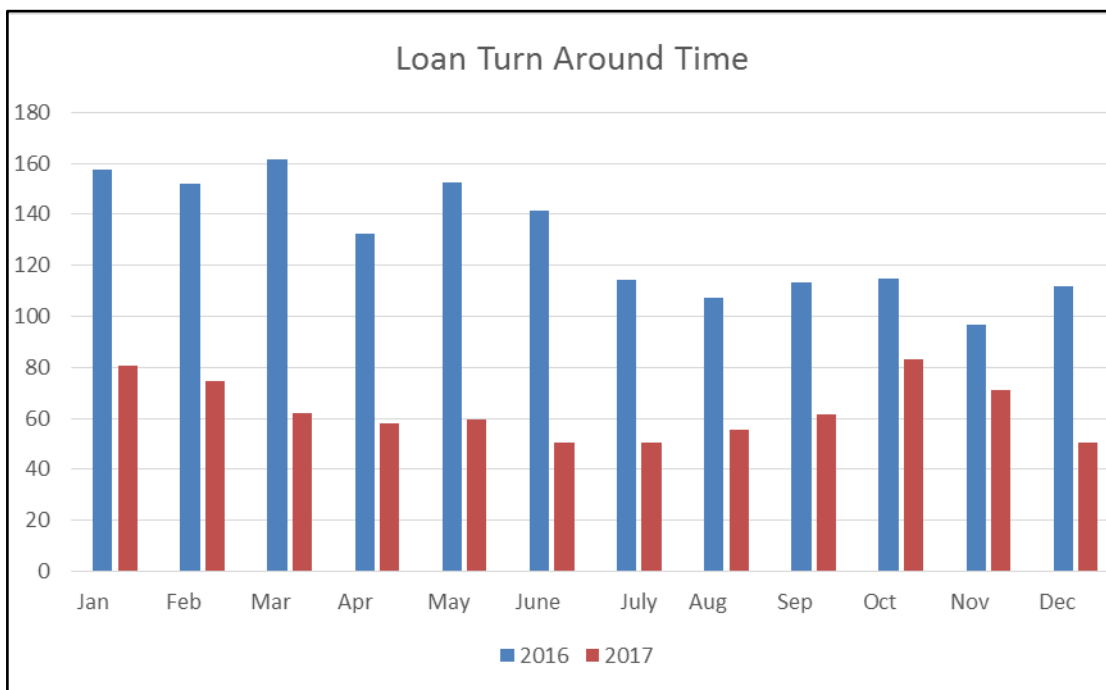
There also are areas of improvement measured through Apple surveys. For example, the confidence of the staff to process loans and cross-sell has improved. Survey comments include:

- "This course was great, it brought focus to areas of an application that we may not typically be looking for. It helped to better prepare me to create an application for underwriting. I am very excited to apply my new skills to my new applications!"
- "Great refresher, relevant information, and I love how we're trying to improve consistency across the entire organization."
- "I really enjoyed this class. It was very hands on and I liked the skill practice since I was able to learn different ways to approach each declined loan."
- "I feel confident and ready to take loan applications."
- "I feel empowered, motivated and knowledgeable."

## Loan Turn-Around Time

With well trained and competent staff, the loan turn-around time has improved. It now takes less time to process a loan than it did previously. This is positive from a member experience standpoint.

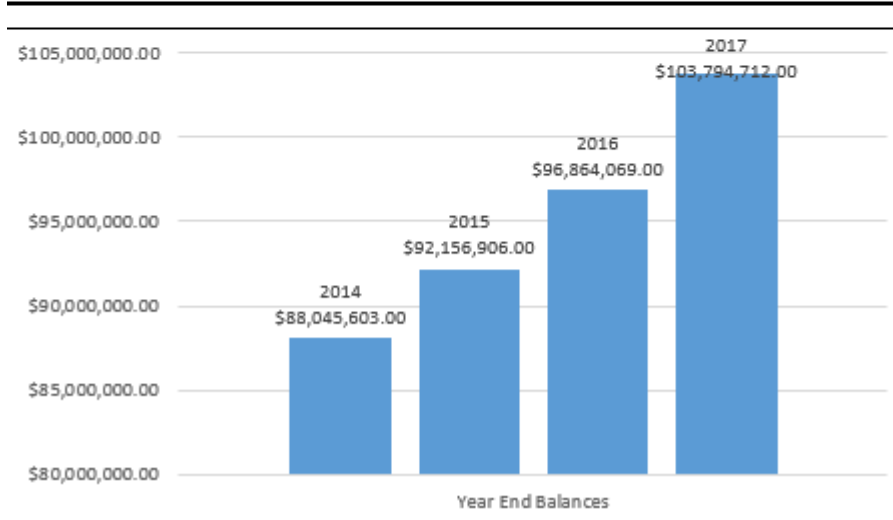
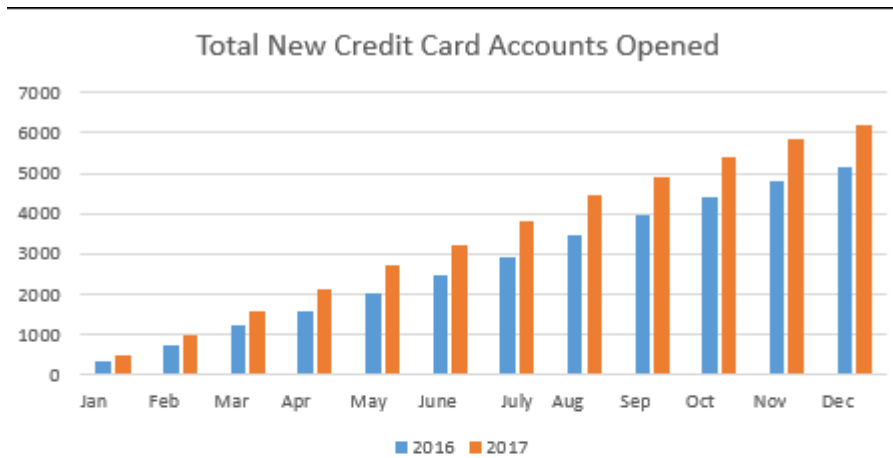
Figure 2: Loan Turn Around Time Data



Source: Apple Federal Credit Union

Talent Development's efforts to retrain the staff consisted of product knowledge eLearning modules that focus on credit cards, instructor-led skill practice, and a new cross-selling tool called Refi-Analyzer contributed to a record setting credit card growth for the organization. There was a 55% increase in cross-selling from 2016 to 2017 through the Refi-Analyzer tool. The charts below show the record number of credit cards opened and the balances. This represents a 7% balance growth from 2016 to 2017.

**Figure 3: Total New Xcredit Card Accounts Opened Data**



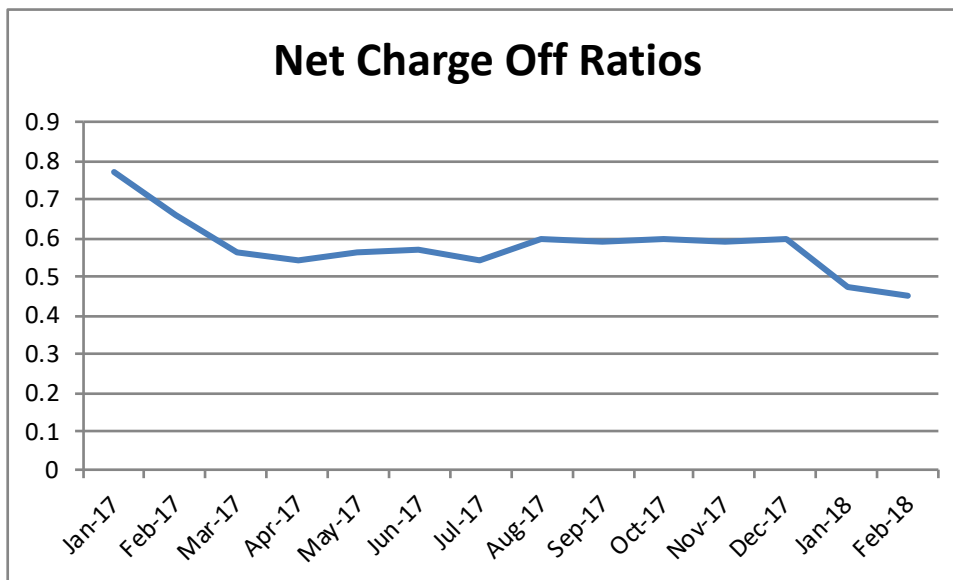
Source: Apple Federal Credit Union

The organization measures the loyalty of our members based on the response to the question, “How likely is it that you would recommend Apple FCU to family and friends?” Those who give a rating of 9 or 10 are promoters and those with a rating of 0-6 are detractors. The formula subtracts the percentage of detractors from the promoter percentage to calculate Net Promoter Score (NPS). The first quarter of 2017 had a net promoter score 49.85%. Second quarter the NPS was 52.39%, third quarter was 54.64%, and the last quarter was 57%. The first quarter in 2018 has a record NPS of 65.40%. These results may reflect a better overall member experience.

The organization also measures staff loyalty. In June of 2017 the score dipped from 65.9% to 61.6%. There was a one percent increase in Detractors. Comments in the staff loyalty survey stated some of the discontent with the change of the lending process. The only major change initiative within the organization at that time was moving to decentralized underwriting. The current staff loyalty, after the change management process is 66.9%.

The organization's strategy for high quality of loans is measured through delinquency and loan charge-offs. The delinquency ratio in January 2017 was .79% and continued to decrease each month where in December 2017 was .51%. The net charge-off ratio decreased from .77% in January 2017 to .60% in December 2017. It has continued to decrease in January and February 2018 with .47% and .45%. The lower the number the better.

**Figure 2: Net Charge Off Ratios Data**



Source: Apple Federal Credit Union

## Overall

### Lessons Learned

The change management to centralized underwriting made great progress but was not without pain and challenge. There were challenges with not staying within the scope of



the project as some metrics, such as average time to disbursement, continues to be high. Additional training requests include IMM/EchoSign for electronic-document delivery.

There also was a need to expand the automated underwriting to improve speed and efficiency as the organization went from 150 underwriters to 7 underwriters.

Initially, there was a not a good understanding of how the changes would impact staff morale. Additional communication, receptivity to feedback, and adjustments along the way became critical components to a successful change-management process.

Ultimately, Talent Development needs to be flexible. The blended learning approach, which has reduced the time of classroom training, has enabled TD and the organization to save time and money. This blended learning approach is currently being reproduced for teller training.

### **Future Outlook**

Talent Development will continue to ensure that their efforts align with organizational strategy. Average time until disbursement and closing-ratio numbers continue to be a challenge. The organization will address those problems as they next evaluate workflows, procedures, and systems. There now is a realization that the Loan Origination System used when training staff will need to be replaced, and there is a need to redesign the loan-application process. Talent Development will be a critical partner for these change-management initiatives.

Talent Development also is redesigning the user manual for lenders. In addition, TD will begin to analyze specific questions to identify trends or gaps in content in the pre- and post-test versus just looking at percent increase in knowledge. This analysis will enable the TD team to adjust the course design and blended-learning components. Additional enhancement to gamification and class activities for better interactivity are in progress.

Lastly, Talent Development would like to add annual refresher-lending training for lenders to ensure that the staff still performs at a high level and with consistency across the organization.



## About Brandon Hall Group

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Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management. With more than 10,000 clients globally and more than 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

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