CATALYST
Corporate Federal Credit Union

SCAN

News for Member/Owners of Catalyst Corporate Federal Credit Union

FIRST QUARTER 2021

Credit Union-Owned Mobile P2P Service Now Available

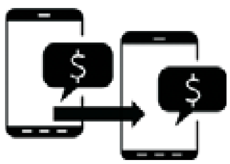
No credit union installations, no new operational steps

Credit unions have a new choice as they look to enter the fast-growing person-to-person payment (P2P) environment. Catalyst Corporate recently announced the launch of its P2P mobile payment solution, PayMōli, providing credit unions an easy onramp to the marketplace.

PayMōli is easy to implement, allowing credit union members to transfer funds from their account to a friend's account quickly and securely.

"Catalyst Corporate has been working toward this launch date since it initially acquired Georgia-based Aptys Solutions last year," said Brad Ganey, Chief Operating Officer at Catalyst Corporate. Now a CUSO owned by a consortium of corporate credit unions, Aptys Solutions is dedicated to developing technology-based solutions that help credit unions compete in the faster payments arena.

With Catalyst Corporate's solution, there are no installations at a credit union. Members access P2P services through the PayMōli mobile app that credit unions can offer with their own branding.



Ganey notes that PayMōli is processed through ACH, so there are no new operational steps, and there are no third-party middlemen removing funds from member accounts.

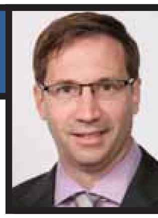
PayMōli benefits include:

- A quick, easy-to-implement P2P solution for credit union members
- A custom-branded app that is simple to download and allows members to perform P2P transactions in a safe and secure manner
- Processed as ACH
- Keeps members' funds in their checking or savings account
- Ongoing enhancements will bring new features, such as a real-time option via debit card rails in second quarter 2021

"Offering a safe mobile payment solution gives your credit union a competitive advantage and keeps your members and their money at your credit union," Ganey said.

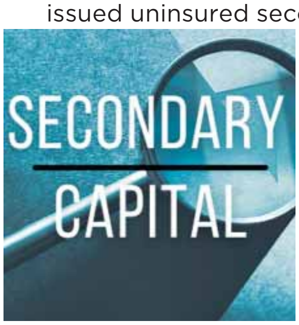
To find out more about the new PayMōli P2P service, call 800.623.5180 or contact your Catalyst Corporate Account Executive.

Taking a Closer Look at Secondary Capital



By Steven Houle
Vice President of Advisory Services
Catalyst Strategic Solutions

Seeking authority to issue secondary capital is not a new endeavor for low income-designated (LID) credit unions, but – with asset growth strong – interest and strategic value for it has increased in recent years. Although NCUA authorized LID credit unions to count uninsured secondary capital as capital in 1996, the number of credit unions that have issued uninsured secondary capital has been fairly flat until recently.



As of September 2020, 75 credit unions had $344 million in outstanding secondary capital per NCUA's financial performance reports. This represents an increase of nine credit unions and $50.6 million in outstanding secondary capital since September 2019.

Highlights of secondary capital

Secondary capital is essentially an uninsured loan the issuing credit union is permitted to include as regulatory capital. Although there is currently no regulatory limit on the term of this loan, most – if not all – secondary capital has been issued for 10-year terms, with 20 percent of the original balance repaid beginning the sixth year and the total repaid by the end of the tenth year.

Secondary capital is a valuable strategic option for LID credit unions because it can be used to:

- Restore regulatory capital to a minimum desired level
- Increase regulatory capital to a desired level based on balance sheet risk composition
- Support future asset growth or other member service initiatives
- Enhance earnings and gain operational efficiencies

To issue secondary capital, an LID credit union must submit a secondary capital plan to NCUA and receive approval. There is no one-size-fits-all blueprint, but, at a minimum, NCUA requires that the plan:

- State the maximum aggregate amount of secondary capital to be issued
- Identify the purpose for which it will be used and how it will be repaid
- Explain how the credit union will provide the liquidity to repay the secondary capital

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Secondary Capital *Continued from page 1*

- Demonstrate that the planned use conforms to the credit union's strategic plan, business plan and budget
- Include supporting proforma financial statements, including off-balance sheet items, covering a minimum of the next two years

Even though a credit union is only required to develop and submit proformas for the next two years, a longer horizon is valuable. This exercise helps formulate and measure the impact secondary capital will have on future balance sheet positions and growth rates. Furthermore, the proformas exercise should include multiple adverse scenarios to assess the impact to earnings, net worth, liquidity and other key balance sheet ratios.

Assessing financial viability

While secondary capital can help a credit union, and in turn its members, this strategic initiative should be thoroughly analyzed to determine its financial viability. As credit unions perform this assessment, they should also consider elements of the NCUA's new Subordinated Debt rule, which will take effect January 1, 2022. Even though some of the regulatory requirements are the same, a few key differences include:

- In addition to low income-designated credit unions, complex credit unions and new credit unions are also permitted to issue subordinated debt.
- The minimum maturity of the subordinated debt is five years and maximum maturity is 20 years.
- Subordinated debt can only be offered, issued and sold to "entity accredited investors" or "natural person accredited investors."
- After receiving approval to issue subordinated debt, the new rule requires a credit union to create an "offering document" for each issuance of subordinated debt.
- A credit union is prohibited from being both an issuer and an investor in subordinated debt, with limited exceptions.

Catalyst Strategic Solutions' Advisory Service Team can assist credit unions with secondary capital from start to finish, application to funding. Since launching its secondary capital program in late 2020, Catalyst Strategic Solutions has already helped two credit unions obtain NCUA approval for secondary capital. For more information, or to determine if secondary capital is a good fit for you, call 800.301.6196, or contact your Financial Solutions Consultant.

Catalyst Corporate Named a Participant in FedNow℠ Pilot Program

Catalyst Corporate has been named a participant in the Federal Reserve Banks' pilot program for its upcoming instant payment offering, the FedNow Service. According to the Federal Reserve, the pilot program "will support development, testing and adoption of the FedNow Service, as well as encourage development of services and use cases that leverage FedNow functionality."

The intent of the FedNow Pilot Program is for participating financial institutions and processors to "help shape the product's features and functions, provide input into the overall user experience, ensure readiness for testing and be the first to experience the FedNow Service before its general availability," the Federal Reserve said in its announcement. "In the initial advisory phase, participant input will help to further define the service and adoption roadmap, industry readiness approaches and overall instant payments strategy."

Inclusion in the FedNow Pilot Program is the most recent example of Catalyst Corporate's active involvement in faster payments initiatives. Since helping to pioneer electronic check imaging in the early 2000s to developing next-gen deposit services in 2016 to acquiring a P2P solution last year and serving on multiple faster payments industry workgroups, Catalyst Corporate continues to innovate and advocate for credit unions.

To view the article in full or learn more about Catalyst Corporate's involvement in the FedNow Pilot Program, visit https://link.catalystcorp.org/fednow.