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**Economic Forecast and Interview
with Todd Harris, President and CEO, Tech CU**

By Grace Koz, Student at San Jose State University

Pictured: Todd Harris and Grace



What attracted you to banking early on in your career?

I was not attracted to banking early on. However, I studied finance at SJSU, and upon graduation, I needed to find a job quickly. Banking was a good skill set match, so that's how I started. Out of college, I went to Silicon Valley Bank, which was growing rapidly at the time so there were many opportunities for advancement. I just happened to pick the right company, and I was able to move around through all the departments like credit, accounting, and finance. It was an exciting time, and I had the opportunity to learn about emerging technologies and work with local tech firms. I was at Silicon Valley Bank for over 12 years, so rather than starting over in a new industry, I just decided to stick with banking. After leaving Silicon Valley Bank, I joined a financial services company as the CFO and then accepted a position at a different local credit union. I joined Technology Credit Union in 2010 as COO/CFO, and in 2016, I became the CEO.

What skills should students have to get a good job?

Students today should focus on anything in computers, like machine learning, cloud computing, data security, and artificial intelligence. In addition, business skills like finance, marketing, management, and accounting are a good choice, as they will always be valued by prospective employers. These business skills are easily transferable across industries and demand is high for anyone with business skills. However, what is even more important than education is work ethic. You may not love your first job out of college, but if you do the job you have well, you

get opportunities to move up and do jobs that are more interesting. My advice is to pick the right major and then work hard. In addition, while in the past there was more focus on IQ, in today's business environment soft skills are becoming more and more important. There is more emphasis on EQ, and it's all about showing empathy, face-to-face communication and working well with others. As students make the transition from college to the real world, just graduate, get a job, resolve to work hard at whatever job you have, and think long term. Focus on where you want to be, realize that your first job is not where you'll be forever, and focus on what you're learning. Just keep learning, never stop, and you'll have a long and successful career.

What excites you about banking now?

Our credit union operates in the retail banking space, but what's exciting is that we are almost like a start-up. We are studying new entrants and developments in fintech. Tech CU is rethinking the way we deliver products and enhancing our ease of use while not sacrificing security. Our credit union is reimagining the member experience, delivering true 24/7 service through our mobile app and by utilizing technology, we are even changing how people apply for loans.

What are some challenges facing banking now?

There are always going to be challenges, but those challenges open our eyes to how we can do things better. Right now, we face many of the same challenges as other financial institutions in the area including, employee retention and fintechs encroaching on our space. For example, we're growing like crazy and we can't hire people fast enough. In order to scale our services more effectively, we've implemented AI to streamline the loan process, which has expanded our aggregate processing capacity and improved the productivity of our employees. In terms of our members, they're tech people so they expect tech savvy service. We learn not only from what fintechs are doing, but also from our members. They are experts in technology, and we really listen to their advice. The point is you can create opportunities by not being afraid to acknowledge and identify weaknesses, learning as much as you can from your competitors and figuring out how to emulate what they do well and in turn improve your own services. That is how you stay relevant long-term.

When is the next downturn in the area going to be?

The economy goes in cycles, downturns and recoveries, as you know we've been in a long recovery, but the downturn is coming eventually. For an extended time,

we've been in a low rate environment, but the FED started raising rates a little over a year ago. The recent reduction in the yield curve suggests that they might have overshoot in terms of raising rates, so hopefully the cuts aren't too late and the Fed doesn't muck everything up by cutting too low. I think though that this recovery is different. As we've seen, baby boomers are retiring in large numbers reducing labor force participation. The effect is that this reduces the potential for economic growth. What we are looking at is a new normal with the labor force participation rate settling at a lower level. The problem comes from the FED looking at unemployment, not workforce participation, and as a result, they overtightened relative to market, so we're seeing them backtracking now. Looking at the market, by all accounts this recovery has been somewhat lazy, so will the recession be equally tame? This remains to be seen, however, we are definitely looking at a slowdown in the future. There are a number of recent events like the China trade spat, slowing employment and the CPI coming down, and all of these are dragging down the market.

How severe, do you think, the next downturn will be?

It is going to be more tame in general. It makes sense that if the peak isn't too high, the valley won't be too deep. In the Bay Area in terms of affordability, we are now 2-3 times higher than those peak housing levels in 2007, so what does this forebode for the future? Here recessions aren't as severe, and we have faster recoveries. Meanwhile, in other parts of the country, there are regions that still have not recovered from the housing crash in 2008. However, nothing is certain. In my opinion the downturn could be postponed by a productivity gainer, what I think is a possibility is technological advances in the areas of AI or machine learning could boost productivity enough to offset the slow down.

What would be the next driver of development in the area?

My bet would be additional advancement in the area(s) of AI, machine learning, data security, or cloud computing. We are also probably going to see additional, better applications of block chain technology.

What would be the next technological revolution?

Anything that is going to drive productivity. In the 90s computers were huge boosters to productivity. We would be looking at something like the modern equivalent of networking computers. Machine learning and AI have the potential to drive growth, and by leveraging these tools, we'll start to see better GDP numbers and significant economic growth.

CBFS PURPOSE: Founded in 2008, the purpose of the Center for Banking and Financial Services (CBFS) is to build a vital partnership between San José State University's Lucas College and Graduate School of Business and local financial institutions. In particular, the focus of the center's efforts is to create a link between talented SJSU students and the banking and financial services industry. This is especially important as there may be a discrepancy between the career opportunities in the financial sector and students' understanding of those opportunities. As a result, the partnerships built by the center benefit SJSU, its students and the companies represented on the CBFS Executive Board.

Past Events

Fall 2019 Heritage Bank Credit Analyst Certificate

CBFS, in collaboration with Heritage Bank of Commerce, offers a non-credit program that exposes students to financial and credit analysis, loan underwriting and approval. The Credit Analyst Certificate is taught by Heritage Bank's managers and executives and is organized in four 90-minute sessions, with a final team-competition where the two best performing teams are rewarded with scholarships. In addition to the technical skills acquired in the program, students learn about careers in banking and benefit from valuable networking opportunities.

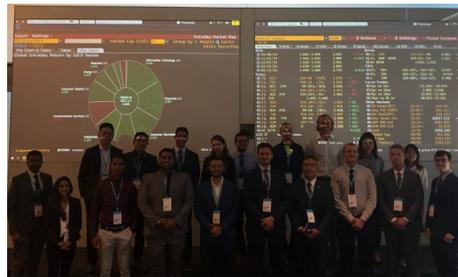


Pictured from left to right: Antonio Arlia, Cristian Gallaga-Villa, Anie d. Clark, Craig Conroy, Grace Koz, Hunter Faughnan, Lan Tran, Toby Cordone (Heritage Bank), Thinh Phan, Jennifer Silva, Stoyu Ivanov (SJSU CBFS), Rick Serrao, Mark Grivnin, Taylor Bennett, Iqbal Saini, Andres Garcia and Vincent A. Arteaga.

Fall 2019 Capital Club Mixer



Tour of Bloomberg offices in San Francisco (September 2019)



KeyPoint CU tour (Sep 2019)



PremierOne CU tour (Oct 2019)



City National Bank (Nov 2019)



Student Managed Investment Funds

SJSU students manage two funds of approximately \$117,000 total (donated by Nancie Fimbel, Ed Van Deman, Financial Navigator Inc., and CBFS) in our Bloomberg Lab with 15 Bloomberg Terminals (3 terminals are donated by San Jose Water Company). The total return from inception until 10/31/2019 of the two funds is 46%.

	Start Value	End Value (3/31/19)	Return
Large Cap Fund (Inception Date 3/13/14)	\$50,100.26	\$82,368.77	64%
Small Cap Fund (Inception Date 3/31/17)	\$30,100.26	\$34,783.89	16%
Combined Portfolio	\$80,200.52	\$117,152.66	46%

Upcoming Events

Networking Success from the Executive Suite

March 10, 2020; 4:30pm-6:15pm
Student Union Ballroom
Joint event with TechCU and SJSU Alumni Association

CBFS Scholarship Ceremony

April 15, 2020; 4:30pm-5:50pm
Boccardo Business Complex (BBC) 032

SJSU Economic Summit

May 27, 2020; 8:15am-10am
Student Union Ballroom
Presented by Bridge Bank in association with Hopkins & Carley

Spring 2020 BIA Schedule

- Jan 29 - Orientation
- Feb 5 - Bob Frahm / Goldman Sachs
- Feb 12 - FBI
- Feb 19 - Union Bank
- Feb 26 - FINRA
- Mar 4 - KeyPoint CU
- Mar 18 - Heritage Bank
- Mar 25 - Old Coast Investments
- Apr 8 - PremierOne CU
- Apr 22 - City National Bank
- Apr 29 - Greg Weiss / Wells Fargo Advisors

Spring 2020 Bank Tours

- Feb 28 - Avidbank
- Mar 13 - Meriwest CU
- Mar 20 - Bridge Bank
- Apr 24 - Tech CU

The Newsletter was prepared at San Jose State University by: *Dr. Stoyu Ivanov*, Gloria and Michael Chiang Investment Fellow, Professor, and Director of the Center for Banking and Financial Services; *Dr. Tijana Rajkovic*, Assistant Professor and Assistant Director of the Center for Banking and Financial Services; and *Grace Koz*, Student.