



Case Study

Vibrant Credit Union transforms electronic asset pledging and delivers efficiency, compliance, and liquidity



Vibrant Credit Union enhanced its ability to pledge assets efficiently by streamlining operations to support its laser focus on automation and Federal Reserve Bank (FRB) compliance. The organization overcame significant challenges by implementing best practices and modernizing its asset-pledging strategy for greater liquidity, compliance, and efficiency. Learn how Wolters Kluwer helped by guiding the organization through key elements of a successful technology and process implementation essential to electronic asset (eAsset) pledging.



"Vibrant Credit Union adds new asset class after successfully establishing eAsset pledging to the Federal Reserve Bank."



Background

Based in Moline, Illinois, [Vibrant Credit Union](#) was formed in 1935 by a handful of John Deere Harvester Works employees. Their mission was simple — to “provide a better way for ordinary people to borrow money.”

The company continues to live by that motto, but the organization has evolved significantly since those early days. Today, Vibrant serves over 55,000 members and manages assets exceeding \$1 billion. The credit union operates multiple branches across Illinois and Iowa.

Goal

In 2023, Vibrant shifted from traditional consumer lending to focus exclusively on small equipment financing. As a result, the organization became the primary financing provider for a large tractor company operating in the US. The partnership required Vibrant to create a custom loan origination system and digital dealer portal to streamline lending transactions.

According to Vice President of Loan Operations, DJ Steva, that first step into digitization sparked a realization. “We were entering a unique asset class outside traditional Federal Home Loan Bank pledging. That prompted us to seek the FRB as a secondary liquidity source, which led us to consider developing a digitally-led, people-assisted system that was fast, efficient, and allowed us to benefit from electronic pledging.”









Challenge

The FRB now accepts electronic assets as pledges during the discount window, offering the promise of greater efficiency and liquidity in the secondary market. However, pledging digital assets is far different than dealing in securities and other financial instruments, as Steva soon discovered. Vibrant had a relationship with the FRB, but only on securities. As such, the team not only needed to learn the rules of the Borrower-in-Custody (BIC) program and discount operations. They also had to interpret the nuanced FRB requirements and master the certification challenges of pledging electronic assets as collateral.

“When we first attempted the FRB process internally, it quickly became evident that the documentation and compliance requirements for certification were far more complex than we had anticipated,” said Steva. “We also knew we had to design trusted secondary market options that provided buyers confidence in the transferability of eAssets they acquired from us.”

While the FRB’s complex pledge certification process and electronic asset pledging bring a steep learning curve, the opportunity for greater liquidity and efficiency makes it worth the investment for financial institutions like Vibrant.

To realize the return on their investment, Vibrant had to:

-  Ensure no consent or transferability restrictions prevented Vibrant from pledging loans to the FRB.
-  Accurately describe how the pledged electronic assets comply with legal and regulatory standards.
-  Describe the bank’s electronic asset encryption practices and the subsequent storage of the assets in a compliant eVault with specificity.
-  Supply a secured party and audit trail clearly identified at the asset level to ensure asset control, security, authenticity, and evidentiary integrity.
-  Provide a specific form of legal attestation confirming the assets meet transferrable record requirements under applicable laws.
-  Clearly label electronic assets with tamper-evident security measures.
-  Update core systems to support electronic asset pledging.
-  Establish an immutable digital record for pledging, selling, and securitizing electronic assets.

Vibrant’s early attempts to navigate the pledging process were inefficient. According to Steva, “Our internal team spent significant time trying to interpret the FRB requirements, but we kept running into roadblocks. We weren’t sure if we were structuring our responses correctly or providing the right supporting documentation. The back-and-forth process was time-consuming and frustrating.”

Steva’s team sought expert guidance. “We realized that to get this right, we needed a partner to help us build a structured approach with compliance and knowledge of Federal Reserve requirements at the forefront. That’s when we reached out to Wolters Kluwer. Their team’s deep experience in electronic asset pledging helped us refine our processes, improve our documentation, and align our pledging structure with FRB expectations,” Steva explained.

Solution

Ensuring compliance through expert guidance

[Wolters Kluwer's eAsset Pledge Support Program](#) members met with Steva and his team to create an eAsset compliance roadmap. The Pledge Support Program helps organizations like Vibrant to understand FRB and Federal Home Loan Bank (FHLB) requirements, complete the necessary documentation, and implement efficient and effective electronic asset pledging processes.

Vibrant team members worked closely with Wolters Kluwer's financial and technology experts to ensure the accurate representation of their pledging initiatives. Specifically, Wolters Kluwer helped Steva and his team understand how to complete documentation in alignment with FRB requirements. Together, they developed properly structured responses, completed the necessary attestations, and aligned with federal examiners' expectations to mitigate potential processing delays.

Implementing a standardized, fully digital system helps Vibrant with FRB pledging. It also positions the organization to more easily package and sell trusted loan pools, including electronic assets, in the future, opening new avenues for monetization.

"Working with Wolters Kluwer was a game-changer for us," Steva explained. "Their expertise helped us refine our processes, ensure accuracy, and ultimately, secure approval from the FRB much faster than if we had continued navigating the process alone."

Technology solutions for security and efficiency

Wolters Kluwer also provided technical guidance and tools to help Vibrant develop, in Steva's words, "a seamless process where digital efficiency was at the forefront but still allowed for personalized support when needed."

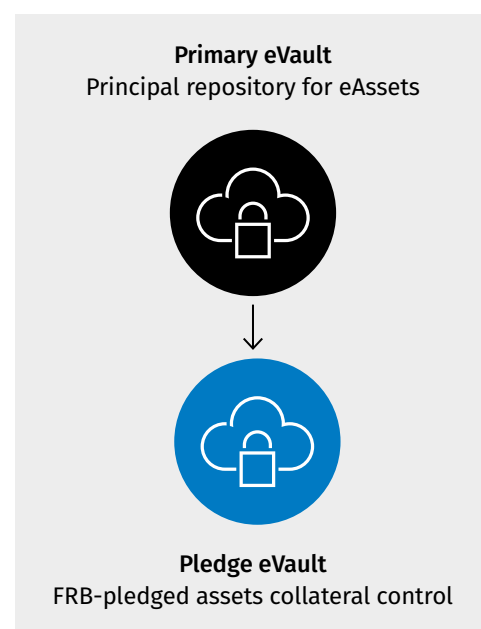
The teams developed an automated asset flow system that takes loans from origination to pledging with minimal manual intervention required. The system is flexible enough to accommodate new asset classes and allow human oversight.

Wolters Kluwer provided Vibrant with an eOriginal eAsset® Management solution, incorporating an origination eVault and a dedicated FRB-pledged eAsset vault for secure document storage. These tools ensure the reliable establishment of the entity to which the single, authoritative copy of an electronic asset is assigned, issued, or transferred. This immutable digital record enables Vibrant to pledge, sell, and securitize digitized assets in full compliance.

The dual eVault system allows for electronic asset segregation. A primary eVault is the principal repository for securely storing digital loan documents. Pledged assets are transferred to a dedicated "pledge eVault," which distinguishes pledged collateral from non-pledged assets.

"Having a centralized eVault for origination made our process far more efficient. It keeps our assets secure and ready for the transition when needed," said Steva. "The pledge eVault is critical in demonstrating clear asset control. It simplifies audits and ensures the FRB's security interests are well-defined."

Pledged assets cannot be altered or inadvertently used for other purposes. "The structure protects both us and the FRB," explained Steva. "It provides transparency, reduces manual errors, and keeps everything in compliance with FRB requirements." Steva also noted that the overall approach helped assure FRB officials that Vibrant was buttoned up on compliance.

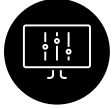


"When Vibrant put the origination and pledge eVault flow system in place, it allowed them to leverage a secondary source of liquidity with the FRB, while at the same time provided them a roadmap to add new asset classes in the future that might not fall under traditional sources of liquidity like the Federal Home Loan Bank."

Results



Streamlined asset flow from origination to pledge eVault, eliminating manual processes and improving capital velocity.



Minimized risks by aligning loan management with FRB and legal electronic asset transferability standards.



Successfully met FRB requirements while reducing back-and-forth communication and delays.



Gained the ability to monetize electronic assets in the secondary market more efficiently.



[Visit our site](#) to discover how Wolters Kluwer can help your organization benefit from electronic asset pledging or [contact us](#) to set up a free consultation.

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Wolters Kluwer reported 2024 annual revenues of €5.9 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 21,600 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX, Euro Stoxx 50, and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the US (WTKWY).

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