

THE *BLUE* PAPER

◆ January 2010 ◆

PRESIDENT OBAMA SOUNDED THE ALERT: “PEOPLE ARE MAD AT BANKS”

Careful:

The Public Relations Nightmare
Now Affecting Banks
Could Spread to Credit Unions

Route to:

- EVP
- VP Operations
- VP Finance
- VP Marketing
- VP Lending
- Newsletter Editor
- E-Coordinator
- Marketing Manager



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As every old high school coach has said many times, "The best offense is a good defense."

In his radio address to the nation on Sunday, December 13, President Obama made a simple statement that almost everybody knows is true. He worded it well, "People are mad at banks."

But he was not the only one issuing frightening information and criticizing the nation's megabanks. In the past few months:

The wire services wrote, "For the first time in almost two decades, the FDIC is posting red numbers. The FDIC reported that as of September 30, it was running a negative balance of \$8.2 billion."

The Associated Press wrote, "Thousands of angry protestors marched the streets of Chicago outside the American Bankers Association's annual convention to protest the billions of dollars going to the banking bailout."

The headline in the *New York Times* on October 3 read, "States Are Pondering Fraud Suits Against Banks."

The *Los Angeles Times* headline read, "Three More Banks Join Failure List. Now at 133."

And the stories about those "bad, bad banks" go on and on. Even a column in the *AARP Bulletin* had this question: "My bank garnished my Social Security check for overdraft fees. Is that legal?"

On November 18, the *New York Times* summarized it best when it wrote, "Banks have regained their profitability — but not their public standing."

THE RESULTS FOR CREDIT UNIONS: BOTH GOOD AND DANGEROUS

The result of all this negative publicity about banks has become a double-edged sword for Credit Unions.

It can really help in our constant competition with banks. But it can also be very dangerous if the pall on banks spreads to Credit Unions.

That's why Credit Unions have their work cut out for them. We need both an *offensive* and a *defensive* response to the present public relations nightmare that banks are experiencing.

THE DEFENSIVE BATTLE

As every old high school coach has said many times, "The best offense is a good defense." It is. So let's examine the defensive approach first.

The negative headlines that are haunting banks could easily spread to Credit Unions if we don't make it clear to our Members that we are not

banks and not like banks. The objective is to make sure that Credit Unions are not painted with the same broad brush of discontent.

This requires following three simple rules:

RULE ONE: In every way possible, avoid the tactics that are currently at the crux of the bank problems: surreptitiously making changes in credit card agreements, arbitrarily lowering credit limits, etc. Your Members have been bombarded with details about these activities and they are aware of and are very sensitive to such issues.

RULE TWO: Repeatedly *restate* to your Members that we are *not* banks and how we are *different from* banks. Your website, your newsletter, and your notices should frequently include such messages as: "Your Credit Union wants you to know that ..."

RULE THREE: Make sure your materials avoid the "look" of deception. Asterisks, small print, footnotes, etc., are all alerts to the reader that you are trying to hide something.

THE OFFENSIVE BATTLE

It's just as important to wage an *offensive* battle to take advantage of negative publicity that banks are experiencing now.

This approach has to show to the Member not only that we are different from banks but also that our concern is with our Members/owners.

RULE ONE: Make sure your Members know that *like* FDIC, Credit Unions have an insurance fund by an agency of the federal government, NCUSIF, which unlike FDIC, is not bankrupt.

RULE TWO: Reiterate to your Members the *many differences* between banks and Credit Unions. We don't have corporate ownership; banks do. We don't have customers; we have Members who are our owners. Outsiders make the decisions that affect banks; our boards of directors, who make decisions for us, are also Members.

RULE THREE: Make sure your Members are aware of all the altruistic efforts of your CU and other Credit Unions. As an example, more than 50 Credit Unions in Illinois have signed up for the "Bank-On Program" to assist the unbanked, minorities, etc., in obtaining low-cost or free checking. The program, aimed primarily at helping people avoid costly payday loans, was started three years ago in California and is spreading to a broad list of other states.

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Credit Union membership is growing. There was a 1.4% net gain in 2008. As of September 2009, membership was already up 2.1%.

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WHAT OTHER CREDIT UNIONS ARE DOING

Many Credit Unions have already begun both the offensive and defensive battles.

Addison Avenue Federal Credit Union, of Palo Alto, California, has instituted an "Intervention Center" to help consumers "Kick the Bank Habit." Their motto: "Friends Don't Let Friends Use Big Banks."

Texas Dow Employees Credit Union of Lake Jackson recently decided that the big national banks are the biggest culprits. Their new campaign "Bank With Texans" encourages state residents to keep their money in locally owned CUs and smaller area banks. Their motto reads, "Real Texans Bank Locally." They have targeted big banks — like BofA — for taking taxpayer bailout money and then giving their employees big bonuses.

RESULTS ARE ALREADY EMERGING

Recent statistics have shown that the fallout from the bank PR problems has already begun to impact Credit Unions favorably.

Credit Unions probably should be very appreciative of banks for all the unintentional marketing they did for us in 2009.

Luckily, our Members have read all these headlines and have become aware of the criticism of banks. It's become a public relations boon for Credit Unions.

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And Credit Union membership is growing. The increase began to show up in 2008, when membership had a 1.4% net gain. As of September of 2009, membership was already up 2.1%. These are substantial increases over previous years.

CONCLUSION

The President was right. "People are mad at banks." His remark should be a clarion alert for all Credit Unions.

It's our job to *defensively* make sure that the "bad bank" image does not spread to Credit Unions — and to *offensively* take advantage of the situation to increase Members, accounts, and relationships. ◆

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