

# THE *BLUE PAPER*

◆ April 2010 ◆

## WE'RE GETTING NEW MEMBERS FROM BANKS — BUT HOW DO WE KEEP THEM?

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The Answer Is Simple:  
Avoid That One Reason  
They Left Their Bank

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Route to:

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



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*Will Credit Unions be able to keep those new Members? That will depend.*

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*In the history of banking, large financial institutions have never been so badly battered as they have been this last year.*

Have customers been leaving banks recently because of the devastating image banks have gotten? *YES.*

Are many of these bank customers now joining Credit Unions hoping they've found a better financial institution? *YES.*

Will Credit Unions be able to keep those new Members? *THAT WILL DEPEND.*

It will depend on *IF* we recognize and accept the reason *WHY* these Members left banks — *AND* if we make sure that we don't make the same mistake.

### **EVERYONE AGREES: THIS IS THE TIME FOR CREDIT UNIONS TO GROW**

In the history of banking, large financial institutions have never been so badly battered as they have been this last year. Every publication, every TV network, and every place on the Internet has been relentlessly criticizing them. What started with the failure of some large financial institutions (and a government bailout) quickly evolved into an atmosphere where the word "bank" actually became a four-letter word.

Even the president himself joined the ranks of the angry. (See the *AIL Blue Paper* for January 2010, "**PRESIDENT OBAMA SOUNDED THE ALERT: PEOPLE ARE MAD AT BANKS,**" and the *AIL Blue Paper* for February, 2010, "**The 'MOVE YOUR MONEY' CAMPAIGN IS GAINING MOMENTUM.**" You can request copies from your local AIL representative or from the AIL Credit Union Center at [CUCenter@AILife.com](mailto:CUCenter@AILife.com).)

Consequently, it quickly became obvious that this was a once-in-a-lifetime occasion for credit unions.

Former NCUA Chairman Dennis Dollar stated it well: "I think there is a tremendous opportunity for driving growth in 2010 because the banks are at a low ebb of credibility."

### **SO WHY DID THEY LEAVE?**

Of course, the most important question is, "*Why did these customers leave their banks?*" If we don't understand that, we will never know how to cater to those concerns and keep them as Members.

The answer is simple. *They left because they felt they could no longer trust banks.*

Yes, they left because of *TRUST* and *CREDIBILITY*.

All the negative publicity made bank customers quickly aware of the many questionable and often deceptive practices of banks.

One by one, all these misleading activities became news headlines, and bank customers began to analyze each suspicious statement their banks made and each questionable action their banks took.

As Dennis Dollar said, banks have lost their credibility.

Customers began to wonder if they could trust their bank — if they could *believe* their bank — and if they could continue to have *confidence* in their bank.

### SO ... HOW DO CREDIT UNIONS COUNTERACT THIS?

If Credit Unions intend to keep these new Members, we must make a conscious effort to make sure there is never a reason to question our trust and credibility.

Here are the five pitfalls we must avoid:

◆ **The Asterisk or Footnote.** In the 21st century, Americans have experienced almost every type of deceptive marketing technique. Credit Union Members are acutely aware of any trick to deceive them. And they know that the asterisk (or footnote) is the most common. A psychological red flag goes up every time a Member sees one. He or she knows that someone is trying to hide something.

So, the asterisk has to be avoided — at all cost. Even if the Credit Union is *not* trying to deceive, it gives the impression of deception.

What to do instead? Put every qualifier or disclaimer directly into the copy of the text. If a minimum deposit is required, avoid the asterisk by stating, “*This new CD offers a 3.2% APR. A minimum deposit of \$500 is required.*” This type of statement will require no more room and will avoid any questions of deceptive practices.

◆ **The Fine Print.** Equally bad is the fine print. The instant a Member sees copy in fine print, he or she knows the paragraph contains negative information. Our Members are savvy and experienced. Don't insult them with gimmicks like that. It may entail an extra inch of copy, but then their trust will not be destroyed.

◆ **Misleading Statements.** It's always a temptation to use some misleading or half-truth statement to get the Member's attention. This destroys the CU's credibility, however. If the headline says “FREE,” it must *be* free, with no qualifications. If the window envelope looks as if there is a check inside, there must *be* a real check inside. And if the small print on the back of that check signs the Member up for services he or she may not want (usually with monthly fees), you've just lost all your credibility.

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*Credit Union Members are acutely aware of any trick to deceive them.*

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*When Members see copy in fine print, they immediately suspect that the paragraph contains negative information.*

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*If any Credit Union product or service has qualifiers, they should be stated openly and clearly.*

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◆ **The Hidden Qualifiers.** If any Credit Union product or service has qualifiers, they should be stated openly and clearly, before the Member feels that he or she has been duped into expecting a benefit that will never materialize. Also, it's very important that *unnecessary* qualifiers not be added.

One of the country's largest Credit Unions has a series of seven different footnotes on the top of its VISA application. In small print at the bottom of the application, it states (in footnote #3): "Not all applicants will qualify." Isn't that why it's called "applying" — since not everyone will qualify? This very unnecessary qualifier and small print achieved only one thing: raising an unneeded red flag. If a Credit Union feels it *must* state that not all applicants will qualify, it should be clearly stated and not footnoted.

◆ **The Deceptive Letter.** Americans have become familiar with the letter or insert from their bank that begins with positive statements (like "...*your bank is always working to improve our service...*") or innocuous statements (like "*to call your attention to some changes that will shortly occur ...*"). Hidden deep in the middle of the letter is the confusing and ambiguous description of some fee increase or other bad news. Your Members recognize this sort of tactic as soon as they open the envelope. The result of such letters by banks has become obvious lately.

New Members will have to know that they can *trust* their Credit Union, that they can *believe* their Credit Union, and that they can have *confidence* in their Credit Union — factors that have not been true of banks recently.

## CONCLUSION

Any new Members that Credit Unions gain in this period of bank disillusionment will be familiar with all the latest deceptive or questionable tactics, and they are weary of these practices.

If we want to keep these new Members, trust and credibility must be foremost in our actions. ◆

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