



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • OCTOBER 2009

THE BLUE PAPER

of the Month

“New Research Shows That Your Members Are Looking For Debit And Credit Card Rewards”

Recent research has unveiled an unexpected discovery in Member attitudes: an increased interest in rewards, “goodies,” and even financial freebies.

This probably should not have been surprising. Thousands are out of work with no immediate prospects for a job; many have seen their overextended credit use result in a major tightening of their budgets; and the collapse of so many financial funds have literally eliminated a variety of income sources.

This has resulted in a new mindset among Members — a mindset that is looking for rewards, bargains, and actually, any small monetary benefits.

For the first time in history, more consumers are participating in rewards programs tied to their credit or debit cards than in airline rewards programs.

In 2006, about 10% to 15% of debit cards were tied to rewards. But the latest industry analyses put the numbers somewhere 25 and 50%. That estimate is sure to surprise most CEOs, since it means that up to half of all debit cards are now tied to rewards programs.

This month’s AIL Blue Paper is titled “**NEW RESEARCH SHOWS THAT YOUR MEMBERS ARE LOOKING FOR DEBIT AND CREDIT CARD REWARDS.**” Obviously, it’s time to change your marketing for this new financial crisis mindset. ♦

For your complimentary copy, just contact your AIL representative or call the AIL Credit Union Center at 800-278-6661.



Trends and Topics

CASH FOR CLUNKERS — WHAT’S THE BOTTOM LINE?

There’s no doubt that the government’s Cash for Clunkers program was a boon for car dealers. As of



September 28, the U.S. Department of Transportation was reporting 667,733 vouchers approved for payment, at a dollar value of \$2,811,233,500. But will it translate into cash for credit unions, too? Although auto loan volume was up significantly through indirect channels thanks to Cash for Clunkers, some CUs were wondering about the longer-term effects.

General Electric Credit Union in Cincinnati reported financing 1,754 cars in August, representing a \$30 million increase. To play it safe, the CU required members with less-than-stellar credit to put some of their own money down, in addition to the \$4,500 government credit. Overall, loan volume is up 40 percent at the credit union this year.

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Trends and Topics

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Centra Credit Union in Columbus, Indiana saw auto loan volume pick up by 25 percent in the last two months. The CU's VP-Corporate Development, Nan Morrow, attributes the increase to Cash for Clunkers, an improving economy, and special promotions at the CU that award lucky members with more than \$17,000 in auto loan payments.

MOST DEPOSITS MADE AT LOCAL BRANCHES, STUDY SHOWS

Despite the growth of online banking, there remains a strong link between the number of bank branches in a city and the deposit balances the financial institutions generate in that city, according to a new analysis



MARKET RATESINSIGHT
Price with Precision

from Market Rates Insight.

Moreover, the report shows, the

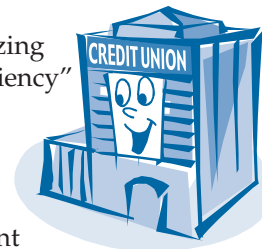
correlation is so strong that adding one local branch will increase deposits by \$116 million, on average. In fact, nearly 90 percent of all bank deposits are made by people in the region.

New car loan originations at State Employees CU in Raleigh, North Carolina jumped about \$3 million in August, according to SVP-Personal Lending Bobby Gardner. "In July we did \$9.4 million and 438 cars. In August we did 606 originations for \$12.5 million."

Hard data, due out in a couple of months, is expected to show that auto manufacturers sold about 200,000 new vehicles through the program. It remains to be seen what the credit union share of that success will be. ♦

"There is always room for right-sizing of a branch network to increase efficiency" said Dr. Dan Geller, Executive Vice President at Market Rates Insight, "However, our analysis shows that overall, the higher the number of local branches, the greater the amount of deposit balances in the same location."

Geller also conjectured that, although the study looked specifically at banks, it's likely that the same pattern holds true for credit unions. "In uncertain times, people tend to retract and do more locally, and the reason is that personal touch provides a higher sense of security and familiarity." ♦



Technology Report

NEW CARDLOCK SERVICE LAUNCHED FOR CREDIT, DEBIT CARDS

St. Petersburg, Florida-based PSCU Financial Services, the nation's largest CUSO, has developed a new technology that allows credit and debit cardholders to lock and unlock their credit and debit cards at will, making the cards less vulnerable to thievery.



CardLock allows cardholders to exercise control over the authorization process for all transactions, regardless of whether they are conducted in person, on the Internet, or by phone. If the card is locked, any attempt to authorize a transaction will be declined and PSCU Financial Services' fraud department will alert the cardholder to the attempted transaction. Reoccurring transactions set up with a merchant will be accepted, even on locked cards.

"We lock our homes and cars to prevent or deter theft, and CardLock works the same way for credit and debit cards," said Steve Ruwe, Chief Risk

Officer, PSCU Financial Services.

"Cardholders tell us this service gives them a sense of control and security that they have never had, and consumers who are

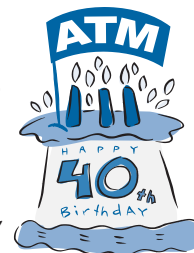
PSCU FINANCIAL SERVICES

wary of online shopping or identity theft appreciate the added confidence when using their cards." ♦

HAPPY BIRTHDAY, ATM!

The now ubiquitous automated teller machine has just turned 40. According to *Credit Union Times*, "While ATMs as most Americans know them now date from 1969, the first 'mechanical cash dispenser' was deployed 30 years earlier, in 1939. It lasted six months before being removed because no one used it."

At least six people claim to have invented the ATM, but according to the Smithsonian, the recognized inventor was the American engineer Don Wetzel. John Shepherd Barron had introduced it earlier in London, but never patented it. ♦



ATM Facts

There are 403,000 ATMs in the world today.

239 new ATMs are installed worldwide every day.

In the United States, there is one ATM for every 761 permanent residents.

There are two ATMs at research stations in Antarctica.

Marketing Tips of the Month

CERTIFICATE TARGETS SPORADIC SAVERS

When Ent Federal Credit Union, in Colorado Springs, Colorado, noticed that only 500 of its 195,000 members were using its free automatic savings transfer service, it started looking for other ways to encourage members to save on a regular basis.

The result was an innovation launched in August called the “My Savings Builder” certificate, which allows members to open a six-month CD with as little as \$25 and a monthly automatic transfer of at least \$5. The CD features a special dividend rate (currently 2.47 percent) on balances up to \$1,000 and renews every six months until the member reaches that amount, at which point the transition is made to a regular certificate.



As of the beginning of September, 111 certificates had been opened totaling \$35,000. Thirty-nine of the

accounts were opened with a minimum of \$25 and 69 with less than \$250. The average opening balance of \$292 has risen to \$315.

The CU has not abandoned its automatic savings transfer service, which is now signing up 100 members each month, but plans to continue My Savings Builder as a permanent product.

“In today’s economic climate, it is more important than ever to have an emergency savings account to fall back on,” said Cathy Grossman, Ent’s Director of Corporate Communications. “But with limited resources, sometimes it’s hard to put aside funds for a rainy day. Ent has developed a unique savings product that can help beginner savers, or those with limited resources easily build up an emergency savings account in a short amount of time.” ♦



Legislative Dispatch

DODD TO STAY ON AS BANKING COMMITTEE CHAIR

Senator Chris Dodd (CT-D) announced that he would retain his post as chairman of the Senate Banking Committee, thereby passing up the chance to become chairman of Health, Education, Labor, and Pensions, the committee previously chaired by Senator Edward Kennedy (D-MA). Dodd said that he wants to stay on at Banking to continue leading the effort to pass financial restructuring legislation.

“Too many Americans have lost their jobs, their homes, their life savings in this crisis,” he said. “We must never allow this to happen again. We have held more than 50 hearings in our effort to protect consumers and help businesses to grow jobs. And this fall, we will get that legislation done.”

CONGRESS CONSIDERS FINANCIAL SERVICES PACKAGE

Lawmakers are currently discussing whether to combine a variety of major pieces of legislation, including regulatory reform and the consumer protection agency, into one omnibus financial services bill. Some believe that doing so would improve the bill’s prospects for passage.

Among the bills that would be included in the overall legislation are reform of the Community Reinvestment Act, new guidelines for overdraft protection, and mortgage cramdowns — that is, the authority of borrowers to ask a bankruptcy court to amend mortgage terms. In general, the Democratic leadership supports the separate proposals, but individuals or a block of Republicans could team up to defeat some of them, especially in the Senate.

HOUSE PASSES DIRECT STUDY LENDING MEASURE

On September 17, the House of Representatives voted 253 to 171 to approve the Obama Administration’s plan to replace the Federal Family Education Loan Program with direct student lending. Approximately 1,000 credit unions offer these loans, but the Obama Administration contends that replacing them with direct lending will save \$87 billion over 10 years.

The House Education and Labor Committee passed the bill (30-17) in July, mostly along party lines, but its fate is less certain in the Senate. CU representatives have argued that eliminating the Federal Family Education Loan Program would make it harder for credit union members to navigate the student loan system and would negatively impact the relationship that credit unions have with their members. ♦



As part of an effort to help Arizona's out-of-work citizens find jobs and financial help ...

two of the state's largest credit unions, Arizona State CU and Arizona Central, both of Phoenix, have launched new economic and information-sharing websites.

Arizona State kicked off its campaign in March with HelpingAZ.com, which it calls "the first-ever social medial web-



HELPING AZ
YOUR VOICE. ONE COMMUNITY.

site designed to help Arizonans



Let's get moving together.

who have been impacted by the economy." The site has recorded more than 3,000 comments from users, who are invited to "sound off" on budget cuts, lay-offs, and furloughs; access job leads and opportunities; offer money-saving and other tips; and link to a variety of resources.



Arizona Central teamed up with local retailers with the goal of keeping business from migrating out of the state. Its website, GetAZmoving.org, offers answers to financial questions by experts, ways to navigate today's economy, and a "Get Talking" blog for sharing ideas. ♦

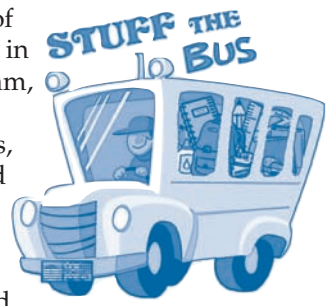
CUs HOLD BACK-TO-SCHOOL DRIVES

CUs across the country stepped up to the plate recently to help students get ready for "back to school" day with supplies and backpacks. The following are just a few examples:

■ In its "Stuff the Bus" program, Apple Federal Credit Union in Fairfax, Virginia delivered hundreds of stuffed backpacks to students in Fairfax, Loudon, Prince William, and Stafford counties. Each backpack was filled with pens, pencils, paper, notebooks, and art supplies."

■ North Jersey Federal Credit Union in Totowa, New Jersey worked with the United Way Foundation to support the "Backpacks for Kids" campaign. The campaign provides school supplies to children whose families can't afford them. The CU purchased 200 new backpacks, as well as markers, erasers, glue sticks, crayons, notebooks, pens, and pencils.

■ Heritage Credit Union in Madison, Wisconsin held a school supply drive to benefit children in need. Credit union members and staff brought in backpacks, notebooks, scissors, folders, markers, pencils, and other items.



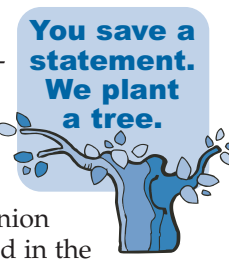
Serving the Community



■ During its "Gear Up 4 School" school supply giveaway, Unity One Federal Credit Union in St. Paul, Minnesota gave away drawstring backpacks full of school supplies to more than 500 school children. At an event at the CU's Fort Worth Stockyards branch, students and parents also enjoyed free food and booths manned by local organizations, and competed in a Guitar Hero tournament. ♦

MAKING A "GREEN" STATEMENT

Kinecta Federal Credit Union in Manhattan Beach, California is demonstrating the CU's commitment to being a green organization while showing members that even the smallest step can make a positive global impact.



Through September 30, the credit union made a donation to have a tree planted in the Brazilian rain forest every time a member converted from paper to electronic statements. The goal was to donate 1,000 trees through the Nature Conservancy.

"Switching from paper to e-statements makes sense for consumers and for organizations," said the CU's Director of Marketing/eCommerce Shannon Doiron. "Not only do we eliminate the paper, we also save money, which in turn benefits the members through better rates and enhanced products and services. It's a classic win-win." ♦



Comments? Suggestions? Questions?

**Call the Credit Union Center Hotline:
1-800-278-6661**