



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • NOVEMBER 2009

THE BLUE PAPER of the Month

“Generation Y Is Not Just Another Market Segment — It’s A Different World!”

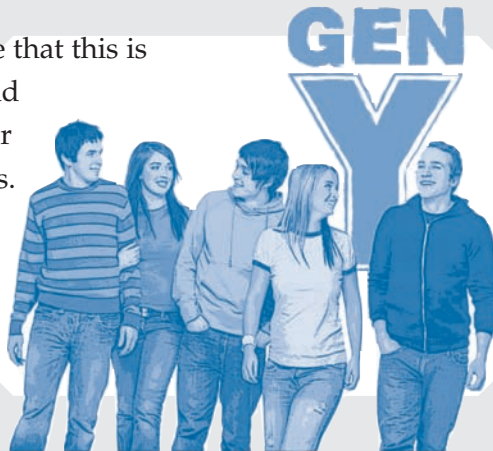
Credit Unions realize that the elusive youth market — age 18 to 34 — has the most potential for the future.

The movie studios tailor the majority of their releases for this group. Clothing companies design primarily for them. A high percentage of advertising targets them.

And Credit Unions realize that this is a powerful market today and will make up the bulk of our Members within a few years.

However, as many Credit Unions have found, reaching them is a whole new ballgame.

That’s why this month’s AIL Blue Paper is titled “**GENERATION Y IS NOT JUST ANOTHER MARKET SEGMENT — IT’S A DIFFERENT WORLD!**” It explains what other Credit Unions are doing to capture that elusive youth segment of the market. ♦



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

Trends and Topics

ANGRY CARDHOLDERS CLOSING ACCOUNTS

Credit cardholders are angry, according to a new national poll by *Consumer Reports*, and they are taking action. More than one-third (32 percent) have paid off and closed a credit card account since January 2008, and half of those did so in direct response to the actions of credit card issuers, such as cutting limits, hiking rates, or imposing fees.



Twenty-one percent of the survey respondents said they were unfairly treated by the card companies, and only 41 percent said they were highly satisfied with their card issuer, making credit cards one of the lowest-rated services that *Consumer Reports* covers.

In addition, 45 percent of respondents reported that they are charging less, 43 percent say they are charging about the same amount,

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Trends and Topics

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and 11 percent say they are charging more than they were a year ago.

ConsumerReports®

Significantly, *Consumer Reports* noted that credit unions can be a source for good credit card deals, singling out several as examples:

“PenFed, the Pentagon Federal Credit Union’s card is available to members of the National Military Family Association, which anyone can join for \$20. ... Employers might provide access to a credit union. Cards issued by the Addison Avenue Federal Credit Union carry APRs as low as 5.24 percent for employees of Hewlett-Packard, Cisco, Agilent Technologies, and other tech companies. The Digital Federal Credit Union offers attractive cards to employees of its more than 700 member companies.” ♦

Technology Report

CREDIT UNIONS’ VIRTUAL PROMOTER: CU DREW

Tempe Schools Credit Union in Tempe, Arizona has engaged “CU Drew,” a cartoon character that comes with his own website (www.cudrew.org), to travel the country and help them spread the word about the credit union difference. Members and staff can upload or email photos from their adventures with CU Drew to be posted on Tempe Schools’ Facebook page to share with others. Among the places CU Drew has traveled so far are Texas, Alaska, Disneyland, and Niagara Falls.

“Having the albums on Facebook allows us to manage them better. ... It’s more interactive than having a static



ARE CUs IMMUNE TO CREDIT CRUNCH?

Although many Americans are cutting back on their use of revolving credit, at least some holders of cards issued by credit unions are still borrowing.

According to John Pembroke, Chief Marketing Officer for PSCU Financial Services, the numbers of credit card transactions from its more than 500 member credit unions have increased over the same period last year; the average balances are also higher.

“Credit unions have two strong advantages during these economically challenging times,” Pembroke said. “Very good rates and strong service. Those have proved to be strong drivers of card use among credit union members, even as other consumers stop using their cards.”

Credit unions have also benefited from not having cut their cardholders’ credit lines as other issuers have, Pembroke noted, and from offering credit to a growing number of new members. ♦

site somewhere else,” said Dave Rindone, the CU’s Director of Marketing. Tempe Schools staff kicked off the campaign by taking CU Drew along on their vacations and posting pictures.

Rindone said that as the campaign grows, the CU wants to get younger members to print out and color CU Drew and bring him into credit union branches to display. Tempe Schools also want to hold contests around CU Drew and expand the site with games for kids.

“So far we’ve received positive feedback from the Arizona Credit Union League,” said Rindone. “They’ve posted information on CU Drew on their website, and it was mentioned in the president’s report. We hope that the word will spread and that we can promote credit unions nationally.” ♦

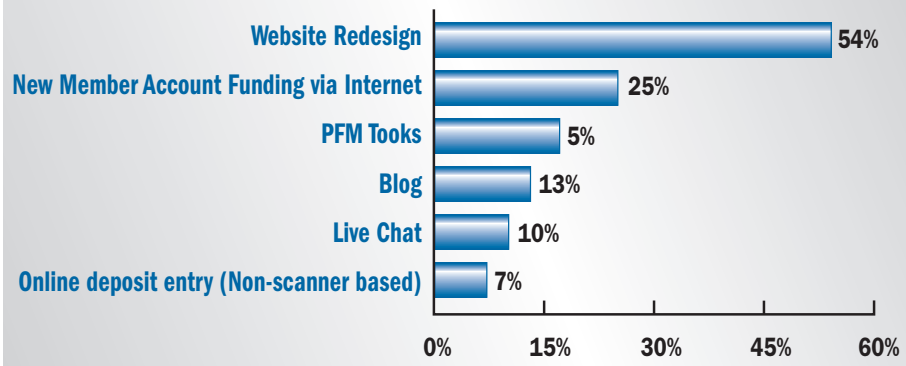


COMMUNITY. INTEGRITY. YOU.

CUs PLAN TECHNOLOGY INITIATIVES FOR 2010

After business continuity planning (ranked first, with 56 percent of respondents), planned website upgrades was the technology initiative cited most often by credit unions in 2009, according to the *Technology Guide for Credit Unions*. The Callahan & Associates report concluded that online transactions undoubtedly will be included in this redesign. Forty-nine percent of credit unions cited investments in home banking, 35 percent in e-statements, 32 percent in bill pay, and 25 percent in new member account funding via the Internet. ♦

Website Upgrades for 2010 | Percent of Credit Unions Investing in 2009



Source: Callahan & Associates 2009 Technology Guide for Credit Unions

Marketing Tips of the Month

STILL HAVE A CLUNKER? ONE CU CAN HELP

What to do if you still own a clunker? That was the question US Federal Credit Union asked when it launched its "I Hate My Car Campaign" in partnership with local Jeff Belzer Chevrolet, Dodge, and Kia dealer.

The Burnsville, Minnesota CU invited members seeking to upgrade their current vehicles to vent their frustrations about their car (in 150 words or less) online or on an entry form, then have a photo of the offending vehicle taken at any US Federal branch. At



the end of the promotion, one creative car-hater will win a 2009 Chevy Aveo. All entrants receive discounts from both Belzer and the credit union.

Launched as Cash for Clunkers was ending, I Hate My Car seemed like a natural offshoot.

US Federal CU is featured in all of the dealer's advertisements.

"Our goals with this were to get some relevant branch traffic and increase exposure, membership, and loans," said the CU's Business/Community Development Specialist, Rachel Gronewald. In addition to online and newspaper ads, US Federal spread the word at each branch with signage and by handing out I Hate My Car clings. "The clings were a fun addition to the campaign and a great way to get the community involved," Gronewald added. ♦



Legislative Dispatch

HOUSE COMMITTEE APPROVES CFPA BILL

The Financial Services Committee has approved legislation to establish a Consumer Financial Protection Agency (CPFA). As called for by President Obama, the new, independent federal agency would be charged with protecting Americans from unfair and abusive financial products and services. The bill (H.R. 3126) also extends federal supervision to a host of financial industries, such as payday lenders and mortgage originators.

Currently, consumer protection rulemaking and authority is spread across several different agencies. H.R. 3126 transfers consumer protection authority from the Federal Reserve and other banking regulators to the CFPA. In addition, the agency will closely monitor the marketplace for new financial products or services that could potentially harm consumers as well as the larger economy. Once the agency identifies these threats or abuses, it will have the power to write rules that can regulate, restrict, or ban them. It will also have the power to establish guidelines so that companies issue clear and fair disclosures to customers on products such as credit cards and mortgages.

Credit unions and small community banks succeeded in persuading the committee to exempt them from additional examination requirements they said would be more onerous for them than for large institutions. Banks with less than \$10 billion in assets — about 98

percent of all institutions — and credit unions with less than \$1.5 billion in assets would continue to have consumer compliance exams done by their federal banking regulator, and the new consumer agency would have the option of participating. ♦

SENATOR DODD INTRODUCES OVERDRAFT MEASURE

Senate Banking Committee Chairman Christopher Dodd (D-CT) has introduced a bill that would require credit unions and banks to gain a member's or customer's permission before enrolling them in an overdraft protection program. The bill also stipulates that the financial institution could only charge overdraft fees once a month or six times a year, and such fees would have to be proportional to processing costs. In addition, members/customers would have to be warned in advance if a transaction would cause them to overdraft their account and then notified if an overdraft had, in fact, taken place. And it would ban credit unions and banks from shifting the order of transactions to increase the frequency of overdrafts.

"This legislation gives Americans control over their bank accounts — giving them the chance to choose whether they want overdraft protection, establishing strict limits on these fees, and shining more light on these practices," said Dodd. Credit union industry leaders are concerned that the opt-in requirement would add to CUs' regulatory burden and prefer an opt-out provision.

Representative Carolyn Maloney (D-NY) has introduced a similar measure in the House. ♦

Serving the Community

CU VOLUNTEERS WIELD HAMMERS AND BRUSHES TO REPAIR HOMES

Advantis Credit Union in Portland, Oregon recently helped fix up area



homes during the REACH Community Development Paint-and-Repair-A-

Thon. Using hammers and paint brushes, 12 CU volunteers upgraded the homes of low-income senior and disabled citizens.

An annual event, the Paint & Repair-A-Thon guarantees that each home receives individual attention. Upgrades include painting, inside and out, yard maintenance, and basic home repairs. As a result of the volunteers' efforts 22 citizens will now be able to enjoy safer, cleaner, more energy-efficient homes.



REACH

Community Development

REACH's mission is to provide quality, affordable housing and opportunities for individuals, families, and neighborhoods. Since 1982,



REACH has pioneered affordable housing and supportive programs that address complex challenges facing communities. This year marked the 20th anniversary of the Repair-A-Thon. ♦

GREENING THE CITY, ONE TREE AT A TIME

Coastal Federal Credit Union in Raleigh, North Carolina planted a tree in front of its Wakefield branch to symbolize its partnership with the Raleigh NeighborWoods program. The goal of the program is to plant 2,000 trees annually on residential streets, partially through citizen donations, to replace the city's green canopy.



Coastal Federal made a \$9,000 contribution in honor of CU members who opened Go Green checking accounts in 2008. The credit union introduced the high-dividend checking account in January 2008, and by the end of the year 21,000 new accounts had been opened, 92,270 by new members. ♦



CU PROGRAM HONORS "CHAMPIONS"

Following up on the success of its "Hero" charity checking account honoring the military, First Citizens Credit Union in Fairhaven, Massachusetts has announced a new checking/savings product recognizing law enforcement, fire-fighters, and emergency personnel.

Called "Champions," the program honors "the men and women in the community who are providing extraordinary service" by offering them checking and savings accounts with no minimum balance or monthly fee, free checks, free ATM transactions, discounts on loans, and higher rates on CDs and savings accounts, among other advantages.



A component of the program is the Family Champion Scholarship Fund. For each new account opened, the CU will deposit \$10 to benefit the children of Champion accountholders. First Citizens' will also deposit \$10 into the scholarship fund for each new auto, mortgage, or home equity loan for Champion checking accountholders. A minimum of two new \$1,000 scholarships are to be awarded each year.



Think First.

"This new community-based initiative comes as a direct result of our successful Hero Program announced in October of 2007 ... because of the enthusiastic response to it, First Citizens' has been able to donate over \$40,000 to local veterans organizations to assist in the care and rehabilitation of our 'Heroes,'" said Peter Muise, First Citizens' president/CEO. ♦



Comments? Suggestions? Questions?

Call the Credit Union Center Hotline:

1-800-278-6661