



# CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • JANUARY 2010

## THE BLUE PAPER

of the Month

**“President Obama Sounded the Alert: ‘PEOPLE ARE MAD AT BANKS’ — Careful: The Public Relations Nightmare Now Affecting Banks Could Spread to Credit Unions”**

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 wasn’t the only one issuing frightening information and criticizing the nation’s megabanks.

The wire services, every major newspaper, the TV commentators, and even the *AARP Bulletin*, have added their voices to the ominous news about “those bad, bad banks.”

FDIC is basically bankrupt. Protestors marched against the ABA. States are starting fraud suits against banks. And the bank failure list is growing.

This is proving to be a boon for Credit Union popularity. But this publicity is a double-edged sword. It can help us ... or really hurt us.

That’s why this month’s AIL *Blue Paper* is titled **“PRESIDENT OBAMA SOUNDED THE ALERT: PEOPLE ARE MAD AT BANKS — Careful: The Public Relations Nightmare Now Affecting Banks Could Spread to Credit Unions.”**

This edition outlines what other Credit Unions are doing and tells why we need both an offensive and a defensive response to this dilemma. ♦

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



### Trends and Topics

#### BRANCHES STILL PREFERRED OVER INTERNET COMMUNICATION

Even in the age of tweets, texts, and email, when people have a banking question, they still prefer to head to their branch for answers, according to a new Mintel Comperemedia survey.

MINTEL

Two in three adults surveyed (65 percent) said they prefer to get up close and personal at a bank branch to communicate, while three in seven (43 percent) said they like the phone for its real person, real time qualities. Only 44 percent of respondents said they liked logging on to a financial institution’s secure website, and just one-third (34 percent) chose email as a preferred method of bank communication.

“When it comes down to it, people still crave personal contact” when communicating with their bank or credit union, says Susan Wolfe, VP of Financial Services at Mintel Comperemedia. “Talking in person or over the phone brings on feelings

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## Trends and Topics

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of familiarity and confidence, which are especially important to consumers in light of the financial crisis."

Websites and email remain important avenues for customer-to-bank contact, however. Young adults, especially, are likely to prefer online and email communications when they contact their banks. Over half of Echo Boomers (children of Baby Boomers) and Gen Xers (the generation in between) — 52 percent each — say they like reaching their bank through a secure website.

## FDIC SAYS 8 PERCENT OF AMERICANS UNBANKED, 18 PERCENT UNDERBANKED

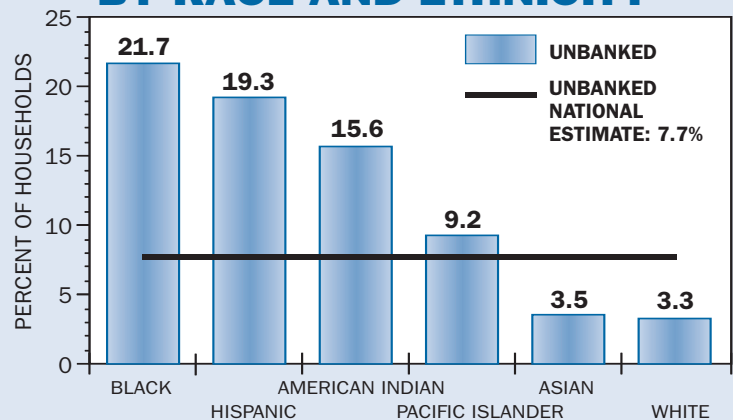
In the first national survey of its kind, the Federal Deposit Insurance Corporation assessed the efforts of FDIC-insured depository institutions to assess their efforts to serve unbanked and underbanked individuals and families. Results showed that some 17 million Americans, nearly 8 percent of households, do not have an account with a financial institution, while 18 percent of Americans are considered underbanked — defined as those who have accounts with insured financial institutions but have used other providers, such as check cashers and payday lenders, in the past year.

The numbers were even more striking among minority and lower-income groups. The survey found that more than half of all African American households, 43 percent of Hispanic households, and 43 percent of households with less than \$30,000 in annual income are either unbanked or underbanked. FDIC Chair Sheila Bair noted that the study, which surveyed 47,000 households, revealed that most people who do not have

When Mintel Comperemedia asked survey respondents how they prefer their banks to contact them, mail, email, and in person were near ties (43 percent, 42 percent, and 40 percent, respectively).

"Though people have clear preferences for how they like to contact their banks, they aren't as opinionated about how their banks contact them," says Wolfe. Financial institutions need to be mindful that every customer has different communication preferences, she adds, and offer multiple points of contact. ♦

## UNBANKED HOUSEHOLDS BY RACE AND ETHNICITY



Source: FDIC National Survey of Unbanked and Underbanked Households, Federal Deposit Insurance Corporation, December 2009.

accounts made "rational economic decisions" to avoid traditional financial institutions, as they simply cannot afford them or don't have access to them. "Our challenge ... is to provide the appropriate incentives to banks to make it cost-effective for lower-income Americans to use the banking system," she said. ♦

## Technology Report

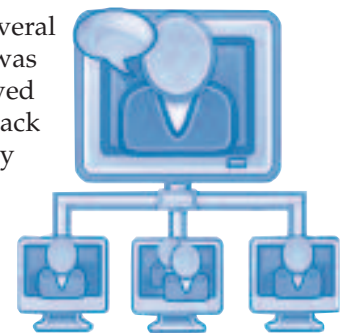
### CU WEBINARS GAIN IN POPULARITY

The webinar business by and for credit unions appears to be picking up steam.

- Montana Vendor Financial Education and Development Company claims 23 leagues and associations representing 3,225 CUs participated in 56 webinars during 2009.
- The Pennsylvania Credit Union Association said it is joining seven leagues in January that are signing up for weekly training sessions covering a range of compliance topics, from Regulation Z to bank secrecy.

- CUNA said that it conducted 150 webinars and 28 audio conferences in 2009 — a 10 percent increase from the previous year.

"There was a time back several years ago when this market was overglutted, and in 2007 slowed down, but it has now come back a little," said Phoenix attorney Eric North, who conducts both webinars and on-site seminars on a range of legal topics including bankruptcy, privacy and third-party contracts. ♦



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## Technology Report (continued)

### ILLINOIS CU LEAGUE SIGNS UP FOR FINANCIAL LITERACY PACKAGE

The Credit Union Association of Colorado/Wyoming announced that it has expanded its web-based “Foolproof” financial literacy package, now being used by U.S. school teachers and endorsed by consumer groups, to include the Illinois Credit Union League.



The Illinois group will be the seventh trade group to sign up for the turnkey consumer advocacy program of video-driven products. The program is aimed at CU constituencies from high school students to adults.

“FoolProof is not just a marketing campaign,” said Dan Plauda, ICUL president/chief executive officer. “FoolProof is about critical, yet objective information that credit unions can provide and that members will trust.”



**Illinois**  
Credit Union League

FoolProof is available to all consumers, whether they are credit union members or not. Using credit unions as web hosts, FoolProof offers consumers five separate financial literacy and consumer education programs: Consumer News, Parents & Grandparents, College-age, High School Teachers, and a year-round consumer web-site for young people, called CUHQ. ♦

## Legislative Dispatch

### HOUSE PASSES FINANCIAL REGULATORY REFORM

On December 11, on a 223-202 mostly party-line vote, the House passed legislation to revamp the way the government regulates financial services. A key component of the measure is the creation of a Consumer Financial Protection Agency (CFPA) that would issue regulations on a range of consumer financial products.

Credit union lobbyists succeeded in persuading lawmakers to include language in the bill ensuring that CUs with assets of \$10 billion or less would not be subject to examination by the CFPA. All credit unions would have to comply with rules issued by the agency, however.

Another provision would give the government additional powers to regulate and rescue firms deemed too big to fail. The FDIC would administer a fund aimed at rescuing troubled institutions; but the House approved an amendment that would exempt financial institutions with assets of \$50 billion or less — which includes all credit unions — from having to contribute to the fund.

**Cramdown Measure Defeated.** Credit unions dodged another bullet when the House defeated, 241-188, an amendment to the regulatory reform measure introduced by Representative John Conyers (MI-D). The amendment would have given bankruptcy judges the power to rewrite the terms of mortgages.

**Senate Outlook.** In the Senate, Banking Committee Chairman Christopher Dodd (CT-D) has introduced a more expansive version of the legislation, which the committee has started to mark up. While NCUA would remain a separate agency under the Dodd bill,

it would lose some of its jurisdiction on consumer issues to the CFPA. Supporters had hoped to pass a bill before the end of the year, but now action will have to wait until Congress completes its work on health care reform. ♦

### SENATE MAY RESPOND TO FED OVERDRAFT RULE

Senate Banking Committee Chairman Christopher Dodd (CT-D) said that the Senate may pass legislation that goes beyond the Federal Reserve Board’s final rule on overdraft protection. The Fed’s rule requires credit unions and other financial institutions to obtain a consumer’s consent (“opt-in”) before charging overdraft fees for ATM and one-time debit transactions. Compliance will be required starting July 1, 2010.

Senator Dodd’s bill is similar to legislation under consideration in the House. It would require opt-in for all overdraft protection programs but would also limit the number of overdraft fees that could be charged an individual per month and per year; require that fees be proportional to the cost of processing the overdraft; and stop institutions from manipulating the order in which they post transactions in order to rack up extra fees. It would also require that customers be notified when they overdraw their accounts, either by email, text, or traditional mail (according to their preference) and that customers be warned if an ATM or branch teller transaction will overdraw their account, and be given the chance to cancel it.

The credit union lobby is asking Congress to wait until the effects of the Fed’s new rules have been studied before proceeding with separate overdraft bills. ♦

**Marketing Tips of the Month**

**CU LAUNCHES TEEN/PARENT DEBIT CARD**

Meriwest Credit Union in San Jose, California has designed an electronic account that encourages an open dialogue between teens and parents about managing money.

The account allows younger members to carry a personal Visa debit card. Both parents and teens can manage the account through Meriwest's online banking module. In addition, parents can add money to the Flow account through their own personal accounts, monitor



transactions, set up automatic transfers, and even activate online alerts for balance levels or purchase.

The CU has also created a microsite where teens and parents can find detailed information about the program; tips on managing finances, including using the card responsibly; and FAQ sections addressed to both generations. ♦



**Serving the Community**

**CU SUPPORTS MUSEUM OF NATURAL SCIENCES**

Raleigh-based State Employees' Credit Union has provided a \$4 million grant to support the North Carolina Museum of Natural Sciences. The grant will fund the centerpiece of the museum's planned Nature Research Center — a three-story multimedia area for live presentations on environmental issues and scientific discoveries.

To be called the SECU Daily Planet, the area will also provide live feeds of the latest science news via the North Carolina Research and Education Network, Research Channel Consortium, NASA-TV, local stations WRAL-TV and UNC-TV, and North Carolina Public Radio.

Dr. Betsy Bennett, Director of the North Carolina Museum of Natural Sciences, says, "State Employees' Credit Union is one of our strongest and longest standing partners in this venture, and we are of course delighted with their generosity, as this is the largest private gift we've received since the NRC capital campaign was launched in fall 2008. We are equally delighted that they

share the Museum's commitment to providing statewide educational outreach in the natural sciences."

The Nature Research Center, an innovative 80,000 square-foot wing of the museum, is currently under



construction just west of the current Museum building. The Center is expected to draw more than 200,000 visitors annually from across the state.

**FLAPJACK FUNDRAISER SUPPORTS BOYS & GIRLS CLUB**

Aberdeen Proving Ground Federal Credit Union in Aberdeen, Maryland raised \$1,078 for the Boys & Girls Clubs of Harford County at a "Flapjack Fundraiser" at



All net proceeds will support the Clubs' mission of enabling all young people to realize their full potential as productive, responsible, and caring citizens.

The credit union is a proud corporate donor to the Boys & Girls Clubs of Harford County, having partnered with the organization for 15 years. Annually, the Clubs serve more than 4,500 youth ages 6 through 18. ♦

**State Employees' Credit Union**



**Comments? Suggestions? Questions?**

**Call the Credit Union Center Hotline:**

**1-800-278-6661**