



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • MAY 2009

THE BLUE PAPER

of the Month

“The Big Firestorm Is Coming That Can Tar and Feather CUs Along with Banks”

Senator Chris Dodd (D-CT) was speaking on NBC a few weeks ago. He said:

“There have been recent cases of banks raising their fees to amounts that would have been illegal a few years ago. And usually the customer is not even aware of it.”

This sort of message is sure to turn a few heads since it comes from the Chairman of the Senate Banking Committee.

That sort of negativity about fees is coming from all over — TV, newspapers, magazines, AOL alerts, financial journals, etc.

Banks are being tarred and feathered by the recent scrutiny of fees. But if Credit Unions are not careful, we could be painted with the same brush.

That’s why this month’s American Income Life *Blue Paper* is so important. It’s titled “**THE BIG FIRESTORM IS COMING THAT CAN TAR AND FEATHER CUs ALONG WITH BANKS.**” It’s a major alert about how the media just won’t stop churning out warnings about “fees, fees, fees.”

The issue highlights the three things you can do now to ward off the potential problems. ♦

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



Trends and Topics

CU AUTO LOAN SHARE HITS 25 PERCENT

Credit unions are making a strong showing when it comes to auto loans. The CU market share of auto lending reached 25 percent in January 2009, up

from 14 percent a year ago, according to the Michigan Credit Union



League. The level dropped only slightly in February to 24.8 percent.

The League attributes at least some of this success to its Invest in America discount program with General Motors and Chrysler. The partnership sold nearly 57,000 vehicles over a two-month period, with 80 percent financed by credit unions.

“This equates to about \$1.4 billion in sales and an estimated \$1.1 billion in credit union auto loans,” said Dave Adams, President/CEO of the League and its CUcorp subsidiary, adding that the numbers

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Trends and Topics

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“show the potential that Invest in America has.” The marketing efforts broadened in April, with many dealerships receiving marketing kits and credit unions across the country continuing to form new relationships every day with local dealers.

Navy Federal Credit Union, the largest CU in the country, recently announced that it would make \$3.5 billion available in auto lending for Invest in America. ♦



SHARED BRANCHING BOOSTS CU PROFITABILITY

If your members can't get to you, they'll take their business elsewhere. But with the convenience of shared branching, credit unions can retain and gain members and increase profitability — critical during these tumultuous economic times. Those are the findings of a recent study by CO-OP Financial Services. The study, conducted by Raddon Financial Group, consisted of 15 participant credit unions representing different regions, asset sizes, and peer groups. Other findings included:

- Shared branch users represent 23 percent of a CU's overall profitability.
- Shared branch households generate an average profit of \$119.10 for credit unions, while non-user households generate an average profit of \$28.47.

■ While 30 percent of overall households are profitable, 38 percent of shared branch user households are profitable.

■ Shared branch income totals nearly \$23,000 per credit union annually.

■ Deposits are the most common shared branching transaction and average \$784 per deposit.

■ With 13 percent of transactions happening after 5 pm, extended hours continue to be important to shared branch users.

“This study shows that shared branching has never been more important,” said Carroll Beach, President/COO of CO-OP Shared Branching. “Not only is shared branching an economically sound way to preserve high-quality member service standards, but it also helps credit unions reach the level of profitability they are striving to achieve.” ♦



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CU SERVICE CENTERS.
The Member Friendly Financial Network

Marketing Tips of the Month

PILOT PROGRAM OFFERS GENEROUS REWARD FOR SAVERS

A new program launched in February will award one lucky member of a Michigan credit union \$100,000 early next year; others will share in just under \$40,000 in monthly cash prizes. Eight CUs in the state are participating in the program. Designed by the Filene Research Institute, this first-of-its-kind pilot project will test consumer response to prize-linked savings.

Under the program, account-holders earn an entry with each \$25 deposit of up to 10 a month. One emergency withdrawal is allowed during the term of the certificate, and if the depositor closes the account, all entries disappear. Rates for the CDs vary based on each credit union's pricing.

“Perhaps the lack of savings in America can be attributed to the fact that savings is simply not fun, and the motivation to save has been stripped away,” said Denise Gabel, Chief Innovation Officer at the Filene Research

Institute. “What kinds of motivation are financial institutions providing to consumers?”

As of early March, 3,536 accounts had been opened for \$654,794 in total deposits and an average deposit of \$189.18, according to the Michigan Credit Union League, one of the program's sponsors.

“This program will teach us many things about the savings habits of credit union members,” said MCUL CEO David Adams, “which will allow us to continue to help members and fulfill our mission.” ♦



Technology Report

WHY CUs SHOULD MAINTAIN THEIR TECH BUDGETS

A recent article by Callahan & Associates discusses how cutting technology enhancements may ease short-term budgetary pressures but have a long-term impact on credit union growth and productivity. The article advises considering such costs carefully while taking into account these five reasons why credit unions need to keep moving forward with new technology:

1. **Consumer expectations and the competition** — Widespread consumer focus on controlling expenses has fueled the growth of personal financial management sites. Members may expect credit unions to offer budget management tools on their websites.

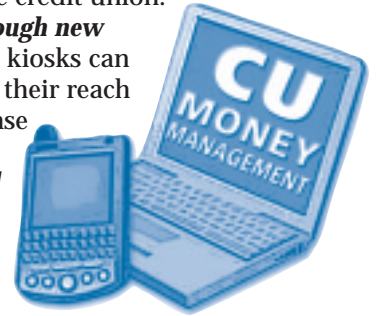
2. **Self-service and member loyalty** — Investing in online tools and enhancing the credit union website has the dual benefit of increasing member self-service

(saving the credit union money) while deepening loyalty among members who rely on the online channel.

3. **Reaching new markets** — New channels, such as online member enrollment or online account opening, can help the credit union more effectively reach Gen Y segments and encourage online members to expand their relationships with the credit union.

4. **Expanding access through new channels** — New ATMs or kiosks can help credit unions expand their reach without the sizeable expense of a new branch.

5. **Greater efficiency and volume** — Online loan applications and processing systems can help the credit union reach more members and process loans more efficiently, thereby increasing loan volume and member satisfaction. ♦



Legislative Dispatch

SENATE BANKING COMMITTEE APPROVES CREDIT CARD REFORM

On March 31, the Senate Banking Committee approved legislation to regulate credit card practices. Introduced by the committee's chairman, Senator Christopher Dodd (D-CT), the Credit Card Accountability, Responsibility and Disclosure Act (also known as the Credit CARD Act) aims to protect consumers from confusing, misleading, and predatory practices by credit card companies. Among other provisions, the legislation would, according to the committee:

- Protect consumers from "any time, any reason" interest rate increases and account changes.
- Prohibit unfair application of card payments.
- Protect cardholders who pay on time.
- Limit abusive fees and penalties.
- Prohibit issuers from using a consumer's card history with another creditor to raise interest rates ("universal default" ban).
- Prohibit issuers from charging interest on debt that has already been repaid.
- Ensure that cardholders are informed of the terms of their account.
- Protect young consumers from aggressive credit card solicitations.

The House Financial Services Subcommittee approved similar legislation on April 2 but voted to delay the bill's effective date to 12 months after enactment (but no later than July 1, 2010, when the Federal Reserve plans to implement similar rules). The House bill would not take effect until 2010.

The Senate bill includes an increase in NCUA's borrowing authority from the Treasury Department from \$100 mil-

lion to \$6 billion. The action follows the House's approval of a similar amendment earlier this year.

REP. JOHNSON INTRODUCES "CRA MODERNIZATION ACT"

On March 12, Representative Eddie Bernice Johnson (D-TX) introduced the Community Reinvestment Act (CRA) Modernization Act before hundreds of community organizations gathered at the annual meeting of the National Community Reinvestment Coalition (NCRC). The legislation includes strong accountability measures for a broader set of financial institutions than were previously covered (including credit unions), such as enhanced public hearings, expanded data reporting requirements, and the creation, for the first time, of a national foreclosure and loan modification data collection system.

"In recent months, we have seen the catastrophic effects that unsound loans can have on families and communities," said Representative Johnson. "Today we take another step toward ensuring that financial institutions lend responsibly, while continuing to encourage them to invest in all the communities in which they operate. The Community Reinvestment Act has a long record of benefiting low- and middle-income neighborhoods and the banks and thrifts that lend in those neighborhoods. Expanding CRA to cover all financial institutions will make this good law even better." It is not known why the congresswoman included credit unions in the bill.

CRA was passed by Congress in 1977 in response to incidents in which banks were found to have discriminated in loan decisions against certain communities based on their racial composition. Credit unions have not been covered by CRA and have worked to show that they have been responsive to the needs of underserved areas. ♦

Helping laid-off state, university, and other employees find jobs is the goal of

Arizona State Credit Union's new social media website.

HelpingAZ.com serves as a forum for community building and open dialogue, where visitors can voice their thoughts and opinions and offer helpful tips to others.

"People will

be able to share leads for current job openings and opportunities, as well as find links to beneficial resources based on visitor postings," according to the CU.



The website also includes up-to-date information on

the state budget and unemployment benefits, and community resources — including links to employment agencies, foreclosure assistance, financial fitness programs, and much more, "all developed by active online community participants."

"Since 1951, our founding philosophy has been that we will be a strong community leader with a commitment to help our members and those in need, during good times and bad times," said David E. Doss, the CU's President and CEO. "The credit union created HelpingAZ.com to help build a strong community of people helping people." ♦

HELPING AZ
YOUR VOICE. ONE COMMUNITY.

CU SPONSORS DISASTER PREPAREDNESS TRAINING

Pen Air Federal Credit Union in Pensacola, Florida recently sponsored a local Community Emergency Response Team (CERT) training course intended to raise awareness of disaster preparedness and integrate local teams of volunteers to respond to emergency situations.

The CERT program educates people about disaster preparedness for hazards that may affect their area and trains them in basic disaster response skills, such as fire safety, light search and rescue, team organization, and disaster medical operations. Using the training learned in the classroom and during exercises, CERT members



can assist others in their neighborhood or workplace following an event when professional responders are not immediately available to help. CERT members also are encouraged to support emergency response agencies by taking a more active role in emergency preparedness projects in their community. ♦

Serving the Community



CU EMPLOYEES WALK FOR AUTISM

Neighbors Credit Union in St. Louis, Missouri, formed a team to participate in Walk Now for Autism® at Forest Park. The 21 team members, composed of CU employees and their friends and family

members, created awareness of the disorder and donated \$475 for the cause.

The annual 1.5 mile walk helps raise money for the National Alliance for Autism Research to fund research grants to find a cure, as well as classes and seminars for parents with autistic children. A family-focused event, the walk also provides the community with information about local

resources. It is North America's largest grassroots autism walk program

and the signature fundraising and awareness event of the national organization Autism Speaks. ♦



Comments? Suggestions? Questions?

Call the Credit Union Center Hotline:

1-800-278-6661