



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • JULY 2013

THE BLUE PAPER

of the Month

“AN OVERVIEW OF THE SEVEN KEY FACTORS AFFECTING AUTO LOANS IN 2013”

Information about auto loans seems to be appearing almost everywhere recently — in Credit Union publications, newspaper articles, and even a new extensive study from the Filene Institute.

Of course. It's summertime. It's car-buying time. New models are appearing weekly. And the economy is showing real signs of recovery.

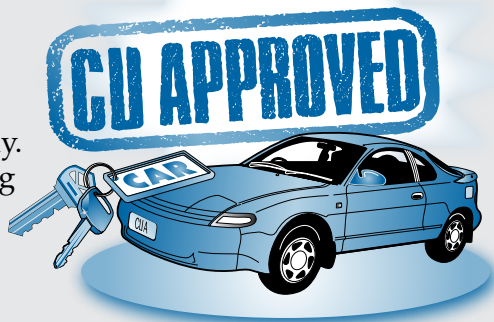
It's the season's hot topic. But, the *analyses, opinions, and suggestions seem to be all over the place — and in some cases, even contradictory.*

There are, however, *seven key factors* that can summarize all the recent flurry of attention.

This month's AIL *Blue Paper* offers an executive summary of all the latest reports, articles, and advice. It's titled “**AN OVERVIEW OF THE SEVEN KEY FACTORS AFFECTING AUTO LOANS IN 2013.**”

The new Filene study on auto lending, which surveyed more than 6,000 CU Members, revealed some real surprises. One example is the importance of rate in Members' decision about a lender. Unexpectedly, the study shows it's the tenth most important factor. ♦

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



Trends and Topics

CONSUMER BORROWING AT HIGHEST LEVEL SINCE 2008

New consumer borrowing has hit a five-year high, increasing by more than **EQUIFAX** 33 percent from the 2010 recession lows, according to the Equifax credit reporting agency. The growth is led by new demand for auto loans and ballooning student debt. New credit of \$141 billion was posted in the first two months of the year. Auto loans, which rose 13 percent to \$69.6 billion, accounted for nearly half of the year-over-year gains.

“Consumers are tired of their old, patched-up cars and demand is really starting to pick up,” said Amy Crew Cutts, Equifax's chief economist. “At the same time, there is a slight increase in the willingness of lenders to finance car purchases for consumers with less than perfect credit.”

Meanwhile, student loans jumped nearly 27 percent, from \$9.2 billion to \$11.7 billion.

Cutts said student borrowing is increasing “well beyond just tuition
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Trends and Topics

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increases as more and more people are attending colleges and professional training. In the past, some students might have relied on their parents, who would have

funded tuition payments using home equity lines of credit, but the small volume of home equity lending that is occurring today, at a little over \$12 billion, is not sufficient to cover those costs." ♦

BRANCH TRANSACTIONS CONTINUE DECLINE, STUDY SHOWS

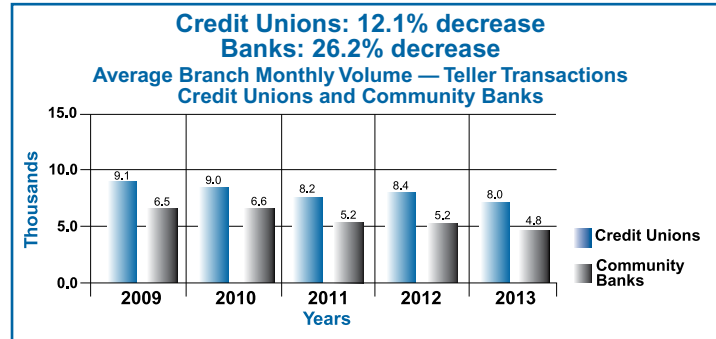
Branch transaction volumes are continuing the year-over-year decline, having dropped more than 45 percent since 1992, according to FMSI's 2013 Teller Line Study.

FMSI found a decline in the ratio of population to branches, as well as in the number of branches, concluding that the market is "overbranched."

Meanwhile, branch operating costs have increased steadily since 1992. The study says that, in addition to the decline in branch volume, this trend is the result of:

- An 84 percent increase in salary and benefits.
- A 123 percent increase in labor costs per teller transactions.
- An 18.9 decrease in productivity.

Credit unions have fared better than banks (see chart), but still need to take a look at staffing levels and teller scheduling, FMSI concluded. "Look closely at your teller



Source: FMSI's 2013 Teller Line Study

line workforce optimization," the firm said. "With the potential of \$30,000 per year, per branch in excess labor costs, you may be leaving a very big rock unturned." ♦



Technology Report

FREE eALERTS FOR MEMBERS

"We know life can move fast," says Michigan State University FCU's website. In response, the CU has introduced eAlerts, "a convenient way to keep track of your account on the go." The free alerts are real-time notifications sent by email or text message to members based on information members choose to receive about account-specific or general credit union information.



Developed in-house, eAlerts allow members to have more control over their accounts, prevent fraud, and benefit from the convenience of quickly receiving any information they need regarding their accounts. For example, eAlerts can be set up for notifications on daily account balance, share and loan transactions, check clearings, and payment due reminders, as well as on financial tips, rate changes, and upcoming credit union events and seminars.

"With nearly 20 percent of MSUFCU members living outside the state of Michigan, services like eAlerts provide additional, convenient ways for all our members to manage their accounts no matter where they're located," said CU President Patrick McPharlin.

To promote eAlerts, the credit union also hosted a special Text to Win contest for its members, with chances to win an iPad Mini or one of eight iTunes gift cards. ♦



MOBILE PAYMENTS PERCEPTION DOESN'T MATCH REALITY

"Consumers have readily embraced smartphones and tablets — the key enablers of mobile payment, according to a recent Vantiv survey called *Top 10 Payment Trends to Watch in 2013*, "But interest in actually using mobile payments has not followed suit."

Consumer interest in mobile payment forms essentially has remained flat, says Vantiv, and in some cases, has even showed a decline. Consumer interest in "tapping or waving a mobile phone at checkout to pay," for example, fell from 14 percent to 10 percent. Overall, just 15 percent of respondents said that they would prefer to use mobile payments over a credit, debit, or prepaid card.

One reason for the lackluster response, Vantiv suggests, is security. "But just as important may be the disconnect between marketing messages and the reality of consumers' lives." In addition, the infrastructure for such payments is still quite limited.

In fact, Vantiv concludes, consumers may be taking a more long-term view. The survey showed that consumers feel positive about the future of mobile payments. Two-thirds of consumers expect mobile payments to be common in five years, and 39 percent see themselves using such payment methods in that time frame. Both those figures represent an increase over the previous year. ♦



Marketing Tips of the Month

CU PARTNERS WITH LOCAL NEWS CHANNEL TO PRESENT WEATHER FORECASTS

Consumers Credit Union in Kalamazoo, Michigan is teaming up with local WWMT News Channel 3 to bring weather updates to the community using a variety of media. The seven- and three-day forecasts will be featured throughout the day on WWMT newscasts, on the CU's in-office video education monitors and digital billboards, and in all WWMT online Web and weather applications.

"In just this past week alone, we've had freeze warnings, tornado warnings, and have gone from hot to cold in a matter of an hour," said



credit union

Consumers Credit Union CEO Kit Snyder. "We take assisting our members in their everyday lives very seriously. This is one

more way we can help members plan for their days."

"We are proud to be able to bring forecasting to a greater number of people throughout the day," said Jim Lutton, General Manager of WWMT. ♦



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Legislative Dispatch

SENATOR UDALL ASSUMES CHAIRMANSHIP OF FINANCIAL SERVICES AND GENERAL GOVERNMENT SUBCOMMITTEE

On June 13, Senator Tom Udall (D-NM) became the new chairman of the Financial Services and General Government Subcommittee of the Senate Appropriations Committee. The panel oversees funding for the Treasury, the Securities and Exchange Commission, and a range of smaller government agencies. He replaces Senator Frank Lautenberg (D-NJ), who died on June 3. Senator Udall is known for his strong support of the 2010 Dodd-Frank financial regulatory overhaul.

The subcommittee chairmanship is a key post in controlling funds for agencies that regulate the banking industry. It also helps manage the finances of the District of Columbia. ♦

HOUSE PASSES REVERSE MORTGAGE MEASURE

On June 12, the House passed by voice vote legislation to allow the Federal Housing Administration (FHA) to quickly make changes to its reverse mortgage insurance program for elderly homeowners to ensure the program's fiscal safety and soundness.

The Home Equity Conversion Mortgage (HECM) program allows borrowers who are at least 62 years old to convert the equity in their homes into a monthly stream of income or a line of credit. The bill (HR 2167, the Reverse Mortgage Stabilization Act) authorizes the

Department of Housing and Urban Development to establish additional requirements by mortgagee letter — a HUD letter to the public and stakeholders — when immediate changes are necessary to uphold the fiscal safety and soundness of the program. Supporters say changes to the program would help eliminate a senior's ability to over-borrow.

Representative Denny Heck (D-WA) introduced the measure on May 23 at FHA's request. ♦

NEW MLB CAP BILL INTRODUCED IN SENATE

Senator Mark Udall (D-CO) has introduced S. 968, the Small Business Lending Enhancement Act of 2013 — the latest congressional legislation that seeks to raise the member business lending cap for credit unions. Udall's bill would raise the cap to 27.5 percent for eligible credit unions. The bipartisan bill, which has 16 cosponsors, is pending before the Senate Banking Committee.

"Credit unions have an important role to play, lending to startups and Main Street businesses alike. My bill helps to unleash their potential to ensure that job creators in Colorado and across the country have the capital they need to start a business or to grow," Udall said.

Representatives Ed Royce (R-CA) and Carolyn McCarthy (D-NY) introduced a House companion measure (H.R. 688, the Credit Union and Small Business Jobs Creation Act, in February. ♦

Marketing Tips of the Month

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CU OFFERS TARGETED REWARDS FOR CARD USE

San Diego County Credit Union is telling members that they can now “get cash back just by shopping” with their CU debit and/or credit cards, enabling them to save on travel, dining, and merchandise. “It’s as easy as: Click. Pay. Rewards!” the CU website says.



Relevant offers are now presented on each member’s checking account detail page within the credit union’s secure online banking platform — achieved by leveraging information about previous purchases. By clicking on

the offers, account holders can activate or “accept” rewards before redeeming them at a number of national, local, and online retailers. No coupons or promotion codes are required, and no member data leaves the credit union’s secure environment.

Members who sign up for Internet Branch online banking are automatically enrolled in SDCCU Paybacks. To earn cash back, they simply click on offers they’re interested in to activate them and pay with their SDCCU card. Rewards are automatically deposited into their SCDDU account. Members can easily opt out of the offers if they wish.

“Launching our new SDCCU Paybacks



San Diego County Credit Union

reward program is an exciting milestone for us and one that will provide meaningful and tangible value to our customers,” said CU President Teresa Halleck. ♦

CU SPONSORS KIDS’ FISHING EVENT

AOD Federal Credit Union in Bynum, Alabama recently sponsored the Kids’ Fishing Classic, an annual event to give intellectually disabled students and teachers from Calhoun County the chance to escape the confines of a classroom and spend a day making friends and even catching a few fish.

The yearly event, which began 17 years ago, has grown in size and now includes more than 250 children and more than 200 adult volunteers. It is supported by donations from local businesses and other organizations. AODFCU has sponsored and volunteered at the event for the past three years. Sponsorship money is used to purchase approximately 800 pounds of fish and to provide lunches, t-shirts, and bait. The lake is stocked prior to the event.

This year, students and teachers from 15 area schools participated. Volunteers helped the students with fishing, cutting bait, fixing lunches, and clean up. ♦

Serving the Community



CU PARTICIPATES IN BOSTON STRONG CASUAL DAY

Employees of St. Anne’s Credit Union, serving Bristol, Plymouth, and Barn stable counties in Massachusetts, participated in a Boston Strong Casual Day in which proceeds went to The One Fund Boston to help victims of the marathon bombing

and their families.

To raise more awareness of the fund, employees were asked to wear blue and yellow (the colors of the Boston Marathon) and to take part in a Boston Strong Contest in which they decorated each branch and department to show their support. St. Anne’s President Avenue won the contest, with a Boston Marathon scene depicting the city skyline, a runner at the finish line, and a crowd cheering him on.

The contest raised more than \$700 for The One Fund Boston. The money included employee donations, proceeds from ribbons that were made and sold by an employee, and a few member donations that were greatly appreciated. It also resulted in more than 70 new Facebook fans. ♦



Correction: The following corrects and clarifies information in the June 2013 *Credit Union Lines* article titled, **Cruise For Kids Benefits Local Children’s Charities.**

The 9th annual Credit Union Cruise For Kids raised \$65,000. The charity did not have a fundraising goal this year. To date, the Credit Union Cruise For Kids has raised over \$485,000 for local children’s charities and the All Children’s Hospital. ♦



Comments? Suggestions? Questions?

Call the Credit Union Center Hotline:

1-800-278-6661