



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • JANUARY 2014

THE BLUE PAPER

"THE SEVEN CHANGES THAT LEADERS HAVE TO MAKE IN ORDER TO BE SUCCESSFUL" of the Month

Everyone knows about the Peter Principle — where a person is promoted until he or she reaches a level at which that person is incapable of doing the job.

As problematic as that is, a worse situation arises when a manager — adept at handling a certain program or department — is suddenly moved to a leadership position. This is a transition from a product orientation to a supervisory orientation.

The Harvard School of Business did a major study of "managers with high potential talent, executives, senior human resources professionals, and individuals who had been moved into leadership positions for the first time."

The study found that in order to succeed, the subject must make "seven transitions" — seven shifts in mental focus — in order to acquire the new skills required of leadership.

This month's AIL Blue Paper is titled, "**THE SEVEN CHANGES THAT LEADERS HAVE TO MAKE IN ORDER TO BE SUCCESSFUL.**" It's a "must read" for every CEO or top-level Credit Union officer. ♦

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



Trends and Topics

NEW VEHICLE LOAN INTEREST RATES LOWEST SINCE 2008

Experian Automotive announced recently that interest rates for new vehicle loans have dropped to 4.2 percent, the lowest rate since they began



reporting the data publicly in 2008. In addition, according to the organization's State of the Automotive Finance Market report, the average amount financed for a new vehicle reached its highest point since 2008, at \$26,719.

"The third quarter of 2013 proved to be a good time to purchase a new vehicle, particularly for consumers who buy based on their monthly payments," said Melinda Zabritski, Senior Director of Automotive Credit for Experian Automotive. "With loan rates at historic lows, car shoppers were able to take advantage and get a little more vehicle for their monthly payment. It's a win for everyone, as shoppers perceive they are getting better deals and manufacturers and dealers are boosting sales."

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Trends and Topics

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In other trends:

- The average credit score for a new vehicle loan dropped to 753 in Q3 2013 from 755 in Q3 2012.
- The average credit score for a used vehicle remained flat year-over-year at 668.

■ The average amount financed for a used vehicle rose to \$17,900 in Q3 2013 from \$17,577 in Q3 2012.

■ Average monthly payments for used vehicles remained flat at \$350. ♦



DEBIT VS. CREDIT CARD TREND REVERSES

The more than 20-year trend that showed debit card purchase volume and transactions gaining share over credit cards ended in 2012, according to The Nilson Report payment industry newsletter. Nilson also reported that spending for goods and services on credit, debit, and prepaid cards reached \$4.633 trillion in 2012 and is projected to reach \$7.285 trillion by 2017.

Credit cards accounted for 52.82 percent of spending in 2012 compared to 47.18 percent for debit cards. In 2011, credit cards accounted for 52.63 percent and debit cards accounted for 47.37 percent of \$4.301 trillion in purchase volume. In 2017, 54.72 percent is projected to be generated from credit cards and 45.2 percent from debit cards.

"There is a finite amount of money in deposit accounts owned by consumers," said David Robertson, Publisher of *The Nilson Report*. "Credit cards are different. Because they can borrow money and pay it back over time, they can spend more on credit than they have in their own accounts."

Visa debit cards' market share of 23.83 percent was highest when comparing purchase volume for all product types in 2012. Visa credit cards ranked second with 21.18 percent, followed by American Express credit cards (12.70 percent), MasterCard credit cards (11.53 percent), and MasterCard debit cards (9.67 percent).

Visa credit card purchase volume is projected to have a greater share in 2017, at 23.65 percent, than Visa debit cards, at 22.98 percent. American Express's share is projected to grow to 13.36 percent. MasterCard's credit card share is expected to fall to 10.82 percent, and its debit card share is expected to fall to 9.40 percent.

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THE NILSON REPORT

Technology Report

NEW FACEBOOK APP HELPS MEMBERS GET BEST DEAL ON LOANS

Carolina Collegiate Federal Credit Union in Columbia, South Carolina is the first in the state to adopt Calcubot, a Facebook application that enables users to research auto loan options.

With the new app, members can run auto loan scenarios with different loan amounts, terms, down payments, and selling prices, enabling them to make more informed decisions. Users can also share the scenarios on their Facebook profile to solicit feedback from friends and family. To create long-term engagement with members, Calcubot provides an "Alert Me" feature that monitors interest rate changes and notifies members of savings opportunities. Calcubot also directs prospects from Facebook to the credit union's online loan and new member application systems.

According to Shastic, the technology start up that provides the app, "Despite the overwhelming success of Facebook and its nearly complete dominance of social media, financial institutions only make limited use of the social network's power. The unparalleled viral reach of Facebook into the consumer market can be tapped for lead-generation with the quick and easy installation of Calcubot to the FI's Facebook page."

Ron Shevlin, Senior Analyst at Aite Group commented, "Facebook provides a cost-effective way for financial institutions to communicate with customers and prospects,

but most institutions under-utilize the power of the platform to engage consumers."

Shastic, the technology start-up that provides the app, 83.6 percent of users complete and estimate and 17.6 percent go on to apply. ♦



Calcubot®
The Facebook Calculator



Making a Difference...One Member at a Time



Marketing Tips of the Month

SERVICE WITH A SMILE — AND A CUP OF TEA

GECU, the largest credit union in El Paso, has introduced a new concept that combines a CU branch with a tea house.

The new branch, located at the edge of the campus of the University of Texas at El Paso, features GECU's personal teller machines and a tea house operated by Kinley's Coffee House & Teas. At the tea house, both

members and non-members are welcome to enjoy food or drink, relax, and learn about their finances. The two-story branch also includes a mezzanine where free financial seminars will be taught.



"We're opening the doors to a new concept never seen before in our community," said GECU Chief Executive Officer Crystal Long. "We've built the new branch to meet people's lifestyles."

On the first floor, a GECU concierge greets visitors and directs them either to an ATM or the tea house. Personal teller machines (PTMs) offer all the standard teller services; a physical teller interacts with the member virtually from another GECU location. PTMs are available from 8 am to 8 pm, Monday through Friday, to accommodate college students' need for flexible hours.

"It's not your traditional branch," Long says. "It's quite the opposite." ♦

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Legislative Dispatch

JUDGE APPROVES SWIPE FEE SETTLEMENT

On December 16, a federal judge approved the multi-billion dollar settlement of a lawsuit over credit card swipe fees, resolving an eight-year long battle between banks and retailers. Credit card swipe fees amount to about \$30 billion a year and have tripled in the past 10 years.

In a 55-page ruling, U.S. District Judge John Gleeson said the settlement will encourage competition. He also sharply criticized the tactics and arguments of some of the nation's largest retailers.

"The vitriol and poor behavior and feigned hysteria mask complex and difficult issues on which reasonable merchants can and do disagree," Gleeson wrote.

The antitrust case was brought in 2005 by a small group of retailers who objected to the pricing set by Visa, MasterCard, and the financial institutions that issue their cards.

The settlement agreement, reached last year, requires the defendants to pay an estimated \$7.25 billion, though that number was reduced because many merchants opted out of the agreement. The settlement is now valued at \$5.7 billion. Visa and MasterCard also agreed to allow retailers to impose surcharges on credit-card purchases.

Gleeson also touted the benefits of the new rules allowing merchants to impose surcharges, stating: "For the first time, merchants will be empowered to expose hidden bank fees to their customers, educate them about those fees, and use that information to influence their customers' choices of 'payment methods.'"

"The long political conflict over interchange fees is finally over, settled by a well-established legal process,

which brought together retailers and the card industry for a negotiated resolution," said Sam Fabens, a spokesman for the Electronic Payments Coalition, in a statement.

Retailers are expected to appeal the decision. ♦

CFPB RELEASES FINAL MORTGAGE DISCLOSURE FORM RULE

On November 20, the Consumer Financial Protection Bureau released its final rule merging mortgage disclosure forms.

The Dodd-Frank Act required regulators to combine the forms required by the Truth in Lending Law and the Real Estate Settlement Procedures Act. The rule is intended to help consumers understand more clearly the cost of a loan.

"Taking out a mortgage is one of the biggest financial decisions a consumer will ever make," said CFPB Director Richard Cordray. "Our new 'Know Before You Owe' mortgage forms improve consumer understanding, aid comparison shopping, and help prevent closing table surprises for consumers. Today's rule is an important step toward the consumer having greater control over the mortgage loan process."

For more than 30 years, federal law has generally required that within three business days of receiving a mortgage application, lenders must deliver two different, overlapping disclosures to consumers. Federal law also generally requires two forms at the closing stage. These forms contain duplicative and sometimes confusing information.

The rule goes into effect August 1, 2015, giving mortgage lenders time to implement the changes, and the CFPB is currently working with financial institutions and consumers to ensure effective implementation. ♦

Marketing Tips of the Month

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AUTO LOAN TARGETS FIRST-TIME BUYERS

Diamond Federal Credit Union in Pottstown, Pennsylvania has launched a First Time Auto Buying Program that makes it easier for young adults to obtain their first loan and build credit — and, it is hoped, start a long-term relationship with the CU in the process. The CU offers a step-by-step guide designed to make the car-buying experience a positive one for this age group.

The program offers loans at 4.99 percent APR, two percentage points above the CU's standard car loan rate.



The credit union follows up by staying in regular contact with young borrowers and rewards them for making payments on time. After 12 months of on-time payments, the borrowers have the opportunity to refinance at no cost and are pre-approved for a \$1,000 credit card. After 24 months, they receive a \$50 Visa gift card.

"What we learned in our research is that many financial institutions get young adults into a car and forget about them," said Senior Vice President and Chief Marketing Officer Todd Rothenberger. "This gives the credit union the chance to suggest other projects and services young borrowers need, like a checking account, further cementing their long-term relationship." ♦

CU SUPPORTS ANNUAL FOOD DRIVE IN DC REGION

Signal Financial Federal Credit Union in Kensington, Maryland showed its support for those in need by participating in the Food2Feed Fundraiser sponsored by Howard University. For 36 years, WHUR-FM – Howard University Radio has hosted a Thanksgiving food drive in the Washington, DC region with a live broadcast encouraging the community to help the less fortunate.

All day long on November 19 at the Old Post Office Pavilion, people were asked to bring non-perishable food or make donations. Signal Financial representatives were on hand to present a check on behalf of the credit union in the amount of \$1,000 — enough to feed 3,000 people.

One hundred percent of the monetary proceeds and non-perishable food are donated to the Capital Area Food Bank and Shabach Ministries, Inc., non-profit (501c3) organizations that help needy families throughout the Washington region.

Among other worthy causes, Signal Financial also participates in the Adopt-a-Family initiative each holiday season. ♦



signalfinancial
Federal Credit Union

Serving the Community



CU HELPS WITH NEIGHBORHOOD PARKS SPRUCE-UP

On November 16, volunteers across Philadelphia helped spruce up the city's neighborhood parks. Neighbors and park friends raked leaves, planted bulbs and new trees, worked on special projects, and prepared parks for winter. After the clean-up, Philadelphia's Sb1 Federal Credit Union sponsored pony rides for children.

"We would like to have a positive involvement in the community. Sprucing up our neighborhood parks is a great way to give back to a community that has invited us with open arms since we have opened up Sb1 membership to those who live, work, or go to school in Philadelphia," said Diane Childs, Sb1's Vice President of Marketing.

LOVE Your Park is a collaborative partnership between Philadelphia Parks & Recreation and the Fairmount Park Conservancy to steward and support neighborhood parks throughout Philadelphia. They work closely with neighborhood park friend groups to promote the network of parks across the city. ♦



Comments? Suggestions? Questions?

Call the Credit Union Center Hotline:

1-800-278-6661