



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • JULY 2014

THE BLUE PAPER

of the Month

“COMPETITION IS COMING FROM THE POST OFFICE, WALMART, COSTCO, HOME DEPOT, AND ...”

Lately, it seems like competition can come from almost anywhere.

That includes the post office, Walmart, Costco, and Home Depot.

In a recent “white paper,” U.S. Postal Service (USPS) Inspector General David Williams announced that the agency is seriously considering offering financial services.

The proposal stated that these “postal banking services” could include savings, checking, reloadable prepaid debit cards, direct deposits, online bill paying services, and even small loans.

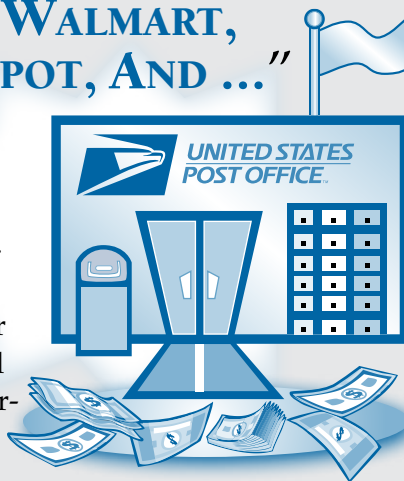
Post offices already offer money orders and international money transfers.

And, earlier this year, shopping giant Walmart instituted the new “Walmart-2-Walmart” transfer service for sending funds using the chain’s more than 4,000 locations.

Also, Costco now offers home mortgages, and shoppers at a Home Depot store can get a loan there to help complete a home improvement project.

This month’s AIL *Blue Paper* is titled **“COMPETITION IS COMING FROM THE POST OFFICE, WALMART, COSTCO, HOME DEPOT, AND ...”** It discusses this recent competition, as well as our only real defense against this new threat. ♦

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



Trends and Topics

MANY MILLENNIALS FACING LONG-TERM DEBT

Generation Y, those born between the late 1970s and the mid-1990s, is young, ambitious, educated, and optimistic, but many in this group lack

personal financial management skills.

As a result, they face long-term debt related to higher education, expensive spending behaviors, and credit cards. That’s the conclusion of a new report from Filene titled *Gen Y Personal Finances: A Crisis of Confidence and Capability*.

The report uses a subsample of data from the most recent National Financial Capability Study to examine financial capability among young Americans aged 23 to 35, broken down by a variety of demographic characteristics. Key insights derived from the data include:

- 66 percent of Gen Y’ers have at least one source of outstanding

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Trends and Topics

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long-term debt, whether a student loan, mortgage, or car loan.

- 30 percent have more than one source of long-term debt.

The report suggests that credit unions have an opportunity to step in and help, using strategies that focus on debt management and financial literacy.

“A high income and college degree is not indicative of how prepared an individual is to manage their finances,” the report concludes. ♦

70 PERCENT OF CREDIT CARDS WILL MEET EMV DEADLINE, STUDY SAYS

After a delay due mostly to federal regulations, the United States is now on its way to embracing the EMV standard, a framework for interoperable chip-based cards that significantly reduces the risk of counterfeit use.

By the end of 2015, 70 percent of U.S. credit cards and 41 percent of U.S. debit cards will be EMV-enabled, according to Aite Group. Aite’s report, *EMV: Lessons Learned and the U.S. Outlook*, takes a look at the experiences of five countries that preceded the United States in adopting the EMV standard: the United Kingdom, Australia, Brazil, Mexico, and Canada.

The big banks, which control a huge percentage of U.S. cards, will be responsible for much of the movement, while credit unions and community banks are not likely to convert as quickly.

“I have talked with a lot of credit unions recently, and I think less than half of all CUs will convert to EMV by the [October 2015] liability shift deadline,” said Julie Conroy, Research Director for retail banking at Aite. “Credit unions are all over the map. Some realize the exposure and don’t want to get hammered with fraud costs while others hope fraud is just a problem for the big financial institutions.”

Aite
PARTNER. ADVISOR. CATALYST.

The State Department Federal Credit Union, which made the switch more than a year ago, says the EMV card appeals to the large segment of its membership who travel outside the United States and have understood the technology for some time.

“EMV is a marketing advantage because we now have a product that more people are learning about, are interested in, and want,” said Carrie Shaffer, the CU’s Marketing Manager. ♦



Technology Report

MANY CUs FAIL TO FULLY UTILIZE THEIR LINKEDIN PAGES

New research by *The Financial Brand* indicates that the vast majority of banks and credit unions aren’t utilizing the most basic features available to them on their LinkedIn pages. In fact, many create pages on the social media outlet

LinkedIn to say they have a presence but don’t take the next step.

The Financial Brand reviewed 100 credit unions with company pages on LinkedIn and found that none made use of all the basic features available, such as adding a large banner (“hero”) image, personalizing summaries, incorporating videos, and using the Careers tab, which allows an organization to interact with job-seekers.

Jeffrey Pilcher, publisher of *The Financial Brand* advises, “Don’t say you’re using LinkedIn or any social medial channel if all you’ve done is created the page years ago and never touched it ... In trying to communicate one thing, you’ve actually left the exact opposite impression.”

The Financial Brand suggests 12 things financial institutions can do to improve their company page and boost their follower count. ♦

THE FINANCIAL BRAND

CU GOES COMPLETELY TELLERLESS

Coastal Federal Credit Union in Raleigh, North Carolina now has personal teller machines (PTMs) for members’ use in all of their 15 branches. The PTMs are available from 7 am to 7 pm, seven days a week.

The tellers themselves are centrally located in one of two credit union facilities, from which they remotely authorize transactions, review check images, and dispense cash. Tellers provide personal interaction through video screens and a private audio network.

To use the PTMs during extended hours, members simply swipe their Coastal Visa, ATM, or Check Card to enter the vestibule area. They are then able to make deposits, withdraw funds, cash checks, and make transfers.

Willard Ross, Coastal’s Chief Retail Officer, says the CU has cut costs by 40 percent by eliminating its branch tellers. He says customers still get personal contact, and the remote tellers can make judgment calls that an automated system



can’t, such as deciding whether a check can be cashed immediately. “Branch managers don’t have to worry about manning the teller operations anymore, so they can be totally focused on the members who walk in,” Ross said. As a result, product sales have nearly doubled in the branches. ♦

Marketing Tips of the Month

DRAWING FOR “BILL-FREE LIVING” PROMOTES ONLINE BILL PAY

Solidarity Community Credit Union in Kokomo, Indiana is telling its members that if they use its Online Bill Pay service this summer, the CU just might pay their bills for them.

Each time members use Online Bill Pay at Solidary in May, June, and July, they are automatically entered into



the applicable month's drawing to be reimbursed for that month's bills (up to \$3,000). (Members can

Bill-Free Living



opt out if they don't want to participate.) Members even get five bonus entries just for signing up, but can opt out if they don't want to participate.

The credit union's website says of its Bill-Free Living program, "Now that's a carefree summer." ♦

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Legislative Dispatch

WHITE HOUSE TAKES STEPS ON STUDENT LOAN RELIEF

On June 9, the Obama Administration announced an executive action that would enable 5 million borrowers with student loan debt to cap their repayments, starting December 2015.

The Education Department is drafting regulations that expand a 2010 law to allow student loan borrowers to cap their payments at 10 percent of their income, with the balance forgiven after 20 years of repayments. This option, known as Pay as You Earn, currently is not available to borrowers who took out loans before October 2007 or who have not borrowed since October 2011.

"We believe that in America, no hard-working young person should be priced out of a college education," said President Obama.

The White House announced several other student loan changes, including:

- Renegotiating contracts with student loan servicers to strengthen financial incentives to help borrowers repay their loans on time; lower payments to servicers when borrowers are delinquent or default on their loans; and increase the weight given to borrowers' customer satisfaction when allocating new loans.

- Automatically reducing the interest rates on active duty military members' student loans without additional paperwork.

- Testing new ways to reach borrowers with the greatest repayment risk, such as those who left college before finishing their degree, missed their first loan payment, or defaulted on loan balances.

- Launching a pilot project between the Education and Treasury departments to test the effectiveness of loan counseling resources.

On June 11, the Senate rejected, 56 to 38, an effort to move to a vote on S. 2432, the Bank on Students

Emergency Loan Refinancing Act, introduced by Senate Elizabeth Warren (D-MA). The bill would allow borrowers who took out student loans prior to July 1, 2013 to refinance those loans with the rates currently being offered to new borrowers (3.86 percent for undergraduate loans). It would be paid for by a tax increase on those earning more than \$1 million a year — the so-called Buffett Rule, a reference to investor Warren Buffett who has said he pays a lower tax rate than his secretary. ♦

CFPB LAUNCHES INQUIRY INTO MOBILE BANKING

The Consumer Financial Protection Bureau on June 12 said it plans to take a harder look at mobile financial services to see the potential for consumer harm and determine the impact on the underbanked.

The agency is seeking information on whether mobile banking opens access to those who cannot otherwise get traditional banking services; how it helps consumers check and manage their accounts instantaneously; and the possible need for protections against lost phones or data breaches.

"In this modern age, where people can manage their money on the go, there is great potential to provide access to more consumers and allow them to take greater control of their financial lives. At the same time, using mobile devices for all sorts of banking services can make some transactions cheaper or faster or both," said CFPB Director Richard Cordray. "But we need to make sure that the legal and regulatory framework can keep up effectively, so that all consumers can remain protected, whether they are opening their wallet or scanning the screen on their smartphone."

The CFPB says about 74,000 new customers per day joined mobile banking last year alone. The Bureau also pointed to research from the Federal Reserve showing that said one-third of cell phone users and more than half of smartphone users utilize mobile banking.

The CFPB has also posted consumer tips online about identity protection when using mobile banking. ♦

Marketing Tips of the Month

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CU HOLDS FREE REAL ESTATE FAIRS

Monthly home-buying seminars were so popular at Stanford Federal Credit Union in Palo Alto, California that the credit union decided to turn them into full-fledged real estate fairs.

The free events, generally held in the spring and fall, include presentations and in-depth discussions on the following topics:

- **Home Loans** — Including the different types of mortgages available and different benchmarks used to qualify buyers for a home loan, such as credit score, down payment, and debt-to-income ratio. The discussion includes an explanation of the appraisal process and how to maximize a home's value.
- **Home-Buying Process** — Focusing on such topics as the path to successful home ownership, owning versus renting, and home selection.



■ **Home Inspection** — Providing an overview of the home inspection process.

■ **Title & Escrow** — Covering the title company's role, title searches, and title insurance.

The credit union says the fairs are relatively inexpensive to set up, and the opportunity to build good will with potential homebuyers makes them worth the investment. Stanford captures attendees' information, knowing that they are typically serious buyers who may soon be ready to purchase a home.

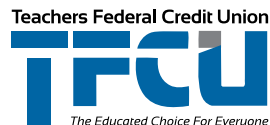
"We make sure that we maintain contact with them so that we are there for them when they are ready to get that loan," said Margaret Wold, Vice President of Marketing and Business Development. ♦



CU HOSTS ARTISANAL FARMERS MARKET

Teachers Federal Credit Union, serving Long Island, New York, hosted its second annual Artisanal Farmers Market at its Hauppaug headquarters. Partnering with The Kitchen Co-Op, which provides commercial kitchen space for young food businesses, TFCU brings locally grown produce and artisanal foods from both established farmers and up-and-coming businesses to the local community.

"We are proud to help nurture the next generation of small businesses while providing our community with the best locally grown produce and food products," said Robert G. Allen, President & CEO, TFCU. "As Long Island's premier financial institution, TFCU is dedicated to supporting these future local institutions as they grow. Our Artisanal Farmers Market helps start-up small businesses get the vital exposure and market support they need to flourish." ♦



Serving the Community



BOOK DRIVE HELPS AREA CHILDREN

Since 2005, Black Hills Federal Credit Union in Rapid City, South Dakota has partnered with Readiatrics in its annual book drive. Readiatrics was established to promote children's literacy and give

good homes to new and used books.

The collected books are donated to the South Dakota Department of Health, which in turn gives them to children receiving care in Rapid City, Hill City, Pine Ridge, Porcupine, Kyle, and Ellsworth Air Force Base, as well as to the children's library at Storybook Island. Over the past 13 years, the book drive has collected more than 100,000 books for children in family or medical crisis.

BFCU employees and members spent two months clearing their shelves and donating storybooks to the drive. In total, employees and members collected 1,633 books and \$40 in cash donations.

The Readiatrics Book Drive was carried out under the umbrella of BFCU's Community Action Team, which is comprised of groups of employees who volunteer their time and energy to co-chair various fundraising endeavors. ♦



Comments? Suggestions? Questions?

**Call the Credit Union Center Hotline:
1-800-278-6661**