



# CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • AUGUST 2015

## THE BLUE PAPER of the Month

“PAYDAY LOANS  
HAVE BECOME A HOT  
TOPIC LATELY.”

And now the Consumer Financial Protection Bureau (CFPB) has set out new regs that the agency hopes will protect people from the ruthless rates of this debt merry-go-round.

Consequently, Credit Unions are faced with new challenges:

- How to offer (or continue to offer) the small loans that so many workers need to carry them over to the next payroll, and
- How to structure these loans.

For Credit Unions, which have always had their Members' interests at heart, these can be serious decisions.

That's why this month's American Income Life *Blue Paper* is titled “NEW CHALLENGES: SHOULD WE OFFER PAYDAY LOANS? AND HOW SHOULD WE STRUCTURE THEM?”

This issue tells you what successful Credit Unions are doing and shows you some of the innovative techniques and programs they are using. ♦

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



### Trends and Topics

#### AUTO LOAN GROWTH DRIVEN BY MILLENNIALS

The millennial generation – consumers born in 1981 or after – represent the fastest-growing

TransUnion<sup>tu</sup>

segment of auto loan consumers. According to the latest auto report from TransUnion, those in this age group represented 27 percent of total auto loan originations in 2014, up from 16 percent of total originations in 2009.

Millennials' total outstanding auto balances have increased 23



percent in the past year, the highest of any age group.

Average opening loan balances for this generation grew 4.1 percent year after year, up from \$17,942 in 2014 to \$18,678 in 2014.

“The growth in millennials' auto loan originations dispels the

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## Trends and Topics

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common myth that millennials are not buying cars,” said Jason Laky, Senior Vice President and Automotive Business Leader for TransUnion. “The growing average loan balances for millennials, combined with stable delinquency rates, indicate that we are still in the midst of a strong auto lending environment.”

At the end of 2014, auto loan delinquency rates remained relatively flat, with the 60-day auto loan delinquency rate moving from 1.14 percent in Q4 2013 to 1.16 percent in Q4 2014. Auto loan debt per borrower rose to \$17,453 in Q4 2014, marking the fifteenth straight quarter of increases. ♦

### CALL CENTER SCAMS UP 30%

Fraudulent calls to U.S. call centers serving retailers and financial institutions rose 30 percent from 2013 to 2014, according to a new report from Pindrop Security. The anti-fraud technology company found that the call centers of large financial institutions and retailers averaged one fraud attempt for every 2,200 calls. The number was significantly worse for credit card issuers,

which experienced one fraud attempt for every 900 calls. Overall, more than 86.2 million calls per month in the United States are phone scams.

According to the report, *The State of Phone Fraud 2015*, call center fraud costs financial institutions \$7 million to \$15 million a year. The losses come from fake wire transfers and other deductions from accounts.

“These attackers are sophisticated, using a variety of tactics, including automation, working in criminal rings and using both the phone and cyber channel to make tracking



their actions more difficult,” said Matt Garland, Vice President of Research and head of Pindrop Labs. “As major data breaches such as Anthem and Target have occurred, attackers have found the phone channel to be the vulnerable underbelly for corporations and consumers, allowing them to monetize the breaches through social engineering and account takeovers.”

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## Technology Report

### DIGITAL COMPETITORS THREATEN TRADITIONAL BANKING RELATIONSHIPS

A new survey by Accenture, *The Digital Disruption in Banking: Demons, demands, and dividends*, determined that the traditional banking customer relationship is in jeopardy, despite the fact that in the United States, nearly 40 percent of customers have been with their



current financial institution for a decade or more. The survey also suggests that an understanding of evolving consumer preferences can

lead to significant new opportunities for the industry.

Among the key findings are that 27 percent of customers would consider a branchless digital bank and 71 percent see their banking relationship as transactional, rather than relationship-driven. A section of the survey on “Millennials and Money” showed that 72 percent in this age group would be likely to bank with non-financial services companies, such as Google or T-Mobile, with which they currently do business (compared to 27 percent for those over 55).

Accenture concludes that to meet these challenges, financial institutions should advance on three fronts:

- Become truly omni-channel by seamlessly integrating the customer experience across in-branch, assisted, and digital interactions.

- Offer a greater range of services.
- Offer digital personalized financial advice and counseling to help customers better manage their financial needs. ♦

### NEW APP INCREASES CREDIT/DEBIT CARD PROTECTION

America First Credit Union in Riverdale, Utah is offering a new “Card Guard” security tool that enables users to “control” their credit or debit cards. With Card Guard installed on their mobile device, users can:

- Determine where they want to use their cards.
- Set per-transaction spending limits.
- Allow card use only from merchants near their phones.
- Turn the cards off whenever they don’t need them.

The CU initially invited a limited number of its members to try out the system before officially introducing it. The second phase of the launch will



involve a large marketing campaign that includes a strong social media push. America First Mobile Services Manager Brice Mindrum expects the innovation to catch on quickly. ♦

## Marketing Tips of the Month

### EDUCATION FINANCE SOLUTIONS THAT MEET MEMBERS' NEEDS

A recent Gallup Poll found that having enough money to pay for their children's college education is the top financial worry of U.S. parents. More than seven in 10

# TDECU

## YOUR CREDIT UNION

parents polled said they were "very" or "moderately" worried about the issue. With the cost of college

tuition exploding over the past few decades, credit unions are looking for ways to help students and their families navigate the process. In fact, no other group worries more about any other financial matter.

TDECU in Lake Jackson, Texas has partnered with Credit Union Student Choice, the foremost provider of higher education financial solutions to America's credit

unions, to deliver in-school and consolidation loans to its members. The partnership supports TDECU's ability to serve the needs of the University of Houston, one of its primary memberships.

Student Choice provides an online financial wellness platform that helps members make effective personal



finance, student loan, and career decisions. It has also created a College Access Counselor position to provide one-on-one counseling, present webinars and regional workshops, and develop financial education resources.

"TDECU is proud to offer a comprehensive solution that will help us deliver both fair-value loans and educational resources that will help young adults and families make good decisions," said Chuck Smith, TDECU's Chief Lending Officer. ♦ *continued on page 4*

## Legislative Dispatch

### NCUA PROPOSES CHANGES TO MBL REGULATIONS

In the first comprehensive rewrite of the member business lending regulation since 2003, NCUA has unveiled proposed changes that would provide more flexibility and autonomy for credit unions in offering business loans. The unanimously approved revision would eliminate the requirement that borrowers personally guarantee loans. It would also impose an 80 percent loan-to-value cap on collateral used to secure a loan and lift all "unnecessary" limits on construction and development loans. Participation interests in loans to non-members would not count against the statutory MBL cap. Further, the 15 percent of net worth limit on loans to one borrower would increase to 25 percent if the additional 10 percent is supported by readily marketable collateral.

Comments on the proposed rule must be received within 60 days of its publication in the July 1 *Federal Register*. ♦

### NEW CYBERSECURITY ASSESSMENT TOOL ANNOUNCED

On June 30, the Office of the Comptroller of the Currency (OCC) announced a Cybersecurity Assessment Tool that will allow institutions to evaluate their risks and cybersecurity preparedness.

The tool, part of a larger cybersecurity enhancement effort, was issued by the Federal Financial Institutions Examination Council (FFIEC).

The tool contains two basic parts. The Inherent Risk Profile helps institutions determine the threat levels they face. The Cybersecurity Maturity component helps them assess their risk management practices and how they would respond to a cyber incident. The assessment process is based on five categories: technologies and connection types, delivery channels, online/mobile products and technology services, organizational characteristics, and external threats.

The Cybersecurity Assessment Tool can be accessed at [ffiec.gov/cyberassessmenttool](http://ffiec.gov/cyberassessmenttool). ♦

### WOMAN TO BE FEATURED ON NEW \$10 BILL

In June, Treasury Secretary Jack Lew announced plans for a redesigned \$10 bill. The last time a woman was featured on new paper currency was when Martha Washington was depicted on a \$1 silver note. The bill will be issued by 2020 – in time for the 100th anniversary of the Nineteenth Amendment granting women the right to vote. It is intended to be the first design in a new generation of currency with images that celebrate democracy. Secretary Lew and other Administration officials are conducting roundtables and town halls to collect input on which woman in American history to feature. The public can weigh in at [thenew10.treasury.gov](http://thenew10.treasury.gov) or by using the hashtag #TheNew10. ♦

## Marketing Tips of the Month

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### YOUTH CHALLENGE BRINGS NEARLY \$3.2 MILLION IN SAVINGS

Each year during Financial Literacy Month, State Employees' Credit Union in Raleigh, North Carolina features a Youth Savings Challenge contest to encourage and emphasize the benefits of saving to its youngest members.

With a theme of "Dinosaur into Savings," more than 17,500 members of the credit union's youth accounts **State Employees' Credit Union** – FAT CAT (for 12 and under) and Zard (for teens) – saved nearly \$3.2 million during the contest week of April 20-24. Members who made a deposit into their savings account during that time were automatically entered in a random

drawing to win the grand prize of an HP Stream 11 laptop, with one winner in each youth category. The challenge led to the opening of more than 600 new youth accounts.

SECU employees statewide promoted the campaign with creative dinosaur displays, along with themed games and puzzles and dinosaur kite giveaways. Branches also held youth appreciation events and gave financial literacy presentations at local schools.

"The Youth Saving Challenge is a fun campaign that provides a positive educational experience for youth and added savings toward their future," said Brea Hull, Vice President of SECU's King branch. ♦



## Serving the Community

### TEACHING KIDS THE VALUE OF MONEY AND HEALTHY FOOD CHOICES

This summer, TopLine Federal Credit Union in Maple Grove, Minnesota is partnering with Maple Grove Farmers



Market to promote the Power of Produce (PoP) Kids' Club. The goal is to educate area children about how to make wise shopping and food choices.

PoP Club member benefits include a reusable shopping bag, a PoP punch card, and market tokens that can be used for the purchase of fresh fruits, vegetables, or food-bearing plants from the farmers market. Children of all ages are also invited to participate in activities and demonstrations at the



market and to explore and enjoy its bounty. In addition, TopLine will host a special event in August. TopLine President and CEO Tom Smith called the partnership "a wonderful way for parents and kids to have valuable conversations about money, including how and when to spend it. Putting ownership and purchasing power into the hands of young consumers through this program helps teach kids how to make healthy financial and nutritional choices." ♦



### CU PROVIDES BIKES, FINANCIAL LITERACY TO CAMPERS

Purdue Federal Credit Union in West Lafayette, Indiana recently gave bicycles, helmets, and bike locks to eight attendees of the Purdue Athletes Life Success (PALS)

camp. The recipients, four girls and four boys, were randomly selected based on the four pillars of character – kindness, fairness, courage, and caring – emphasized at PALS.

As part of Purdue Federal's commitment to youth financial literacy, the credit union staff also taught PALS campers about budgeting and setting savings goals through a variety of age-specific exercises and games.

Since 2007, Purdue Federal and The Brees Dream Foundation have jointly given approximately \$425,000 to PALS, which provides sports, fitness, life, and health instruction to area youth ages 3 to 14 whose parents or guardians meet income guidelines. ♦



**Comments? Suggestions? Questions?**

**Call the Credit Union Center Hotline:**

**1-800-278-6661**