



CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • JUNE 2016

THE *BLUE PAPER* of the Month

“IN 2016 MEMBER LOYALTY IS NO LONGER A GIVEN NEW STUDIES SHOW WHY”

Yes, studies have shown approval ratings for banks to be second to the bottom of all major institutions.

And...yes, the majority of Credit Union Members (85%) “approve of” and feel they “can trust” their institution.

However...yes, up to 40% of customers at all financial institutions are planning to change their FI in the near future.

And...yes, 20% of the population have changed financial institutions in the past year.

Consequently...no...Member loyalty is not a sure thing anymore.

Members have seen that honesty and trust is *not* a part of so many offers we get each day.

- “Lose 20 pounds in two weeks—guaranteed!”
- “Try it free!” (Not mentioning that after 30 days the buyer will be billed monthly.)
- “While supplies last.”
- “Only if you call in the next eight minutes.”

Credit Unions understand that, at times, we have to include qualifiers in our offers. But the important difference is this: It shouldn’t look as if we are trying to hide information — or trying to trick the Member. This is the difference between trust and deception.

To address this issue, this month’s American Income Life *Blue Paper* is titled “IN 2016 MEMBER LOYALTY IS NO LONGER A GIVEN.” ♦

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

Trends and Topics

CONSUMERS LOOKING TO FIs FOR FINANCIAL ADVICE

A new study of more than 3,000 U.S. adults found that while a majority are satisfied with their primary financial provider, they give their own financial management skills mixed marks. Sixty percent of respondents to Fiserv, Inc.’s *Expectations & Experiences: Household Finances* survey said they view financial management as a “must do” versus a “want to” — an indication that many consumers would welcome and benefit from outside help.

On average, U.S. adults give themselves a “B” for short-term responsibilities like paying bills and sticking to a budget, but a “C+” for long-term goals like saving for college or retirement. In addition, 48 percent admit that they do not have anyone they rely on for advice on managing household finances. At the same time,

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53 percent view financial institutions as partners in financial management.

“Tasks such as paying bills, budgeting, or saving for retirement are a fundamental part of people’s daily lives,” said Fiserv’s Chief Operating Officer Mark Ernst. “Most consumers look to their bank of credit union as a partner, and financial institutions have a significant opportunity to provide the financial advice and tools they need to help them achieve their dreams.” ♦

COLLEGE STUDENTS LACK BASIC CREDIT CARD KNOWLEDGE

While 38.5 percent of college students have a credit card in their own name, many are unaware of their card’s interest rates and late payment charges. Those are some of the findings of a survey conducted at three universities by LendEDU, a marketplace for student loans and student loan refinance. The survey was



designed to “better understand financial literacy and credit card usage among current college students.”

Of the college students surveyed:

- 9.4 percent know the current interest rate on their credit card.
- 20.6 percent know the late payment charges on their credit cards.
- 58.9 percent know the balance limits on their credit card.
- 28.9 percent know the over-balance fees charged on their credit card.

On a positive note, a high proportion of respondents (71.1 percent) did believe that making credit card payments on time is important in building credit.

The survey was the latest of four LendEDU conducted this year. The first survey found that current college student loan borrowers know little about student debt; the second found that current student loan borrowers would do just about anything to pay off student debt; and the third found that college students struggle to understand the basics of credit scores and reporting.

LendEDU concludes that there needs to be “greater personal finance education for young adults, especially at the high school level.”

Technology Report

FAST-GROWING DIGITAL TECHNOLOGY POSES RISKS FOR SMALL CUs

In an increasingly digital world, price is not the only factor in a decision on where to bank or borrow. Consumers want digital access to their accounts. A study by the financial product comparison site MagnifyMoney, based on NCUA data, reached two conclusions:

- The largest credit unions (by assets) are far more digitally advanced than the smallest.
- Credit unions that are digitally savvy grow their member base much more quickly than those that are not.

The study also showed that large credit unions are “investing in digital technology, growing their user base, and

creating best-in-class experiences for their consumers. However, there is a real risk for the smallest credit unions. They will need to find cost-effective ways to embrace digital technology or face risks.”

According to the study, credit unions with the highest digital adoption scores (75 to 100) grew their assets in six months by 3.85 percent. For credit unions with scores of 25 to 50, assets grew by just 0.23 and membership shrank 1.37 percent. For credit unions with scores below 25, assets shrank 1.12 percent and membership shrank by 0.24 percent.

“This sends a clear warning to credit unions: If you want to grow and prosper, you will need to invest in digital capabilities,” the study concluded. ♦



Marketing Tips of the Month

TAPPING INTO THE MILITARY MELLENNIALS MARKET

Navy Federal Credit Union has a program designed to provide financial education to a very specific market: military millennials. The MakingCents program, which is available to both Navy FCU members and non-members, helps users “get on track” with such financial goals as purchasing a car or a home, getting a credit card account, paying for college, managing credit, and improving finances.

A survey by Forrester Consulting on “Military Millennials and Their Money”



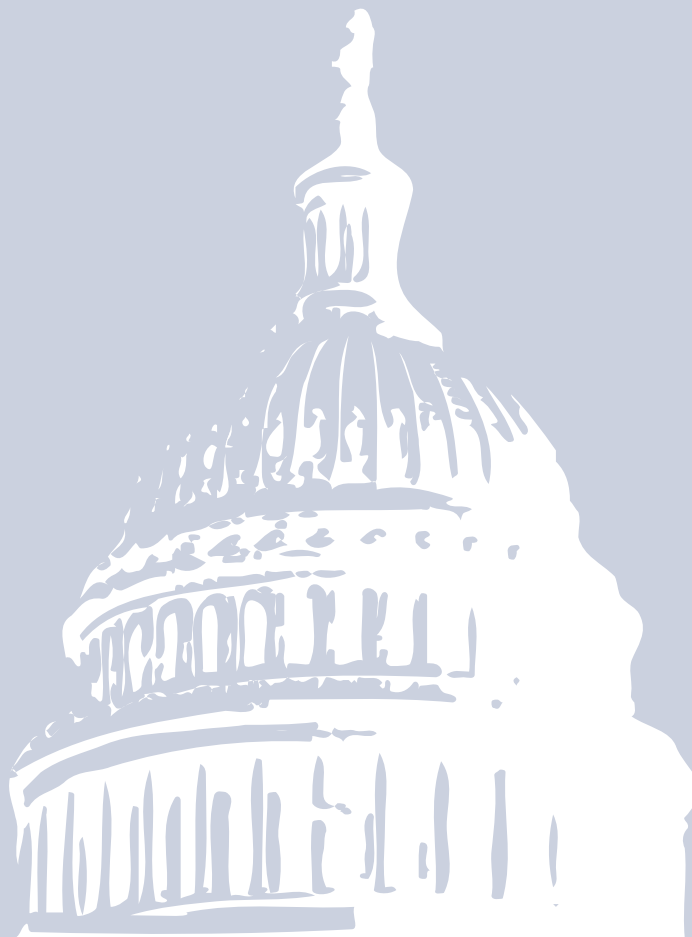
found that this demographic wants to become more familiar with financial literacy and relies more on digital resources, especially those provided by their preferred financial institution.

Alan MacEachin, Corporate Economist at Navy FCU, says that millennials in general know “that the idea of a safety net is precarious. They also have seen the value of stocks and the value of homes can decline. This makes financial literacy of paramount importance to them.” Military millennials are generally more satisfied with their current financial situation, he added, and put greater emphasis on retirement savings, reducing debt, and buying a first home. ♦

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Legislative Dispatch

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Marketing Tips of the Month

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YOUNG MEMBERS SET NEW RECORD DURING SAVINGS CHALLENGE WEEK

Nearly 19,000 FAT CAT and teen Zard members responded to State Employees' Credit Union's Youth Savings Challenge — "Launch Into Saving!" — by setting a new record. Participants deposited more than \$3.4 million into savings, while opening 679 new youth accounts.



The Raleigh, North Carolina credit union used a space exploration theme to inspire its young members to start saving for future goals. Those who made a deposit during

the week-long event were automatically entered in a drawing to win an Apple iPad mini 2 and a \$25 iTunes gift card. Another 255 winners received an Atlantis space shuttle kite.

The CU's Youth Savings Challenge is an annual event, held in conjunction with Financial Literacy Month. To continue its financial literacy efforts during the month, SECU branches hosted youth appreciation days and conducted financial education presentations in-house and for local schools and community organizations. ♦



Serving the Community

CU SUPPORTS MARINERS' MUSEUM EDUCATION PROGRAM

Langley Federal Credit Union in Newport News, Virginia presented a \$5,000 check to the Mariners' Museum to support the Passport to Discovery Education Program. The program will provide free admission to the museum for 555 students of Hampton Roads who would otherwise not be able to afford a guided, hands-on learning experience.

"Langley is proud to support the Mariners' Museum—one of the largest and most comprehensive maritime museums in the world," said Langley FCU's Vice President of Administration Gary Hunter. "This

gift will benefit many children in our community who would otherwise not be able to see this wonderful museum that is located right in our backyard."

The Mariners' Museum has been telling and displaying the history of the ocean and its relationship with humankind for more than 80 years. ♦





DEBIT CARD PROGRAM PROVIDES \$103,600 TO PUBLIC SCHOOLS

Everyday purchases by members of CFE Federal Credit Union in Lake Mary, Florida have resulted in \$103,600 in donations to public school districts in Orange, Osceola, and Seminole counties.

The donations came from members' use of their MyCFE4Schools debit card during 2015. Every time a

member makes a signature-based transaction with the card, CFE donates five cents to that member's school district. Last year, members completed more than 2.2 million transactions.

Any member with an existing CFE debit card can convert it to a MyCFE4Schools card.

"School districts need support," said CFE's President and CEO Joseph A. Melbourne, Jr. "They need support from the community, they need it from business leaders, and that's what CFE provides. CFE is very active on foundation boards within the school districts. I'd say

99 percent of our contributions go to something that supports students." ♦





Comments? Suggestions? Questions?

Call the Credit Union Center Hotline:

1-800-278-6661