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Editor's Note:

Payments – a Personal Perspective

This edition of Technology@CU felt very personal. It seems no matter where technology goes, getting consumers to adopt the technology comes down to personal preference, habits.

I prefer credit. It doesn't matter the size of the charge — from a \$3 latte mini-splurge to my \$300 cowboy boots real splurge. I like my miles and I like the float. I also pay my bills monthly, so my financial institution doesn't earn any interest income off me. On page 13, Tim Kolk of TRK Advisors offers advice on how to create a scorecard to understand and budget for different card holder types.

Apparently, I'm in the minority now. In an un-scientific office poll, a majority of my colleagues said they use debit (qualifier: most of them are younger than 30). Why? The two most popular answers were "budgeting" and "I don't have my own credit card." VISA made headlines in 2009 with a more scientific confirmation of this phenomenon when it found debit charges surpassed credit for the first time in 2008. On page 18, Ben Colvin of MasterCard shows you how to analyze different behaviors to segment your debit portfolio and grow from within.

What about when I buy online? Credit card again...almost everywhere. If necessary, my husband has a PayPal account we use to buy Thomas the Tank Engine trains and Halloween costumes on eBay. He has it set up to debit his credit union account via ACH; a credit card is the back-up because he said "they made it next to impossible to choose credit as the first choice."

We pay most of our utilities through the biller websites, which debit our credit union checking account. And checks? Once a week. To the babysitter. Every so often we cut a check for school fees or field trips. We use bill pay, too, although not as often. A missing check here... a delayed payment there... it's not our first choice by default. What about your members' preferences? Based on a survey of credit union members, Denise Senecal discusses ways to position and improve your bill pay service starting on page 32.

Mobile? Now that's intriguing — mostly for the peer-to-peer side of things. I am married to my iPhone (don't worry about telling my husband, he has his own and an iPad now). I could see myself using mobile payments to replace checks as I'd love to get rid of my checkbook (one FI tried to charge me \$50 for a new set of checks!). Mobile is really the missing link for me. I'd love to use a P2P service, and on page 36, Steve Shaw offers a glimpse of that future.

Who is helping credit unions navigate the future of payment systems? We provide full coverage of credit, debit, and bill pay market share, as well as detailed listings of credit union and supplier partnerships online. You can find this information on our sister publication's site, CUSP Online, available at

<http://data.CreditUnions.com/CUSP>.



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Credit cards offer a high return for credit unions, which historically have earned a return on assets of 3-6% on their card programs. Even with the recent combination of economic forces and regulatory changes, credit card loans remained an important source of member relationships and loan growth in 2009. In fact, last year, credit card loans were the second fastest growing component of the loan portfolio. In the first quarter of 2010, credit cards are the only loan category that posted higher growth than one year ago. Flip to page 8 and see what other credit cards trends are affecting your credit union.

The implications of proposed amendments to Reg-E and Reg-Z are still unclear, but year-end data suggests credit cards will be an essential product for credit unions, both now and in the future. To ensure your credit card portfolio is as healthy as possible, track your program's P&L. Learn how to do that on page 13.

Callahan & Associates partners with vendors and credit unions to identify the market's biggest trends and threats, opportunities and weaknesses. For Callahan's most current payment systems market share data and insight, log in to CUSP Online at <http://data.CreditUnions.com/CUSP>.



Enticing members to use more products, thereby helping the credit union earn more income, is an ongoing dilemma. One way to deepen the member relationship is to purposefully cross-sell products; to do that, you need to know your members' attitudes, behaviors, and preferences. For a discussion on how you can turn that knowledge into actionable marketing strategies and engage key member segments, turn to page 18.

An instant issue card is one product that engages members while offering credit unions long-term cost savings and high service usage. Plenty of companies offer the technology, and we provide 10 benefits to instant issuance beginning on page 28.

Like instant issue cards, prepaid cards open the door for credit unions to increase membership and streamline services. Prepaid cards even offer an avenue for credit unions to diversify their revenue streams, which is essential in today's marketplace. Turn to page 25 to learn more about the benefits of prepaid cards.

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The regulatory battle between merchants and card processors makes it more difficult for credit unions to establish themselves as members' go-to service for all payment needs. On the web, that struggle is intensified by online merchants actively promoting alternative payment options. Turn to page 39 to see what impact services such as PayPal and Google Checkout have on your bottom line.

One way to ensure members keep you top of mind is to offer the personal financial management tools that keep them fiscally healthy and returning to your website for advice and assistance. Our discussion of the ways you can create a welcomed suite of online banking and bill pay options begins on page 32.

Online systems are turning the financial world into a digital environment. Payment systems are expanding on all fronts, from online peer-to-peer payments to mobile payments. Three key trends are driving expansion in the P2P market; flip to page 36 to see which trends present an opportunity for your credit union.

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PAYMENTS