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Card Services

EMPOWERING YOUR MISSION

When Will Your Credit Union Become Part of the 'Twitterverse'?

By MYRIAM DI GIOVANNI

To Twitter? Or not to Twitter? That is not the question. Rather, 'tis far nobler to decide when and how your credit union will become a part of the "Twitterverse."

"It's pretty clear to me that it is something a credit union can't afford not to do," said EverythingCU.com Chief Experience Officer Morris Parlee. "Eventually, being on Twitter is going to be as common as having a telephone or e-mail—it is that powerful a communication medium."



He added that the reason why it's particularly powerful is that much like the old party-line phone, it provides credit unions a way to listen in on other people's conversations while engaging members and potential members.

A recent William Mills study entitled, "The Bank and Credit Union Twittersphere" found that financial institutions using tweets generally fall into six categories.

Problem solvers. This is when Twitter pages are used as online customer service centers. Consumers can directly contact them with questions or concerns, but these financial institutions are also proactively searching for consumers who refer to negative experiences and approaching them with assistance.

Community activists. Information on upcoming events, community service and philanthropic activities the FI sponsors, new branch locations, personal finance tips, chang-

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Matz Faces Range of Challenges After Taking the Helm of the NCUA

By CLAUDE R. MARX

President Obama's pick to chair the NCUA, Deborah Matz, will oversee the regulation of an industry that has been sharply affected both by the recession and management and structural changes in recent years.

But her experience in the credit union movement—including three years on the NCUA board and two years as chief operating officer of Andrews Federal Credit Union—combined with her strong political connections, could help her navigate the difficult times ahead.

"It takes most people six to nine months once they start running an agency to know who the players are and what are the key issues. She'll know right off and that will really help both her and the agency," said Geoffrey Racine, a former NCUA Board member who was also in the running for the chairmanship. "She has strong opinions but is a good listener. She is fair, but firm."

Matz, a 58-year-old New York City native, was named to the NCUA Board by President Bush in 2002, at the recommendation of then-Senate Majority Leader Tom Daschle (D-S.D.). During her tenure on the board, which lasted until 2005, she was especially concerned about the health of small credit unions and worked to strengthen the agency's efforts to help them and deal with regulations.

In reaction to the announcement, Daschle said, "I've known her and [her husband] Marshall forever. She has a keen intellect and is persistent and that's an important combination in getting things done."

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MATZ

New Card Bill Brings Market Perils And Opportunities for Credit Unions

By DAVID MORRISON

Credit unions will have to compete in a credit card market stripped of some of their traditional consumer advantages, thanks to the credit card reform legislation recently signed into law.

President Obama signed the Credit Card Accountability Responsibility and Disclosure Act of 2009 into law on May 22. The new law prohibits many of the practices credit unions have generally stayed away from, such as double-cycle billing and universal default fees.

Consumer advocates largely celebrated the banning of these practices, but credit unions face the prospect of having their biggest card nemesis forced to clean up its act. The result will be that credit union- and bank-issued cards are going to look remarkably similar in a number of ways because the new law has forced banks to act more like credit unions in issuing cards.

"This will end up making credit union and bank cards look a lot alike on the surface, but only on the surface," acknowledged Ondine Irving, founder of Card Analysis Solutions. Irving maintained that credit unions are likely to retain their

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ON THE INSIDE

Special Report: Security

Phishing attacks, identity theft and old-fashioned armed robbery are among the constant threats. Read how credit unions are protecting themselves in our Special Report, pages 17-21.

Study: Opportunity Knocks

A new study from Forrester Research concludes that, with the backlash against banks, now is the time for credit unions to tell their story. See page 6.

CARD BILL: Credit Unions May Lose Some Marketing Advantages

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advantage with consumers even if bank card issuers have to change some of their practices.

"The fundamental difference between credit unions and banks hasn't changed," Irving observed. "I believe the banks will seek ways using other fees and charges to get around these rules. Credit unions won't use things like that, so the difference between them will remain."

The fundamental difference between credit unions and banks hasn't changed. I believe the banks will seek ways using other fees and charges to get around these rules. Credit unions won't use things like that, so the difference between them will remain.

Irving noted, for example, that the practice of charging a minimum finance charge even when a cardholder does not carry a balance is something almost only banks do, which by her understanding is still allowed.

"Doing things like charging \$2.50 every month even when a cardholder pays off their balance every month is going to mark the bank cards," Irving added.

Scott Wagner, executive vice president for TNB Card Services, agreed. "I believe that over time banks will find loopholes in the law that will enable them to recoup some of the income they might otherwise lose," Wagner said. He added that credit union card

issuers remain rooted in a nonprofit, cooperative ethic, which is an advantage they have over the bank issuers.

Glenn Schechter, director of card services for PSCU Financial Services, also argued that credit unions would differentiate themselves by continuing to offer credit cards to their members.

Schechter argued that the banks have been using higher interest rates and fees on a portion of their

portfolios to subsidize the less profitable parts, for example the accounts of cardholders who don't carry a balance.

"When the income from those other parts of their portfolios are cut, it's unclear that those accounts are going to remain as profitable for the banks," Schechter observed. "If those credit lines are cut or even closed, those cardholders are still going to need credit, and their credit unions will be there to offer it."

The question of whether or not credit unions would start to charge annual fees on their card accounts met with more differences of opinion. Bank card issuers

have warned that passage of the new law would mean annual fees on many bank-issued cards, but Schechter doubted whether they would really put any annual fees in place.

"A few people might remember the early 1990s when the first-issued credit card with no annual fee drew 16 million cardholders in 18 months," Schechter

said. He pointed out that the power of offering a credit card with no annual fee was likely enough to stave off annual fees, and thus deprive credit unions from taking any PR advantage from not charging them.

Wagner estimated that annual fees on both bank and credit union cards may make an appearance in very targeted ways, for example

on cards that carry extra rewards programs or specialized enhancements, like concierge service or special travel benefits.

Analysts also agreed that credit union card issuers would have to evaluate their card programs to determine changes necessary to comply with the new law. For example, credit unions affiliated with colleges or universities with significant student populations may need to change the way they market their cards to students under 21 to comply with the law that requires student cardholders to have co-signers.



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