

## Life of Balance Offer Gives Cardholders Reason to Transfer

Balance transfer promotions for credit cards are highly effective at increasing the overall balance of a credit card portfolio, while offering a valuable member service for cardholders.

When a life of balance (LOB) promotional rate is offered, it works to increase the dollar amount of the balance transferred, as well as the number of members who take advantage of it.

Of the credit unions that took advantage of TNB Card Services' fall 2007 balance transfer promotion, those that offered a LOB promotional rate recorded 44 percent more in aggregate balances transferred, compared with those that offered a limited-time promotional rate.

As a whole, the participating credit unions netted \$4.3 million in balances, with an average transfer of \$3,900 for a limited-time rate and \$4,200 for those that offered a LOB rate.

TNB makes it possible for the credit union to determine the promotional rate and length of its offer, with the flexibility to tailor the program to the credit union's individual card marketing goals. In the fall 2007 promotion, cardholders were given three months – September through November – to redeem the checks.

Among the most successful of the participating credit unions were First Financial Federal Credit Union of Wall, New Jersey, and AMOCO Federal Credit Union of Texas City, Texas. Each offered a LOB rate.

For AMOCO Federal Credit Union, which participates regularly in TNB's card promotions, the credit union offered a 3.9 percent LOB rate to see how it would



compare to previous balance transfer rate offers of a limited-time zero percent APR.

"The LOB rate significantly outperformed the previous balance transfer rate of zero percent," said Vicki Walker, credit card manager

of AMOCO FCU. "We boosted the average transfer by 65 percent, and more than tripled the total amount of balances transferred compared with when we offered zero percent."

With a 2.7 percent response rate and an average balance transfer of \$4,300, the LOB rate offer increased AMOCO's response rate by 81 percent over the previous balance transfer promotion and brought in \$580,000 in new card balances.

For First Financial Federal Credit Union, which targeted its Visa Platinum cardholders, the credit union offered a 5.9 percent LOB offer. The credit union's strategy paid off, generating a strong response rate of 3.7 percent and more than \$382,000 in new card balances.

The credit union's COO, Alice Stevens, credited the LOB offer with the promotion's success. "Together with this promotion we've brought in more than \$1 million in new card balances using the LOB rate. Our members are clearly interested in locking in a set rate for a longer term rather than receiving a lower rate for a limited time.



"Our goal was to get our card into a larger number of members' hands," added Stevens. "We now have \$12 million in outstanding card balances. This promotion and previous TNB promotions are responsible for the growth."

Based on TNB's return on investment calculation, First Financial achieved a 1,727 percent return based on the balances transferred.

The overall response rate for all participants of the promotion was 2.2 percent, out of 42,000 qualified accounts that were targets of the balance transfer offer. Depending on the rate each credit union selected, transfers were offered from 0 percent to 5.9 percent APR or a 3.9 or 5.9 percent LOB rate.

"The LOB rate is clearly gaining in popularity among credit unions," said Dusty Bowers, senior vice president and client relationship manager for TNB Card Services, noting that TNB makes it easy for its clients to offer a LOB transfer rate to their members.

"At the same time that credit unions seek to differentiate their card products as more member friendly, cardholders are looking for the best deal when using their cards. The LOB rate enables them to do this, creating a stronger bond between the cardholder and the credit union.

"The fall balance transfer promotion showed once again that credit unions offering LOB rates always have better response and higher balance transfer amounts," Dusty added. "When you take a low rate and offer it for the life of the balance, you see much greater response, especially in this challenging credit environment."

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