Special Report: Payments

Credit Union Management

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TRANSFORMING *TRANSACTIONS*

Successful competitors in today's payments world emphasize personalization, ease of use and the right technology.

PLUS

Transforming *Transactions*

SUCCESSFUL COMPETITORS IN TODAY'S PAYMENTS WORLD EMPHASIZE PERSONALIZATION, EASE OF USE AND THE RIGHT TECHNOLOGY.

BY CELIA SHATZMAN

Four experts weigh in on the disruptive, always-changing payments space—and their recommendations for how to capitalize on it.

PAYMENTS PERSONALIZATION

From Amazon suggesting your next buy before you even realize you need it to Netflix making movie night easier with its curation algorithm, we've come to expect the places where we do business to predict our next move. That's also true for consumers' financial partners, which is why PSCU has taken a page from tech giants to develop expert customization.

"There is an increasing demand from members for the flexibility to personalize their payments preferences," says Brian Scott, chief growth officer for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "In PSCU's 2022 *Eye on Payments* study, we found that personalization was one of the four key factors driving consumer payments preferences and behaviors. In fact, nearly eight out of 10 survey respondents agree … that they want to do business with a financial institution that knows them personally. While convenience and security consistently rank in the top four, we are seeing overwhelming growth in personalization."

Buy now, pay later in its myriad forms is one of the most popular changes Scott has noted lately—both for online or point-of-sale purchases—that play into the personalization trend. According to Aite-Novarica Group (*aite-novarica.com*), BNPL retail e-commerce volume was approximately $500 billion in 2020, up 28% from 2019. At the end of 2020, BNPL spend in retail e-commerce was projected to grow to more than $1.2 trillion by 2024, a 25% compound annual growth rate.

"In actuality, total BNPL spend by that point is likely to be even higher than originally projected when considering the recent expansion of BNPL offerings," Scott adds.

There's also been an increase in person-to-person transactions, as well as consumers wanting to be able to customize their payments experience using all the options.

"For example, a consumer may want to use their credit card for part of a transaction, debit card for another part and a BNPL option for the remainder," Scott says. "The way in which people choose to pay is becoming a bigger, more relevant trend."

To accommodate these changes, PSCU has looked for ways to allow members to customize their payments' timing as well.

"Members want to make purchases and then decide how to pay for them later," Scott says. "This will make it easier to use your debit or credit card to make purchases initially but decide later which avenues you'd like to use to pay for it, taking the pressure off from having to make a decision in the moment. The preference toward this type of offering has become abundantly clear with the quick rise in popularity of BNPL offerings."

The biggest lag in credit unions trying to keep up with current consumer demands is enabling personalization and self-service, according to Scott. It follows then that these trends present the biggest opportunity. He points out the mentality among credit unions that they should talk to members—in person or over the phone—to maintain control, but members often see the need for a customer service phone call as a mark of failure.

"Increasingly, members want the ability to quickly and easily take care of all their financial needs online—mark a card lost or stolen, digitally access cards or activate them immediately, among other activities," he says. "By enabling these self-service options, it puts the control in the hands of the member for a more positive experience. It's important to note that these self-service features are available for credit unions to use—they just need to be willing to activate them."

How will the payment space be disrupted next? Scott suggests watching what happens with cryptocurrency and online gambling.

For example, he says it's worth paying attention to the number of transactions from credit unions currently going into cryptocurrency. Around 8% of one credit union's transactions are currently from members using credit or debit cards to buy cryptocurrency, and that's expected to increase, he notes.

"The prevalence of online gambling (*tinyurl.com/pscuindex*) and the volume of transactions going into it is increasing rapidly, making it another area ripe for disruption," he adds. "A lot of credit unions are shying away from online gambling because of the inherent risks, so each credit union will have to evaluate if they want to enter this space. Consider that while this is still a small volume of overall transactions, the growth in this space is significant."

Scott continues: "All credit unions have the ability to determine if their cards—credit and debit—will work for members' online gambling. Traditionally, financial institutions have not allowed their credit cardholders to use credit for any sort of gambling. Credit unions that are focused on members' financial well-being especially have not allowed members to use credit for gambling of any kind. On the other hand, since debit transactions use funds already in the account, a majority of financial institutions allow gambling transactions on debit cards. Some may place some restrictions around velocity and daily dollar amounts as a fraud prevention measure, however."

Ultimately, credit unions are all still focused on how to remain top of wallet.

"While this is certainly important, being top of *digital* wallet is even more important," Scott says. "If credit unions want to play in that space, they have an opportunity to secure a spot at the top of the digital wallet by enabling personalization and self-service options."

MAKING PAYMENTS EASIER

Since the start of the COVID-19 pandemic, the number of online purchases done at home has gone through the roof. This has triggered a lot of innovation in the payment space, including how to make it easier for consumers to input their data into various fields within an e-commerce channel.

"Online retailers have prioritized the integration and enhancement of various card-on-file solutions, all in the name of eradicating the slowdowns and frustrations that have characterized e-commerce in the past," says Tom Church-Adams, SVP/pay products at CUES Supplier member Co-op Solutions (*coop.org*), Rancho Cucamonga, California.

"As most every U.S. adult with a credit or debit card has experienced, it's extremely inconvenient to update card data with all necessary merchants and billers when that card is changed, either because of a mass reissue or an individual lost/stolen circumstance," Church-Adams says. "Push-to-merchant enables the seamless, invisible-to-the-member carryover of new card details to replace the outdated ones."

Since credit unions, just like merchants, want the smoothest transactions possible, both online and in physical channels, secure card-on-file solutions are in high demand among credit and debit issuers, Church-Adams notes. That also goes for real-time issuance programs that put the ability to transact into member hands before their physical cards arrive in the mail. "There is a big push for credit unions to keep transactions flowing," he says. "They can't afford disruptions to the member payments experience."

To stay competitive in the shifting landscape, Co-op is currently participating in several payments pilots, one of which is testing the ability for consumers to secure their payments with biometrics.

"As a culture, we made a big shift from paying with plastic to paying with wearables," Church-Adams says. "The next question

"A consumer may want to use their credit card for part of a transaction, debit card for another part and a BNPL option for the remainder. The way in which people choose to pay is becoming a bigger, more relevant trend."

— Brian Scott

is whether we'll now shift away from using payment devices altogether in favor of things like fingerprints and eye scans. For this to work, banking details will need to be tied to even more personal data. Therefore, I expect to see a lot more integration between biometrics and payments."

Making this shift will require dedication to cybersecurity and a responsible data strategy, he says. Such innovations as biometric payments are a reason Co-op established its Ethical Data Use Council. This group considers the impacts of data collection, outputs and decisioning, including any possible or perceived unintended bias.

"It's common for credit unions to be focused on what has been considered their bread-and-butter products, such as mortgage loans, rather than building out teams to support growth or dynamics in their payments portfolio," Church-Adams says. "Meanwhile, fintechs are acquiring payment accounts at a breakneck pace because that is their singular focus—the transactional account. Why? Because that is how you cement user relationships—by owning the day-to-day financial moments of everyday life. These fintechs are not worrying about milestone moments that generate huge mortgage portfolios. They are worried about lifestyle moments." He believes credit unions that hope to retain member trust and loyalty will need to take a similar approach.

For credit unions to stay at the top of the game in the payment space, they should work with payments partners that can connect well with other sides of the business, whether that be core processing or digital banking.

"The idea is to strategically improve integration of payments with the overall infrastructure of the credit union," Church-Adams says. "Members expect credit unions to know every facet of the relationship and to interact with each of their financial concerns in one place."

Ultimately, the short-term wins from mortgages and loans are not sustainable. "Credit unions must see the value in their payments portfolio as a way to maintain a healthy, vibrant membership," Church-Adams says. "The ROI of payments is not always apparent in the balance sheet, but it unequivocally is the path to growth."

COMPETITION AND PROFITABILITY

What's the top takeaway from Libby Calderone, president of CUES Supplier member Envisant (*envisant.com*), Naperville, Illinois, from the shift to e-commerce and online transactions during the pandemic? It's important to set up your payments parameters properly.

"Debit transactions grew dramatically, often at the expense of credit transactions," she says. "Some of this was due to government stimulus payments during COVID-19 that were deposited into transactional accounts. Some of this was due to credit transactions not being as attractive due to reduced travel (especially credit cards that gave rewards in airline miles, hotel nights or other travel-related benefits). Debit transactions typically have a lower interchange rate, thus reducing credit union income. And [the transactions] were a smaller amount of money."

The rapid growth of BNPL is primarily taking away transactions from credit, but debit versions of BNPL are offered too.

"This reduces interchange income and potentially credit card balances, thus reducing finance charge income," Calderone says. With BNPL "being offered at point-of-purchase, credit union debit and credit cards aren't even getting the opportunity for the transaction. Some of these transactions could have become revolving credit balances, earning a credit union finance charge income, but that income is lost if the transaction goes to BNPL."

She notes that BNPL has lots of concerns, including that transactions done through the new strategy are starting to be reported to credit bureaus. Time will tell how this will impact credit scores. "I suspect the CFPB may weigh in on this product as more consumers use it, more become DQ (delinquent) in their payments and more complaints are registered," she adds.

Another shift Calderone has noticed is that faster payments are gaining traction. "When the Fed launches FedNow (*cumanagement.com/0819apple*) in 2023, even more transactions will shift to this channel," she predicts. "These transactions will run on the ACH rails and will take away interchange income."

P2P transactions have also grown exponentially, and it's not just friends reimbursing each other for lunch. "Many small businesses now accept Venmo (*venmo.com*), Cash App (*cash.app*) and the like. Not only does this take away a potential transaction from debit/credit (and its related interchange), but deposit disintermediation is happening. Users of various apps are maintaining significant balances on these platforms. While credit unions may not care today because they are flush with deposits, they will care when they are looking for deposits in the future," Calderone says.

The pandemic also sparked the need for contactless cards, but issuing them is expensive, since each card now has to include a stripe, chip and antennae to allow swipe, dip and tap transactions. Calderone notes that credit unions are hesitant about the cost. A digital wallet is an easier option that continues to grow.

"Credit unions may be hesitant to adopt these wallets, but given their ubiquity, they need to add this capability," she says. Credit unions should also make strides in digital issuance because when consumers want a new payment card or need a replacement, they want it immediately.

"Issuing it digitally and having it tokenized to a wallet will be fast and easy for the consumer," she adds. "For card controls, consumers want to be able to control the card with little friction. They want immediate alerts on activity, the ability to block a card, monitor spending and limit certain activities like international transactions."

> **“Members expect credit unions to know every facet of the relationship and to interact with each of their financial concerns in one place.”**
>
> — Tom Church-Adams

Immediate rewards is another growing consumer demand. “Some cards now provide immediate rewards, like a fuel-cost reduction at the pump,” Calderone says. “This will increase credit union costs to offer such rewards programs and could lead to credit unions having to charge higher APRs on credit or add annual fees. How would changes like that affect a card program to the members?”

To stay competitive, Envisant has pushed client credit unions to adopt contactless cards and tokenization as tools in the fight against fraud. “These are almost table stakes now,” Calderone says. “We work with our credit unions to monitor activity to spot fraud trends and shut it down. And because we see fraud activity across hundreds of credit unions, we are able to share those trends and look for similar fraud at all of our credit unions, stopping it before they experience losses. For our prepaid customers, we now offer virtual and tokenized cards. This allows for immediate issuance of a card, thus speeding up the time to begin transacting on the card.”

In response to customer demand, Envisant is pushing adoption of digital issuance. Additionally, it has partnered with fintechs to provide the payment card for their products, particularly for unbanked and underserved segments. “We are launching a credit builder loan product with Cambio (*cambiomoney.com*) so that consumers can boost their credit scores and gain access to prime lending opportunities, rather than having to go to subprime or payday lenders,” Calderone says.

For credit unions to stay competitive, they need to adopt these technologies. “There are costs for setting up new offerings, and credit unions may be hesitant to take on the costs,” Calderone says. “Do an analysis to see how quickly you can recoup your one-time and ongoing costs by calculating the volume lift you need to break even. All these changes create confusion and angst, so credit unions can be the trusted advisor to offer these enhancements and products. Lean into this trust.”

CONTACTLESS CARDS AND INSTANT ISSUE

Heavy focus on contactless technology for institutions big and small is the most recent notable change in the payments space, according to Nicole Machado, VP/product management, card solutions at CUES Supplier member Vericast (*vericast.com*), San Antonio.

“We have seen financial institutions put greater urgency around their migrations to contactless technology,” she says. “The pandemic only fueled cardholders’ desires for quick and easy touch-free payment vehicles. Customers have spoken, and financial institutions are responding.”

Credit unions that want to keep up with the marketplace should speed up their migration to contactless technology, Machado says, adding that she believes the lag on this in the credit union industry could be due in part to processor readiness.

“Credit unions should be reaching out to their processors and card providers to discuss their migration plans in order to ensure they will be able to meet their members’ desires for this technology and remain top-of-wallet,” she says.

In addition, Machado thinks instant card issuance is on the verge of being imperative as credit unions sort out what is the right balance of digital delivery.

“While instant issue is now quickly becoming a must-have for financial institutions, there are still a large number of credit unions that do not offer instant issue as part of their product offerings and are missing a key component in their member experience and engagement strategy,” she says. “With software-as-a-service models, instant issue is a solution that can be implemented and managed in a cost-effective way by any size institution. I would encourage those credit unions that are not offering instant issue today to seriously consider it.”

It’s clear that digital will continue to gain momentum, but the question—and challenge—is how digital payments will evolve.

“Is it push-provisioning, digital instant issue, digital card management tools, digital checks?” Machado asks. “The term itself can mean many different things. While there is a lot of talk about digital payments, it is still a space where financial institutions can be challenged to figure out how they can engage due to the complexity and number of players involved.”

Celia Shatzman *has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

MORE ON PAYMENTS

Extra Credit (*cumanagement.com/0122extracredit*)

Lending Perspectives: Is Buy Now, Pay Later a Plate of Cookies or a Lump of Coal? (*cumanagement.com/1221lendingperspectives*)

Digital, Mobile and Contactless Usage Continues to Trend Upward (*cumanagement.com/120821skybox*)

PSCU

The Value of Direct Deposit: Driving Record Debit Growth

By Tom Bennett, Principal, Advisors Plus, PSCU

The past two years have seen unprecedented changes in how payments are conducted. Debit has come to the forefront, with sales volume growth in 2020 (+11%) and 2021 (+19%) well outpacing historical trends. This trajectory has been driven by several factors, including concentrated spend by consumers in "everyday" categories like groceries and household supplies that are historically the domain of debit, as well as an influx of liquidity due to three rounds of government stimulus and relief programs. PSCU's data shows that during each period of disbursement, debit growth as much as doubled in the following month. Most of the stimulus payments came into checking accounts via direct deposits, and much of it left as debit card transactions.

While the data confirms the value of direct deposit, PSCU's work with credit unions reveals a significant opportunity to deepen both the utilization and general understanding of the service, as the number of members using it is comparatively lower than customers of other financial institutions. A 2016 survey from the National Automated Clearing House Association (NACHA) revealed 82% of U.S. workers across various ages, incomes and other demographic categories are paid by direct deposit via Automated Clearing House (ACH). In a more recent study by Javelin, data suggests the penetration rate of direct deposit at large financial institutions (e.g., Bank of America, Chase and Wells Fargo) averages 77%, with some over 80%, while credit unions typically see less than 50%.

There are additional intrinsic benefits to direct deposit for credit unions. Many surveys reveal that direct deposit is a leading factor in primacy, with "where my paycheck is deposited" identified as a key factor in denoting "primary financial institution" (PFI). PFI leads to engagement, and engagement leads to ongoing opportunities to serve the financial needs of members.

So, how can credit unions make direct deposit more appealing to members?

- **Evaluate:** Understand your current direct deposit penetration rate. How does it compare to the 77% to 80% penetration rate that is attainable? How much opportunity is there?
- **Manage:** Define performance, set goals and manage accordingly. Build initiatives and communicate their value. Share responsibility for improvement.
- **Promote:** Remind members about the benefits of direct deposit often. After becoming acutely acquainted with branch closures and difficulties making deposits during the pandemic, more members are now aware of the ease and convenience direct deposit offers. In addition to convenience, direct deposit means funds are immediately available, providing quicker access than alternatives.
- **Motivate:** Build incremental value into direct deposit to help motivate members to enroll. Often, members can qualify for free checking through direct deposit, which saves on monthly maintenance fees. Direct deposit can also be integrated into courtesy pay programs. Chime is a great example, where recurring direct deposits provide access to their "Spot Me" perk, giving accountholders the ability to overdraw an account up to $200 with no fees. Offerings like these can give credit unions a platform to expand the ease and convenience of direct deposit into something even more valuable.
- **Clear the path:** Provide members with the tools to enroll in direct deposit easily, such as individualized forms with all applicable information prefilled. While each member's situation may vary, the key is to serve as an enabler for accountholders.

A related area of opportunity is early wage access (EWA). Historically, wage earners have been paid on set schedules, waiting at least two weeks for pay, sometimes longer. EWA provides wages on a more frequent basis, in some instances even daily. This is very common for services like Uber, DoorDash or Lyft. Typically, these funds flow into the financial institution on the card rails, either as a Visa Direct or Mastercard Send transaction. Like direct deposit via ACH, the same intrinsic value applies, and equal consideration should be given to tactics that encourage use of this service. As an example, and while we see this infrequently, if a checking account requires direct deposit to waive a monthly fee, why not expand the qualifier to include EWA occurring across the card rails?

By providing members value for utilizing automatic deposit of wages, and raising awareness, you are enhancing the member experience. In return, your primacy grows, facilitating opportunities to expand the relationship – and grow your debit volume.

***Tom Bennett** is a Principal Consultant with the Checking and Debit Card practice at Advisors Plus. Tom advises credit unions on ways to enhance portfolio growth and profitability through P&L and key metric performance analyses, competitive product assessments, and industry and peer benchmarking reviews. His combination of consulting knowledge and direct experience provides an informed and unique perspective to solve the challenges of our clients.*

From Just Plastic *to Simply Fantastic*

WHY CARD PROGRAMS ARE NOW MAKING CLOSE RELATIONSHIPS WITH MEMBERS EVEN CLOSER

BY NICOLE MACHADO

MORE FROM VERICAST

Streaming Entertainment Delivers New Account Acquisition Tools (*cumanagement.com/0422streaming*)

Clear The Bar of Expectations With Personalized Online Account Opening (*cumanagement.com/0921bar*)

Podcast: How To Better Engage Members at The Critical Moment Of Account Opening (*cumanagement.com/podcast122*)

You've heard the words. Member service. Member engagement. But did you know they are very often mistaken to mean the same thing? They are, in fact, two different things.

Member service is delivered in the form of individual acts of kindness. It has a beginning and end. Problem-solution. Personal. One to one. Now, more than ever, keeping members happy with high-touch experiences is a challenge for service representatives.

Member engagement is subtler. It's daily, numerous, continuous, unobvious, sometimes unintentional, often unspoken—and it's everywhere, including all the places we are not. And, since now we cannot actually be in all the places we could before, improving engagement through brand experience and the member journey is of increasing importance.

So, the ability to be daily, continuous and everywhere is the challenge that credit unions face today. It has just about everyone searching for new and innovative ways to deliver member engagement equal to that of widely considered masters, like Amazon®, Google®, Apple®, Netflix®, and Starbucks®.

Luckily, a great way to deliver quality member engagement has been right in our hip pockets the whole time.

It's your card program. Your card program serves as a daily reminder of your CU's innovation, personalization, and relevance. Many cardholders form an emotional attachment to their cards. They love their cards. How much? Let's count the ways.

1. THEY'RE LOYAL

CUs with card programs that utilize the virtually limitless customization options available to them produce cards that get used more. Their cards are given priority by cardholders, achieving top-of-wallet status, while increasing member engagement.

2. THEY'RE AWARE

When new trends and technologies emerge, particularly from necessity, and especially those that transform experiences, your members are the first to know about it. Dual-interface cards are the way of the future, offering the choice of payment technologies—contact (EMV® chip) and contactless (tap-and-go antenna). The flexibility of payment options is one of many reasons why dual-interface cards are widely considered the base card payment technology moving forward.

3. THEIR EXPECTATIONS ARE RISING

Today's consumers expect instant access to everything, including their credit and debit cards. Instant card issuance is now a must-have service to create happy cardholders, increase card usage and boost brand awareness. Consumers want the card that everyone is talking about—and using. Rebrand your cards with the latest technology—clear cards, metal cards, translucent cards, full-face foil, metallic inks, and pearl overlays—to create distinction and compete better in your market.

4. THEY'RE RESPONSIBLE AND CARING

For every one million payment cards produced with recovered ocean-bound plastic, more than one ton of plastic will be diverted from entering the world's oceans, waterways and shorelines.

Offer payment cards made with recovered ocean-bound plastic and join eco-conscious consumers and companies that care about sustainability and environmental responsibility.

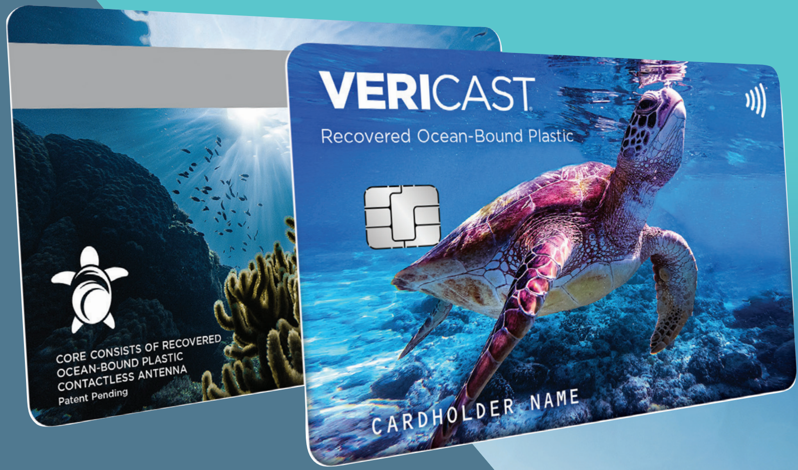
5. THEY'RE PROUD

Baby pics, besties, favorite vacation spot, or even their dog—cardholders love to personalize the card they use the most with images of the people, places and things in their lives they value most.

When was the last time you took a good, hard look at the member engagement potential of payment cards? Card programs have the ability to connect with members everywhere, several times a day, every day. Even in all of the places you are not.

In today's competitive environment, it is crucial to make the most of your card program, driving what matters to your CU: affordable innovation, brand awareness, revenue and—most important—member engagement.

Nicole Machado *is VP/product management, card solutions at CUES Supplier member Vericast* (vericast.com). *She is responsible for the overall strategy and operations of its card business, which includes card manufacturing, central issuance, instant issue, and prepaid solutions.*



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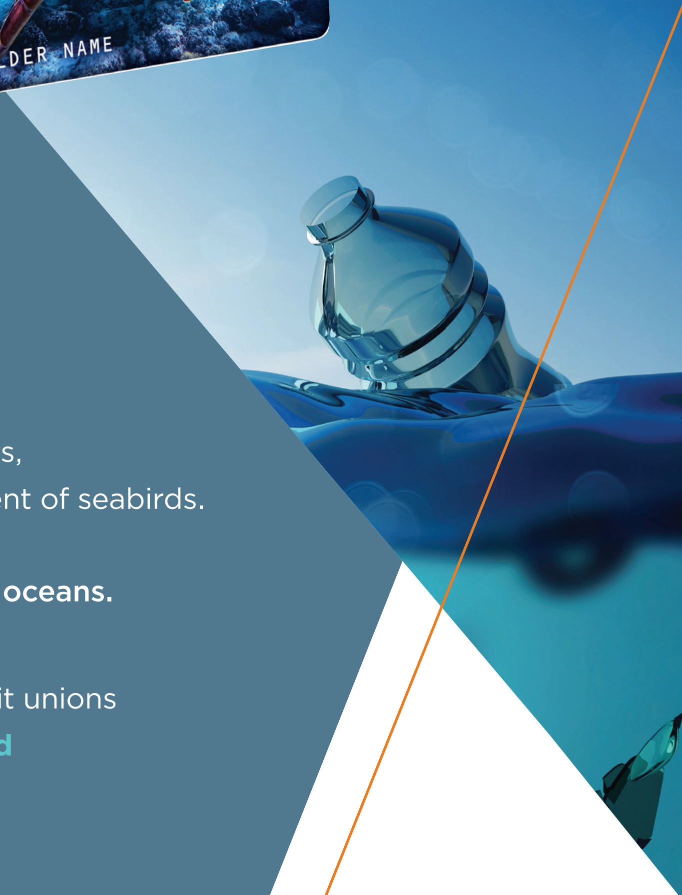

Eight million pieces of plastic enter our oceans daily.[1]
Plastic pollution is found in 100 percent of marine turtles,
59 percent of whales, 36 percent of seals, and 40 percent of seabirds.

Together, we can help stop plastics from polluting our oceans.

Vericast Card Solutions by Harland Clarke enables credit unions to offer members **payment cards made from recovered ocean-bound plastic.**

> **85%** of consumers would switch to a recovered ocean plastic card if it were offered by their current issuer[2]

[1] "Plastic in the Ocean, Statistics 2020," Condor Ferries
[2] CPI Card Group® insights fielded 11/1/18-11/2/18 n529

1.800.351.3843 contactHC@harlandclarke.com
vericast.com/Cards

VERICAST

Managing Payments *With a Single Tool*

FIVE COUNTY CU BOOSTS EFFICIENCY, MEMBER EXPERIENCE AND INCOME.

BY BILL PRICHARD

MORE FROM CO-OP SOLUTIONS

Combating Fraud and Maintaining Excellent Member Experience (*cumanagement.com/033022fraud*)

Five Steps to Incorporate Diversity, Equity and Inclusion in the Product Life Cycle (*cumanagement.com/122020fivesteps*)

Five DE&I Advocates Who Are Changing Lives and Communities (*cumanagement.com/110420dei*)

Over his nearly 25 years with Five County Credit Union (*fivecounty.com*), headquartered in Bath, Maine, Ken Stockford has never shied away from a technology conversion. The experienced CFO and SVP/finance and technology is no stranger to the hard work that accompanies a migration from one system to another and has also seen the tremendous benefits of technology upgrades.

After the successful conversion of Five County CU's online and mobile presence into one platform, the CU began to research what it would take to do the same with its credit, debit and ATM programs.

"We had member service staff utilizing one system to service credit cardholders and yet another to service the debit and ATM programs," says Stockford. "On the member side, they had two different places for card controls and were being protected by two different sets of fraud rules. It was very inconsistent, not to mention inefficient."

To Stockford and his team, achieving greater consistency presented a sizable competitive opportunity. "Payments and online banking are where members see you on a consistent basis. They are no longer walking into a lobby; they are using a card or pulling out a phone," he says. "We have a lot of competition today for payments, and much of it is coming from non-bank providers who can offer a much more fluid experience for consumers and staff. We have to continue evolving to keep up with our competitors."

After what Stockford calls a long search process, the $350 million credit union selected Co-op Solutions (*coop.org*), Rancho Cucamonga, California, as its new credit and debit processing partner.

"We took our time selecting a partner," he says. "We didn't want to leave our other relationships, but it was a strategic objective for the credit union to get as many of our payments programs as possible under one umbrella. Co-op had a compelling, single-platform solution and technology strategy that aligned well with our goals."

Having invested heavily in the development of an integrated payments and fintech ecosystem for credit unions, Co-op, a CUES Supplier member, was able to provide Five County CU precisely the unified payments experience it sought. What's more, the payments processor offered seamless experiences to members across each of their card and ATM engagements.

Co-op's CU-owned, interconnected payments solution gives cooperatives like Five County CU the integration necessary to strengthen member relationships while also gaining significant operational efficiencies. Because they can manage the entire suite of payments services through My Co-op (*tinyurl.com/myco-op*), staff have convenient access to all Co-op applications in one place.

"Although our top priority was not the bottom line, we did hope to achieve some additional benefits from combining our card programs into a singular experience," says Stockford, who reports impressive increases in interchange, which is up to a third of the CU's noninterest income. Since converting to Co-op, Five County CU's credit card interchange is up 29%, and debit interchange is up 22%. The credit union is achieving these income increases amid a sizeable decrease in operating costs while adding new services and enhancements like improved card rewards, as well as improved functionality.

Stockford and his team are looking forward to engaging Co-op in the continued evolution and strategic positioning of the credit union's payments program. Digital card issuance and contactless cards are on the road map, as is getting CardNav (*tinyurl.com/co-opcardnav*), Co-op's controls and alerts app, up and running within Five County CU's online and mobile banking platform.

"We wholeheartedly believe payments is the path to primary financial relationships," Stockford says. "From ensuring transactions are going through as expected to protecting cardholders from fraud, we want every payments interaction to be worthy of the trust our members have in their credit union."

Bill Prichard *is director, public relations, for Co-op Solutions* (coop.org)*, a CUES Supplier member based in Rancho Cucamonga, California.*

CO OP[SM]
Solutions

Own more member moments

Payments fuel growth. Co-op fuels payments.

PAY

INTEGRATE

ENGAGE

PROTECT

CONSULT

Payments represent nearly 80 percent of a consumer's interactions with their primary financial institution; which means delivering an exceptional payments experience is the key to building deeper relationships with members.

Built by credit unions for credit unions, Co-op offers solutions designed to help you own more member moments through payments. From full-service credit and debit processing to rewards, digital wallet solutions and advanced fraud-fighting tools, Co-op empowers your credit union to maximize engagement, usage and member delight.

Get empowered at coop.org

Debit Cards *a Strong Constant*

Envisant
Achieve your vision.

WHY ARE THEY SO STEADY IN A SPACE THAT CHANGES SO MUCH?

BY ANTHONY MONDELLO

The payments space is an ever-changing whirlwind of disruptions, subject to the innovations of technology, game-changing world events and the fluctuating needs and preferences of consumers. A well-balanced mix of new and time-tested solutions can help credit unions keep their footing and move forward successfully amid each new gust of change. Debit is a time-tested solution that is holding onto its popularity despite changing trends.

TRENDS TO WATCH

During the pandemic, debit card spending increased as did online shopping. According to "Retailers Tap Debit-Linked Mobile Wallets to Keep Consumers Engaged" by PYMNTS (*tinyurl.com/pymntsdebit*), not only has the use of debit increased by 15% since the pandemic, but also 50% of all consumers and 60% of millennials use mobile wallets for in-person as well as online payments. Indeed, debit cards are finding a particular niche among millennials and Gen Z consumers, as well as in upcoming payment trends. Debit cards are used for 70% of repayments in buy now, pay later, a payment disrupter gaining popularity among younger demographics, according to an article in The Financial Brand (*tinyurl.com/fibrtrends*).

SATISFYING CORE BENEFITS

While debit cards are finding a place in current and upcoming payment trends, their core benefits continue to satisfy members. Not only are they faster for in-person transactions than writing a check, but they also allow members the convenience of credit cards for contactless and online purchases without incurring interest charges. Debit cards thus offer members both convenience and a greater feeling of control over their budgets.

Debit cards also offer benefits for CUs, helping them stand out and compete while being a strong potential source of long-term revenue growth. Often used to purchase daily needs like groceries, debit cards help build loyalty among credit union members. This in turn increases CU revenue. Debit made up a third of noninterest income for financial institutions holding fewer than $10 billion in assets in 2020, according to "Debit Spend Is Generating More Interchange Revenue—Here's How to Keep More of It" by PULSE (*tinyurl.com/pulsedebit*).

All these features and benefits of debit cards make them a solid investment for the future even within the changing payments space. Their core benefits remain timeless as they continue to hold their own in the marketplace, finding niches in upcoming payment trends, and popularity among current and upcoming generations of consumers.

While the timely benefits of debit cards make them a relevant part of the current and upcoming digital experience, navigating the complexity of setting up and managing a successful program in this space requires a sound strategy. This involves taking proactive steps to enhance and build your debit program.

Anthony Mondello *is a senior sales director at Envisant* (envisant.com, *formerly LSC®), the cooperative service arm of the Illinois Credit Union League. Envisant brings a forward-thinking product strategy featuring credit, debit and prepaid programs along with services that help credit unions achieve their vision. Drawing on 20 years of industry experience, Mondello has worked successfully in partnership with CUs, empowering them to serve member needs. He is a passionate advocate for financial education and a dedicated guide who connects credit unions with products and services that enrich their members' lives.*

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MORE ON DEBIT

Digital Card Services Enable Credit Unions to Meet Members Where They Are—on Their Devices (*cumanagement.com/1121digitalcard*)

Digital Card Issuance (*cumanagement.com/0821digitalcard*)