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# CREDIT

## UNION Tracker™



## NAVY FEDERAL DEPLOYS FINANCIAL Literacy To The Front Lines

CO-OP partners with a pair of CUs

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Helping military service members lead healthier financial lives

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Information on PYMNTS.com and CO-OP Financial Services

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# WHAT'S

## INSIDE



It's been said that war produces strange allies — and apparently, so does business. Recently, some surprising partnerships have occurred in the credit union (CU) industry, disrupting usual expectations.

A group of seven credit unions in Michigan are coming together to form a new financial institution — a [bank](#).

Though it may seem counterintuitive, the group announced a limited-purpose bank, which will provide trust services to 424,000 total members, enabling the CUs to offer additional wealth and asset management services. The CUs will supply \$5.5 million in capital for the bank's Q1 2019 launch — assuming it gains regulatory approval. Eventually, the bank will be open to Michigan's [5.23 million](#) CU customers.

If that wasn't surprising enough, banks and credit union advocacy organizations are aligning in a bid for improved financial data protection.

The Credit Union National Association (CUNA), along with the American Bankers Association, Consumer Bankers Association and Independent Community Bankers of

America, recently delivered a joint [letter](#) to Representative Bob Latta (R-OH), chair of the House Energy and Commerce Committee's Subcommittee on Digital Commerce, requesting he consider new regulations that could boost safety and security.

The letter urges Latta to mandate that financial firms provide relief to data breach victims, and to consider legislation for a more flexible, scalable standard for data protection, consumer notification requirements, law enforcement and regulation when breaches do occur and consistent enforcement of existing security and notification regulations, among other considerations.

CU and bank-related alliances were far from the only partnerships to be forged as of late. Players from around the space have looked to new collaborations in hopes of strengthening their offerings and attracting new customers.

### **Recent credit union industry developments**

CO-OP Financial Services, for one, recently expanded a pair of existing CU partnerships.

First, CO-OP announced it would [widen](#) the scope of its agreement with Los Angeles-based Water and Power Community Credit Union (WPCCU). CO-OP will manage the CU's ATM fleet via its Terminal Driving services, as well as give it access to its PIN/Signature Debit and Full-Service Credit solutions.

CO-OP also expanded its business with Albuquerque's Nusenda Credit Union. It will now [offer](#) the CU access to more efficient processes and advanced payments services. The expanded agreement will see the 190,000-member CU gain access to CO-OP's Full-Service Credit and Signature Debit offerings, as well as its PIN debit processing and its ATM and shared branch networks. CO-OP will also provide the CU with fraud prevention capabilities.

Alterna Savings and Credit Union, meanwhile, is turning to a new partner in an effort to make receipt management easier.

Last month, the Canadian CU [unveiled](#) MyReceipts, a digital receipt management solution created in collaboration with Sensibill. According to the the pair, MyReceipts allows CU members to save digital copies of receipts, helping them track spending habits and budget for future expenses. MyReceipts also aims to simplify processes such as filling out tax returns or applying for warranties or rebates after a purchase.

Auto lending platform GrooveCar Direct is also driving CU partnerships forward.

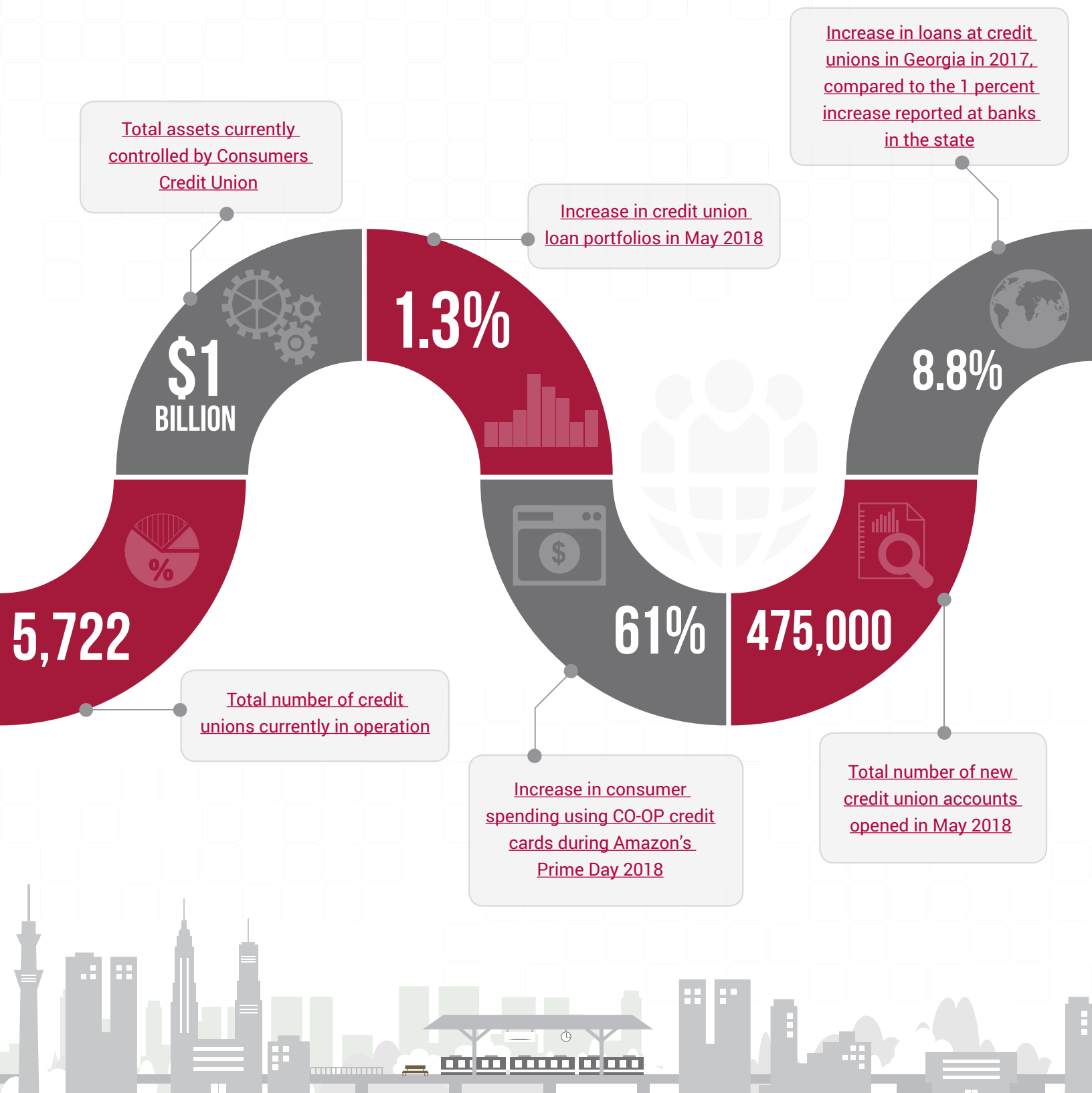
GrooveCar recently announced it [added](#) more than a dozen new CU partners as of Q2 2018, giving 137,000 new members access to the GrooveCar platform. It now has more than 250 credit union partnerships in place around the country.

To read more on these stories, and find other headlines from around the space, check out the Tracker's News and Trends section (p. 10).

### **Navy Federal deploys financial literacy to the front lines**

Leasing or buying a car is often a major moment for consumers, and making the wrong financial decision can put them in a precarious position for years to come.

These risks loom especially large for military service members. Because their jobs are highly unpredictable, access to financial literacy tools is important, according to Chawla, vice president of membership at [Navy Federal Credit Union](#) (NFCU). In this month's Credit Union Tracker™ feature story (p. 6), Chawla spoke to PYMNTS about how NFCU ensures its members are armed with financial know-how and stay vigilant against related threats.

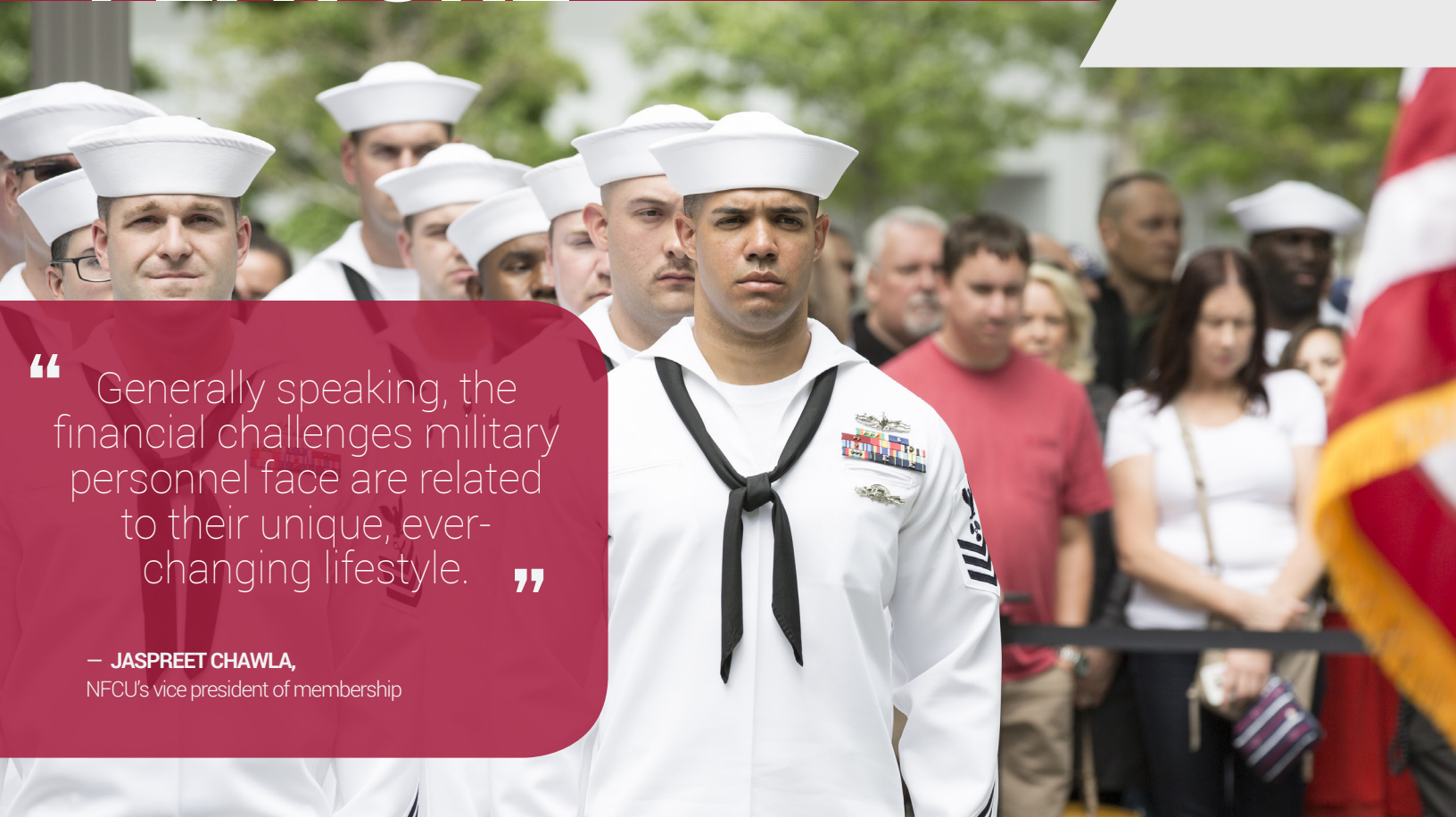






# **NAVY FEDERAL DEPLOYS FINANCIAL** Literacy To The Front Lines





“ Generally speaking, the financial challenges military personnel face are related to their unique, ever-changing lifestyle. ”

— JASPREET CHAWLA,  
NFCU's vice president of membership

Those who opt for a career in the military understand the challenges and risks all too well. Servicepeople shouldn't have to worry about money with everything else on their plates, but living a highly mobile lifestyle, dealing with dangerous work conditions and managing overseas deployments can make it difficult for them to manage their personal finances.

One financial institution (FI) looking to cater to servicepeople's unique needs is [Navy Federal Credit Union](#) (NFCU), which holds more than \$92 billion in assets and currently serves over 8 million members of the U.S. Army, Navy, Marines, Air Force and Coast Guard, as well as Department of Defense employees, civilian employees, military veterans and their families. Its goal is to help its members and their families remain financially healthy during their service, deployments and beyond.

The highly unpredictable nature of military service means ensuring members have access to financial literacy tools that help them deal with their financial realities is important, according to Jaspreet Chawla, NFCU's vice president of membership.

“Generally speaking, the financial challenges military personnel face are related to their unique, ever-changing lifestyle,” she said. “They are on the move every two years, [and] they have deployments or [have to] change duty stations.”

PYMNTS recently caught up with Chawla, who stressed the importance of arming military personnel with financial know-how and explained the ways NFCU helps its members stay vigilant against potential financial threats.

### Protecting troops from payday loans

Servicepeople live by the needs and demands of their profession. These demands, which include moving

from base to base, or even country to country, can put a strain on them and their families — often in somewhat unexpected ways. Family members may have to find new jobs after relocation, for example, and children may have to change schools.

“Being in a family that moves regularly, it can be difficult for a non-active duty spouse to always be employed, making the family more reliant on one income,” Chawla explained.

This makes military members particularly vulnerable to short-term financial offerings that help them pay bills and meet expenses, but leave them worse off over the long term. Taking on payday loans or other short-term lending options can make it more difficult for them to build up a robust savings account or work toward future financial goals.

In hopes of preventing them from falling into these financial pitfalls, NFCU works to educate members, and their families, early in their careers. It currently boasts more than 300 branches, many on or near domestic and

“

Being in a family that moves regularly, it can be difficult for a non-active duty spouse to always be employed, making the family more reliant on one income.

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overseas military bases provides members with offers — like discounts on active duty-specific loans — and helps them open credit cards, receive approval for home or auto loans, among other financial services. NFCU can also provide active military duty members with access to a paycheck one day early through direct deposit.

These offerings aim to provide members with the support they need to live healthy financial lives, Chawla explained, and prevents them from looking outside the credit union for financial help that could potentially come at a higher cost.

### Enabling enlistees through education

Sometimes, simply offering support isn't enough — particularly if that support doesn't reach servicepeople when they need it most. Getting in front of them at the beginning of their careers is crucial for the success of NFCU's efforts, Chawla claimed.

“Our goal is always to get in front of them as they're enlisting,” she said, noting that the CU recently made a presentation to a group of recruits who were about to deploy to Djibouti.





These efforts allow the CU to help members create strong habits early on their financial paths, an important step toward building long-term customer relationships. Military personnel can find themselves in dire financial straits if those good habits are not formed early.

A 2017 NFCU [survey](#) found that roughly 73 percent of millennial-aged service members do not have an emergency fund, and that 65 percent say they're not saving for retirement — figures on par with trends seen among the broader millennial population. Younger members are also prone to questionable financial purchases, Chawla noted.

"There are multiple stories where you'll hear a young recruit come in and say, 'I want a sports car,'" she said. "That's not generally the best thing for them when they're starting out in their military careers."

As such, NFCU works to help its younger members make more informed financial decisions.

In addition to offering auto loans, the credit union also educates members on the vehicle purchase or lease options that make the most sense for their financial situations. Education is a two-way street, Chawla said, and NFCU often looks to its military members for lessons. It holds focus groups to understand how members'

financial challenges evolve, which sometimes involve visiting members in their homes.

This engagement aims to put the credit union in a more suitable position to serve military members than their larger bank counterparts.

"We are capped at an interest rate on our side as a credit union, whereas banks are not, and payday lenders aren't either," Chawla noted. "We have the best interest [rate] for them. We're here to help them build their credit, repair their credit and explain the 'why' behind their questions."

The ever-changing military lifestyle requires a specialized, hands-on approach to addressing the financial needs of armed forces personnel. Offering this level of service, and more fully understanding their members, helps credit unions outperform banks, she added. CUs offer services closely tuned to their members' unique financial needs and provide a more personalized level of service — something that is especially crucial for servicepeople.

After all, the men and women serving their country have enough to worry about.





## NEW CREDIT UNION INNOVATIONS

### **Alterna unveils MyReceipts**

Canada-based Alterna Savings and Credit Union recently rolled out MyReceipts, a digital receipt management solution that allows members to save digital copies of receipts in order to track spending habits and budget for future expenses and purchases. The solution also aims to simplify processes such as filling out tax returns or applying for warranties or rebates after a purchase.

The feature was built in collaboration with bill management solution provider Sensibill. In a [press release](#), Robert Paterson, CEO and president of Alterna Savings and Credit Union, said the the move answers increased customer demand for solutions that “allow them to take control of their finances.”

### **CO-OP offers cash at ATMs — without a debit card**

Elsewhere in the space, payments and financial technology provider CO-OP Financial Services is hoping to make it easier for customers at member credit unions to access their funds. The company unveiled a new feature

called Cardless Cash Access, which allows members to withdraw cash from an ATM via a smartphone app, rather than with a debit or ATM card.

The service doesn't just offer customers a more convenient way to access account information and get cash — it also provides increased speed and security. In an [announcement](#), CO-OP claimed accessing ATMs via a smartphone would “allow members to withdraw cash faster and more securely” than traditional card-based methods. The company cited a rise in ATM skimming and PIN compromises last year as part of the motivation behind the move.

In a statement released as part of the announcement, Todd Clark, president and CEO of CO-OP Financial services, said, “Connecting ATMs to smart devices ... [will] deepen member engagement, boost transactions, solidify differentiation and drive growth ... while also reducing fraud.”

### **CO-OP reports spending surge by CU cardholders on Amazon Prime Day**

CO-OP also announced that it set a [new record](#) for the credit union market on Amazon Prime Day 2018. Transactions within its credit card portfolio jumped by 41 percent compared to last year. Additionally, there was a 61 percent uptick in terms of dollar value spent. The findings indicate cardholders not only purchased more items, but also spent more money in the process. This data indicates a growing share of CU cardholders who view their issued cards as a preferred payment method when shopping on Amazon.



## MERGERS AND PARTNERSHIPS

### **CO-OP partners with WPCCU**

Analyzing Prime Day data isn't the only item on CO-OP's agenda. It recently announced that it was expanding an existing partnership with Los Angeles-based Water and Power Community Credit Union (WPCCU), and would soon power its digital solutions and services. A newly signed [agreement](#) between the pair calls for CO-OP to manage the CU's ATM fleet via its Terminal Driving services solution, as well as provide the CU with its PIN/Signature Debit and Full-Service Credit solutions.

In a press release, Celeste Zibelli, vice president of marketing and financial services for WPCCU, cited the increased need for member data as part of the motivation behind the partnership. She also noted the pair would work together to ensure the CU's “digital transformation” is a smooth one.



## CO-OP widens work with Nusenda

An increased partnership with Water and Power was only the beginning of CO-OP's alliance-expanding efforts. Late last month, the company announced it would also [expand](#) its partnership with Nusenda Credit Union, offering it access to more efficient processes and advanced payments services. The expanded agreement will also see the Albuquerque-based CU gain access to CO-OP's Full-Service Credit and Signature Debit offerings, in addition to CO-OP's PIN debit processing and its ATM and shared branch networks. The partnership also calls for CO-OP to provide Nusenda with fraud prevention capabilities.

According to a statement from Terry Laudick, president and CEO of Nusenda, the move is aimed at consolidating card processing capabilities and eliminating inefficiencies and technological limitations, while offering improved debit card services.

## Happy Money makes a trio of new alliances

The Happy Money family tree is getting larger. The FinTech startup, which helps consumers pay off credit card debt, recently announced three new partnerships with U.S.-based credit unions, hoping to serve more consumers struggling with the consequences of credit card debt. In a [statement](#), Happy Money said it would align with Alliant Credit Union, First Tech Federal Credit Union and Technology Credit Union as part of its ongoing effort to partner with CUs and other small financial institutions.

Happy Money "combines psychology and money" to help improve consumers' financial health and confidence. These latest collaborations are aimed at providing the



CUs with additional revenue by helping them offer new products, attract new customers and better understand what their customers want from financial institutions. In the statement, Greg Mitchell, president and CEO of First Tech Federal Credit Union, hopes the partnership will provide First Tech with "quality loans for [its] portfolio, new members with interests that align with [its] core values and insights into novel underwriting and UI/UX tools."

## GrooveCar bolsters credit union partnerships

Meanwhile, another financial solution provider also seems to have its attention focused on establishing new allies in the CU space. Auto loan solution provider GrooveCar Direct recently [added](#) more than a dozen new CU partners as of Q2 2018, giving 137,000 new members access to the GrooveCar platform.

All told, 17 CUs across 11 different states have signed on with GrooveCar, including Complex Community Federal

Credit Union, which boasts assets of more than \$495 million, and Chief Financial Federal Credit Union, with assets of more than \$150 million, giving the company more than 250 partner CUs around the U.S.

GrooveCar helps consumers buy and finance used cars online and offers price researching tools, vehicle location and comparison capabilities, trade-in value guides and dealer information, among other tools.

### **CUs, banks align on stronger security standards**

It may not be a surprise to see credit unions partner with non-CU players, but seeing them align with banks — their main rivals — likely comes as a shock. The Credit Union National Association (CUNA) is working with the American Bankers Association, Consumer Bankers Association and Independent Community Bankers of America, to call on Congress to consider new regulations for the existing payment systems, which could boost safety and security — a necessity for all parties involved.

The four organizations recently issued a [joint letter](#) to Representative Bob Latta (R-OH), chair of the House Energy and Commerce Committee's Subcommittee on Digital Commerce, urging him to mandate that financial firms provide relief to data breach victims. It also asks Latta to consider legislation such as a more flexible, scalable standard for data protection, requiring customer notification, law enforcement and regulation when breaches do occur and consistent enforcement of existing security and notification regulations, among other possible moves.

"In our view, it is critical for your Committee and the Financial Services Committee to collaboratively move

forward on legislation that puts in place strong national data security and breach notification and eliminates the current inconsistent patchwork of state law," the organizations wrote in the letter.

### **CUs come together to form a bank**

If seeing CUNA work with banking advocacy organizations is a surprise, then seeing several CUs come together to form a bank is truly groundbreaking. That is exactly what has happened in Michigan, as local credit unions joined forces to form what they're calling the first FI of its kind in the state. The group recently announced it would create



a limited-purpose bank to provide trust services to 424,000 total members, which would enable the CUs to offer additional wealth and asset management services.

The new bank, known as [Credit Union Trust](#), includes participation from seven Michigan-based credit unions: Community Choice Credit Union, Alpena Alcona Area



Credit Union, ELGA Credit Union, Frankenmuth Credit Union, Honor Credit Union, Members First Credit Union and Team One Credit Union.

The CUs plan to supply \$5.5 million in capital to launch the new bank, and if it gains regulatory approval, it is expected to open in the first quarter of next year. Bank spokespeople said the FI plans to expand service beyond members of the seven CUs, opening access to the 5.23 million credit union customers from around the state.

## RULES & REGULATIONS

### Senate preserves CU exemptions in defense deal

In an interaction between CUs and Washington D.C., the Senate passed a new [version](#) of the 2019 National Defense Authorization Act, which does not include a provision that CUNA defines as harmful to military credit unions. With this most recent version of the legislation, CUs will still benefit from an exemption from the costs that go along with furnishing office space and ATM placement on military bases.

CUNA coordinated large-scale opposition to the end of that provision, writing to committee leadership and recruiting a quartet of lawmakers to lobby the Armed Services Committee in support. Meanwhile, Alaska Federal Credit Union advocated to legislators for the provision.

### CUNA-backed funding gets Senate approval

CUNA also found regulatory success in the Senate with the recent passage of the Financial Services and General Government Appropriations Act for Fiscal Year 2019 (FSSG). The [bill](#) contains \$248 million in funding for the Treasury's Community Development Financial Institutions Fund, which helps provide low-income communities with banking services, including personal loans, savings accounts and other products.



Also included is \$2 million in additional funding for the Community Development Revolving Loan Fund, which provides revolving loans and technical assistance to credit unions working with underserved communities. The bill calls for a loan volume cap of \$30 billion for the Small Business Administration's loan guarantee program, known as 7(a), as well as a \$7.5 billion cap for the Administration's 504 loan program, which is used for long-term, fixed-rate financing.

### 2019 looking less likely for risk-based capital regulation

While Congress passes new regulations for the CU industry, some pieces of passed legislation are still waiting to make an impact — that includes the National Credit Union Administration's (NCUA) controversial risk-based capital rule, which will not go into effect in 2019 as planned. It's currently unknown when, if ever, this rule will take effect.

According to reports, clauses that would delay the rollout until at least 2021 have been included in several pieces of recent regulation. The NCUA, which originally devised the

legislation in 2015, is open to the idea of a one-year delay, according to reports. The rule was initially set to take effect on January 1 of next year.

### Looking to new regulations to level the playing field

New regulations from the Basel Committee on Banking Supervision, which are supported by the World Council of Credit Unions, call for FinTechs to be subject to the same legislation and regulations as CUs, banks and other FIs.

The Committee also recommended that FI regulators determine whether their existing regulations can be applied to FinTechs, and ensure any loopholes that might protect FinTech solution providers are eliminated. Closing those loopholes, the Committee claimed, would force FinTechs hoping to offer services typically associated with FIs, to become banks, subjecting them to further regulation.



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### Feedback

We hope you enjoyed this Tracker and we welcome your feedback. Please feel free to contact us at [creditunion@pymnts.com](mailto:creditunion@pymnts.com).

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