

WINTER 2010



# think

The Magazine for Credit Union Executives

## TWEET YOUR PEEPS:

Social Media and Your CU

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## 2010 CRISIS or ? TRANSFORMATION ?

## The **Art** of REVENUE

It's About Innovation

CHRIS BROGAN  
Social Media Veteran

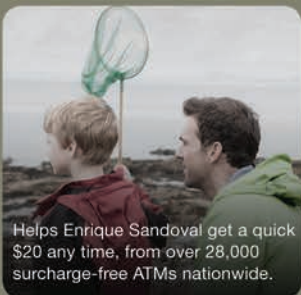
> Tips for Operating In An Uncertain Environment

## THE CO-OP FAMILY OF PRODUCTS AND SERVICES.

Helps potential members like Emily Battaglia decide which credit union to join. As a CO-OP partner, her credit union knows that access, convenience, and connection are what grow membership in today's world.



### NETWORK SERVICES



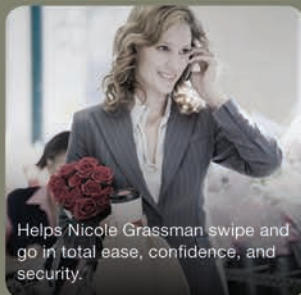
Helps Enrique Sandoval get a quick \$20 any time, from over 28,000 surcharge-free ATMs nationwide.

### E-COMMERCE SOLUTIONS



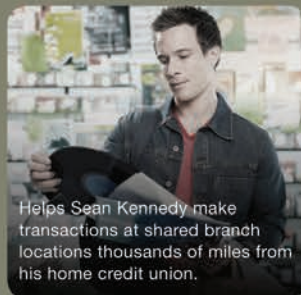
Helps Jenny Gruenemay make verified deposits via check imaging at her local ATM.

### PAYMENT PROCESSING



Helps Nicole Grassman swipe and go in total ease, confidence, and security.

### SHARED BRANCH SERVICES



Helps Sean Kennedy make transactions at shared branch locations thousands of miles from his home credit union.

### CALL CENTER SERVICES



Helps Damien Lavizzo get answers to account questions, and even loan approvals, without setting foot in a branch.

## The many ways we help you help your members.

CO-OP Financial Services is in the business of helping yours. It's that simple. Visit [CO-OPFS.ORG](http://CO-OPFS.ORG) to learn more about the industry's most comprehensive and innovative product suite.



# CEO Message



Dear Members,

Revenue used to be simple. Today we operate in a landscape that challenges our revenue model daily. (Read Bill Cheney's reflection on that landscape in "Think Out Loud" on page 6).

Yet our cooperative model as an industry gives us strength in numbers and credit unions are winning market share. By acting as an aggregator, CO-OP Financial Services provides products and services that make it easy and affordable for you – our members – to offer the most cutting edge, safe and secure, in-compliance products and services to your members.

Our recent launch of CO-OP Member Center highlights our commitment to this strong cooperative spirit. CUNA Mutual Group chose CO-OP Financial Services to acquire their asset because, like CUNA Mutual, CO-OP Financial Services is one of the strongest brands in our industry. We are taking CO-OP Member Center to the next level for credit unions by offering Member Services, a full-service call center, and LoanLink Services, loan services via telephone and online.

The CO-OP Member Center can ramp up your revenue by extending your service staff easily and effectively. While you're focusing on generating new revenue by increasing cardholders and their activity, and adding new loans, CO-OP Financial Services is here to support you with second-to-none call and loan center service, a worldwide network of ATMs with more than 28,000 surcharge free options, the largest shared branch network in the country, a state-of-the-art Next Generation Network switch on which to operate, and highly desirable add-on services like mobile banking, self-serve kiosk and remote check deposit.

You're out there balancing a myriad of challenges, and doing it well. (Read "2010 Crisis or Transformation?" on page 8). Remember we stand right there by your side – and don't hesitate to let us know what we can do for you!

Sincerely,

Stan Hollen  
President/CEO

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2010 Crisis or Transformation?

# Dan Mica's Legacy

## His Accomplishments Re-energized the Credit Union Community



For 13 years, CUNA President and CEO Dan Mica has brought the credit union movement to the forefront of the government's agenda. As a former member of Congress, Mica has given CUNA access it has never seen before. He has deep connections which he uses to defend credit union issues.

So when Mica announced last year his plans to step down in January 2011, the credit union community considered his legacy and the future of CUNA.

"Dan has raised political involvement to new levels and established credit unions as a

powerful, ongoing and highly visible presence in Washington," says Patrick Keefe, a CUNA spokesman in Washington, D.C. "CUNA is consistently ranked among Washington's powerhouse associations after Mica's creation and implementation of signature political programs."

While he does still have almost a year until his designated departure date, here are just a few key accomplishments that have made him a front man for the credit union movement:

- Preserved credit union access for millions of consumers. Mica was the movement's leader

during the two-year fight to enact H.R. 1151, the Credit Union Membership Access Act of 1998. Without H.R. 1151, millions would have been denied access to credit union services, and credit unions to them.

- Secured legislation mitigating the costs to credit unions. CUNA, league and credit union grassroots efforts combined to win swift passage in early 2009 of legislation to mitigate the cost of NCUA's corporate stabilization actions.

- Ensured credit unions are part of balanced regulatory relief legislation. Mica oversaw the pursuit of the Credit Union Regulatory Improvements Act, which recently made it across the Capitol to be introduced in the U.S. Senate. Ten years ago Congress would never think to include credit unions in financial services regulatory relief legislation.

When asked about the future of CUNA, spokesman Patrick Keefe says the organization will continue to be the premier trade association in the financial services arena. The national firm of Russell Reynolds Associates has been selected to conduct the search for a successor to Mica.



Dan Mica and Stan Hollen

# CO-OP Member Center Offers Call, Loan Support



Last November, CO-OP Financial Services took ownership of the CO-OP Member Center, already proven to be a valuable tool for credit union members in 2010. With its highly trained employees, modern technology and a state-of-the-art facility in Fort Worth, Texas, the CO-OP Member Center offers 24/7 support for member questions and loan services, including by phone, Internet and indirect lending.

The center serves nearly 350 credit unions, including

some of the largest credit unions in the country with assets of more than \$1 billion.

“With the CO-OP Member Center, CO-OP is taking another step to ensure the 24-hour access and convenience credit union members expect from their financial institution,” says Stan Hollen, president and CEO of CO-OP. “In addition, credit unions can meet member needs and grow their lending operation without increasing staff overhead.”

Among the myriad of member and loan services offered by the CO-OP Member Center, members say the most valuable is the prompt, knowledgeable attention offered by its informed staff. One-fourth of all CO-OP Member Center calls occur during non-business hours and 42 percent of Internet applications occur during non-business hours, so the 24-hour service is highly esteemed by members. On average, the staff answers 93 percent of calls in 30 seconds or less – definitely different than waiting on hold at a bank.

Mark Chatfield, a veteran of the credit union industry, is CO-OP Member Center’s chief operating officer. Chatfield previously served as vice president of sales for CUNA Mutual Group of Madison, Wis., from which CO-OP acquired the center. His knowledge and experience will greatly enhance CO-OP’s mission to bring expertise to frontline services.

**For more information about CO-OP Member Center, send an e-mail to [sales@co-opfs.org](mailto:sales@co-opfs.org) or call 1-800-782-9042, ext. 7140, the sales extension.**

## 5 Business Lines, 5 Games and 5 Chances to Win at GAC

CO-OP’s motto is “Of you. For you,” which speaks to our singular purpose to help you help your credit union members. At CUNA’s Government Affairs Conference, taking place Feb. 21-25, 2010, in Washington, D.C., the “For you” portion of our motto could also mean great prizes when you visit us at Booth 309.

**At five separate stations in our booth we will be featuring displays on:**

- **Network Services** – CO-OP Network is the premier CO-OP solution for member access, convenience and member connection to their credit unions.
- **Payment Processing** – CO-OP Debit is designed to meet every debit program need; CO-OP ATM allows you to comprehensively manage an ATM portfolio.
- **E-Commerce Solutions** – Advanced technology at your disposal, including CO-OP Check Imaging products and CO-OP Mobile.
- **CO-OP Shared Branching** – The convenience of full-service branches, virtually anywhere.
- **Call Center Services** – Discover 24/7 member support with the new CO-OP Member Center, offering LoanLink and Member Services.

All five displays feature fun games for you to play and an opportunity to win a prize. When you visit booth 309, pick up a play pass (also enclosed with this issue of Think) and have the CO-OP staff member at each display station mark the appropriate box. Visit all five stations and you will win a \$5 gift card and be entered to win an Amazon Kindle e-book reader, loaded with five books, including those authored by our distinguished speakers at THINK '10 (see page 13).

# THINK OUT **LOUD**

# Bill Cheney, CEO

## California Credit Union League

The California Credit Union League is the only league with full-time lobbyists in Washington, D.C. as well as Sacramento. With the Consumer Protection Act going into effect in February and a flurry of legislative activity on banking issues in process, we asked Bill Cheney to comment on how all of this affects the credit union revenue environment.

### Why do you have a full-time lobbyist in D.C.?

Because California's economy is one of the 10 biggest in the world – federal laws and regulations have almost as much impact on us as our state laws and regulations. We have a keen interest in what comes out of Washington as it directly impacts the credit unions in our state. While that's true of most states, California also has 53 House representatives in addition to our two senators, so that's a lot to keep up with! Fortunately we're able to occupy an office within CUNA's D.C. office, and of course we act as a supporting group to CUNA, not as an independent voice there.

### Where does the interchange legislation stand?

While the GAO did release a report favorable to the cause of not capping interchange, Congress is moving forward with legislation to do so. In the California state legislature there is an initiative underway to draft a bill of support for caps on interchange. While the GAO report certainly gives us a strong position in fighting these bills, the fact is the threat of regulatory caps hasn't gone away. We still need to work together and make sure our lawmakers understand how caps on interchange would hurt credit unions and other small businesses in the country, with no likely benefit to consumers.

### What is the revenue outlook like for credit unions?

It's a tough environment, to be sure. Credit unions are grappling with reduced margins, record loan losses, increased supervisory fees, credit union losses and corporate losses. What we don't need is further reduction to sources of income.

Interchange caps aren't the only revenue threat. Another is overdraft fee and service elimination. Unfortunately our legislators seem to be listening to the payday lenders who are lobbying in support of getting

rid of overdraft fees. Of course payday lenders support it, they will benefit greatly if it passes. The ability to offer debit and credit transactions is a huge part of revenue.

### Can you give a specific example?

A key product area for credit unions is business services – making business loans and providing deposit services. These are key drivers to fill in revenue. There are restrictions right now under what's commonly referred to as Prompt Corrective Action (PCA) – this is an area we need to get changed, because business services are very much needed right now, especially business loans. Other market creditors have pulled back dramatically, and small businesses need to be served or it will hurt our economy. These are good services for credit unions to provide, they fill in revenue, members want them – and yet credit unions are very limited by regulatory caps under PCA.



To hear the full audio interview with Bill Cheney, go to [www.co-opfs.org](http://www.co-opfs.org) to download the MP3 or find us on Twitter at <http://twitter.com/coopfs>.

Want mobile text updates on  
CO-OP GAC Events?  
Text GAC to **84444**  
Standard text messaging fees apply.

Gerry Agnes  
CEO, Elevations Credit Union  
Boulder, CO

# 2010 Crisis or Transformation?

**Gerry Agnes doesn't think of himself as an action hero. Yet, since Agnes took the reins as CEO of Elevations Credit Union in Boulder, Colo., in August, 2008, he's taken more action in a matter of months than many CEOs have taken in years. For most executives, transitioning from a former regime – in this case, unexpectedly when the former CEO passed away – is change enough for a year's work. Agnes simultaneously had to contend with the crisis in the U.S. financial system and the reworking of his credit union's strategic and operational plans. "We went through a tremendous amount of change in a short period of time," including a branch closure and parting ways with key people, Agnes says, "but as difficult as it was, it has been a good year in many respects. We've been busy and productive."**

As credit unions leave behind one of the most tumultuous years on record, a new breed of executive is emerging. Savvy, determined, prudent and hopeful, successful credit union leaders bring an intense mix of skills and a strong belief in the future of their organizations – and the credit union industry as a whole. They've been stretched, but as a result display a capacity they might never have known they had.

## Unprecedented Turmoil

None of this is to minimize the difficulties of the past year and a half. Though one could argue that credit unions did not suffer the worst damage among financial services, they have faced rising foreclosure and default rates, unexpected "bailout" assessments, an increasingly hostile regulatory environment and a skeptical public.

As a result, credit union CEOs find themselves juggling a variety of complex issues. They need increased revenues at the exact moment when revenue streams are at risk of being regulated. They need beefed up collections at the same time they may be reducing staff. They need to inspire their employees, because this is no time to present a sullen face to the public. They must articulate the differences between their organizations and the banking world at large, both to consumers and to legislators, in words that are effective and compelling.

On some level, none of these objectives are new. What's new is the urgency with which they must be accomplished. "No one who is working today has been through the level of turmoil we've seen in the past year and a half," Agnes says. "For us, it was simply unprecedented."

Sue Mitchell, CEO of executive and organizational development firm Mitchell, Stankovic and Associates, believes that the executive landscape has shifted, though she notes that requirements for a competitive CEO haven't changed so much as intensified. "In the past we hired for specific expertise," Mitchell recalls. "There was a time years ago when it seemed like every CEO came from a CPA background. Then, it was lending; then, marketing. Now, we need a well-rounded leader who knows how to do it all – and do it all well."

## Finding Focus

Jim Warren – who is using the experience gained as CEO of Tyndall Federal Credit Union to start CU Next, a CUSO devoted to helping credit unions regain control of collections and other operational efficiencies – believes one of the biggest pieces to this puzzle is shoring up basic practices. "A lot of what we talk to people about is fundamentals," Warren says. Credit unions have traditionally done a good job of avoiding bad loans. Now, however, this means some have poor, practically nonexistent systems for collecting debt. Warren and CU Next teach the nuts and bolts of dealing with delinquencies. They also demonstrate the fine art of renegotiating with vendors. If these points aren't romantic, Warren believes they are basic to success in the post-manic economy. They also cut to the core of how a credit union should run.

"Credit unions have a tremendous tax benefit, and with it comes the moral obligation to help our shareholders improve their wealth," Warren says. "That means protecting their money. If we have delinquencies, it's our obligation to collect. We have great relationships with our vendors, but we also hold them accountable. This is real business.

"When times were good, I think some credit unions lost their focus," Warren continues. "Now is the time to get that focus back."

Refocusing is precisely what California Bear Credit Union CEO Jennifer Oliver did when she took the helm in January 2008. Though Los Angeles-based Cal Bear had a limited

community charter, Oliver decided instead to focus on its core membership: California state employees. “What I saw when I arrived was that we had low participation,” Oliver says. “I thought we could increase the loyalty factor by increasing the value of our products and services to our core members.”

When the State of California instituted mandatory furloughs for its employees, Cal Bear set up a program to reduce members’ loan payments by 15 percent – in line with the reduction in their take home pay. When the state began issuing IOUs instead of checks and area banks refused to honor them, Cal Bear was there for its membership.

Putting Elevations on track involved similar focus. Agnes and his team took five basic steps: controlling deposit growth, improving its net interest margin, capitalizing on a robust mortgage market, cutting discretionary operating costs and reducing the credit union’s concentration in long-term fixed rate mortgages. “Some of the changes we made were significant and not easy,” Agnes says, “but it was clear that we had to take action.” The result? “We had the highest profit in the history of the credit union – \$11.5 million in net income.”

## Revenue Revisited

Increasing revenue is a constant theme in the new economy. The consensus – even among leading CEOs – is that there is no easy fix. “I think it’s important for credit unions to be as patient as possible [in rebuilding their capital],” Oliver says. “We need long-term, sustainable revenue growth in line with our responsibility to our members.”

In particular, raising fees is a double-edged proposition. “We have found our identity as a trusted resource for our members. Can we really live up to that if we think of raising fees as a primary source of new revenue?” Oliver asks.

Certainly, public sentiment runs against it. Rick Ferguson, editorial director of Colloquy, a publishing and information company devoted to the loyalty marketing industry, notes that consumers are increasingly disgruntled with recent ham-handed changes in credit card policies – particularly rising fees and shrinking credit lines. When consumer frustration reaches critical mass, unwanted regulation may be the result. Ferguson advises financial service providers to, “proactively adopt a pro-consumer stance. Declare to the world that you will protect and become sound financial partners to your [clients].”

Is it possible to do this and increase revenues? Oliver thinks so. Recognizing that checking accounts – and the revenues tied to debit card interchange – were central to her organization’s growth, she instituted a program that returns \$5 monthly to checking account holders who use their debit cards at least 10 times a month.

“I wanted to give them something tangible that showed them that when we make money, we return it to our members,” Oliver says.

Agnes sees card income as vital to revenue growth – as well as symptomatic of member engagement. “Of our \$11.5 million in net income, approximately \$6 million comes from card services,” he says. “That excludes interest income from card accounts. We also see a branding opportunity every time our card comes out of someone’s wallet.” Ultimately, this loyalty affects revenue growth as well.

## In Lieu of Bonuses

If there’s genius in good credit union leadership, it may lie less in the brilliance of individual ideas and more in the integration of insight and execution. It’s financial intelligence combined with precise product development, effective marketing and airtight operations.

If you do it well, there’s nothing like it. Ask Bill Ferrence. He’s been the CEO of Boulder Dam Credit Union in Boulder City, Nev., for the past 36 years. After what he calls the “worst year we’ve ever had,” Ferrence isn’t sweating over revenue. “We’ve been saving up capital for 70 years; we’re fine,” he says. Nor is he fretting over market share. Nine out of 10 citizens of Boulder City are members of the credit union.

Like Warren, Ferrence believes collections are critical. This is why, a few years back, he and a staffer went personally to the home of a member who was kiting checks. The woman had seven children and her husband had lost his job. After hearing her story, Ferrence and his colleague left the house and returned a few days later having taken up a collection to pay off her overdrafts and buy Christmas gifts for the kids. “This will teach people not to mess with Boulder Dam Credit Union,” Ferrence says. “If you don’t watch out, we will pay off your debts and bring you a carload of presents.”

Understanding this aspect of the “credit union difference” isn’t everybody’s game. But for those who “get it,” this industry pays benefits that aren’t available elsewhere in financial services.

Municipal Credit Union CEO Kam Wong is widely regarded for his financial acumen. Because he was able to anticipate problems that arose in the market, Wong was able to minimize MCU’s setbacks over the past few difficult years. “He was almost prescient in his ability to foresee issues and help us avoid trouble,” MCU board member Jim McKeon says. “We on the board were so grateful, we wished we could pay him a higher bonus. But that isn’t what motivates him. He really cares for the credit union and what we are trying to accomplish.”

Oliver, who began her career as a credit union teller more than 20 years ago, puts it this way: “I didn’t know when I started out that this would be my career, but as I got a chance to work in



Jennifer Oliver  
CEO, California Bear Credit Union



this industry and see what we are able to do for members, I had to ask, 'Why would I leave this?'"

## Branching Out

Smart credit union leaders have mastered the technicals, puzzled out revenue plans and understand the unique value of their industry. They also know how to tell their story.

Storytelling may not be in the traditional job description for a CEO, but it's becoming increasingly important. Are consumers disgruntled with their credit cards? Credit unions need to communicate the differences between their credit card products and the "standard issue." Are employees anxious and demoralized by downsizing – or even general worries over unemployment in the community? Warren notes that reassuring staff that your organization is acting out of financial strength translates into a happy, confident team. Telling the story makes all the difference.

Politically, the constant threat of a difficult regulatory environment makes this a critical moment for credit unions to be vocal. "Ideally, you want to build personal relationships with legislators," Mitchell says. "You want them to know your story and to hear it from you." Labor in obscurity? Not in this environment.

For CEOs who thrive on outreach, this is an excellent time for collaboration. Oliver participates in the Southern California Credit Union Association, a group of executives from smaller credit unions who share experiences and ideas and look for creative ways to improve operational efficiencies. In a whirlwind market, there is strength in numbers.

"The credit union charter itself is at risk," Oliver says. "We need to think differently and work together. I will do whatever I can to protect the movement. Collaboration is important to me."

All these months into the financial crisis, it's apparent that protecting the credit union industry is also important to society. Nowhere else in financial services are consumers placed first. If that message was appealing a few years ago, it is positively resonant now.

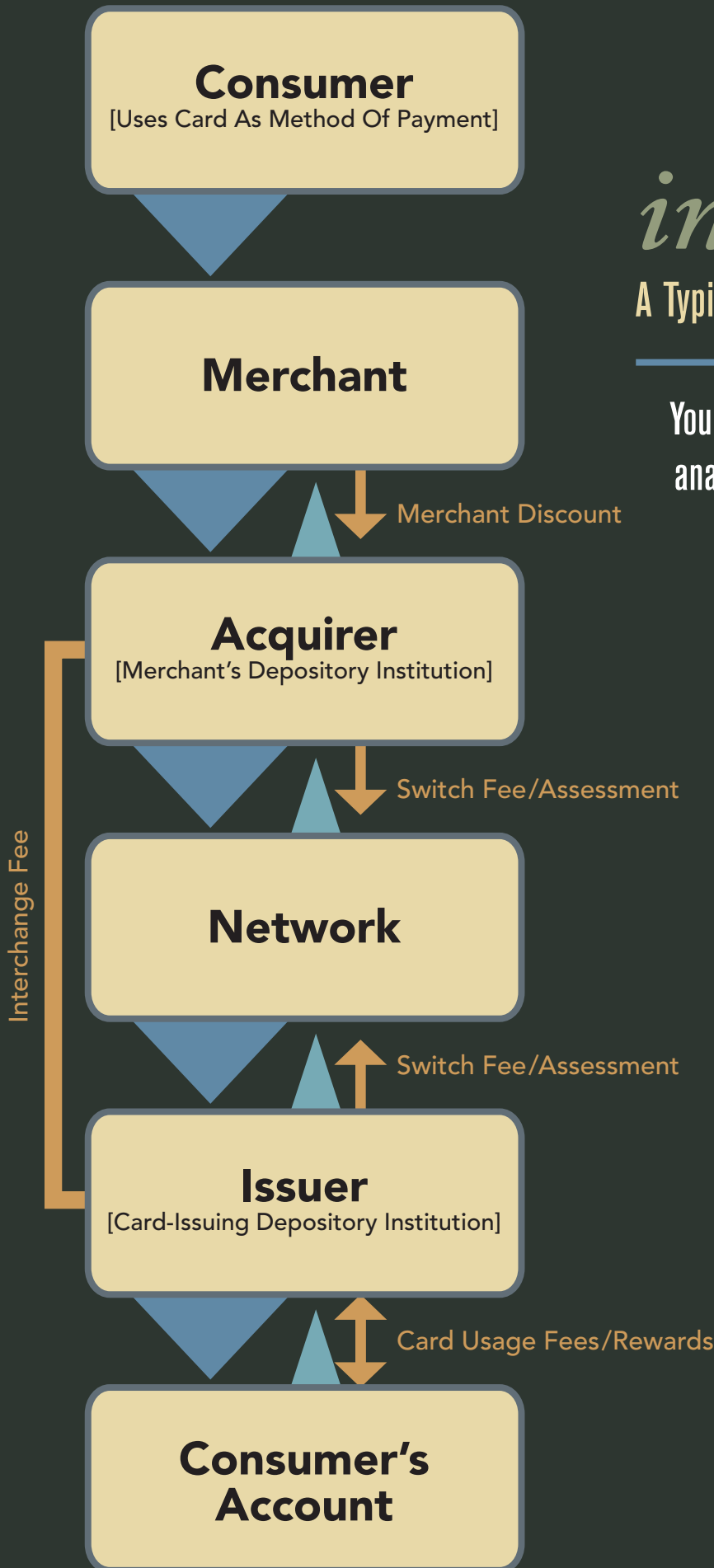
"This is the kind of market that credit unions were made for," Warren says. "We were created to serve people during difficult times. I'm not going to say this has been fun. It's like working out: It's work. But we have a chance to see some great results if we can keep our focus and get the word out. What a time to stand up and say, 'We are different!'"

# A DAY in the LIFE

## A Typical Transaction in a Four Party Card System

Your CO-OP representatives are well versed in the anatomy of a card transaction – including the ups and downs and ins and outs of interchange income and processing fees.

Call for any reason – *we're here to help!*



### ATM CARD TRANSACTIONS

Transaction	Interchange
Us on Us [My Card/My ATM]	No Cost
Us on Others [My Card/Other ATM]	I Pay
Others on Us [Other Card/My ATM]	I Earn

**LEGEND**

- Path of payment request and authorization messages
- Direction of fees paid

# Ignite your mind.

The era of the bland, narrow-focused conference is history. Get into the heads of visionary and inspiring thinkers, and discover how to catapult your credit union forward, at THINK 10. A conference event unlike any other, THINK 10 will expose you to the broadest range of insights about the industry's future. **Register for free at CO-OPTHINK.ORG.**

**Tony Hsieh**  
**Zappos**

Chief Executive Officer,

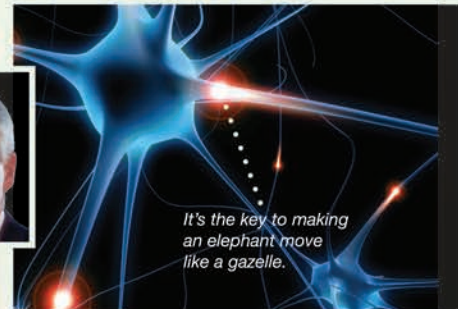
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**smart USA**  
President

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# Tweet Your Peeps:

## Social Media and Your CU



Whether you're social media savvy or new to the scene, one person you should follow on Twitter, friend on Facebook and subscribe via blog, is Chris Brogan.

[facebook](#) [Google](#) [twitter](#) [RSS](#) [LinkedIn](#)

**B**rogan is a 10-year social media veteran who uses both web and mobile technologies to build digital relationships for businesses, organizations and individuals. His blog is in the top 10 of the "Advertising Age" Power150, and in the top 100 on Technorati. He is co-author of "Trust Agents", which is already a New York Times bestseller after being released in August of last year. And as if all of that isn't enough, he's president of New Marketing Labs, a social media agency in Massachusetts. Google him. You won't be disappointed.

Brogan was gracious enough to talk about why social media is so important, how businesses can benefit from using social media and what the social media trends look like for 2010.

**An Interview with Chris Brogan**

### In your own words, what is social media?

Social media is the two-way Web. It's all these various tools like blogging and video and Twitter that allow us to build relationships instead of simply producing one-way content.

### Why should organizations care about social media?

People are using social media quite extensively these days. Facebook reports more than 750,000 new members a day, most of them in the 31-55 year age bracket. It's not just kids talking about skateboarding. Many people are using various social media outlets to make decisions, voice opinions and transact business.

### What are the benefits of using social media?

It's far less expensive than other business communications options, it has the ability to spread to many people as opposed to sitting in one place, and it is often a way to build conversations into relationships instead of media into cold leads.

### How should an organization begin using social media?

Start by listening. Google the phrase "grow bigger ears" and start figuring out what your customers are saying about you, your competition, your industry — and if the answer is "nothing," that's an opportunity, too. Listening is much more important than worrying about what to say. A will produce B, if you think about it.

### If an organization is short on staff, what types of social media initiatives can easily be done?

Listening is easy. Contributing to existing communities is easy. Starting a Facebook fan page is easy (though questionable how effectual you can make it).

### What do you think the social media trends will be in 2010?

I see more people adopting the simple tools and I see the early adopters building what I call "velvet rope" social networks, which means slightly more exclusive or private networks that fit a niche deeply.

### Can the results of social media be tracked or quantified to show upper-level management why it's important?

Social media can be tracked, however the goal has to be obvious and distinct. If the goal is more signups, you can track how many signups came from certain links. If the goal is to boost savings balances, then you can track visits and interactions on blogs and other media that promote these activities and see if the savings trends correlate. There are more trackable elements to social media than most traditional media.

### How long can a company expect to utilize social media before seeing results, such as increased customer engagement?

It can happen quickly, but more often, it takes a few months for people to get to know you. It's not like placing an ad.

### What's your best advice to organizations looking to begin or continue using social media in 2010?

Start by listening. Continue by commenting. Finish by building your own media and making relationships that you value beyond being a number.

### What are the top five "don'ts" of using social media?

- 1 Don't use social media like a bullhorn.
- 2 Don't expect revenue to show up the next day.
- 3 Don't talk more about yourself than you do others.
- 4 Don't let anyone say that there aren't direct values to these efforts.
- 5 Don't hide behind your company logo: social media is a tool for humans.

### And the top five "do's?"

- 1 Do put a human face to the brand.
- 2 Do ask about others more than you talk about yourself.
- 3 Do bring value above and beyond "offers" to people on these channels.
- 4 Do share with people information not directly related to your business.
- 5 Do participate in other people's stuff; they'll remember and participate in yours.

For more from Brogan, visit his website at [www.chrisbrogan.com](http://www.chrisbrogan.com).

# TIPS FOR OPERATING IN AN UNCERTAIN ENVIRONMENT

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**L**ast year brought about more economic uncertainty than we have seen since the Great Depression, some might argue that we even topped that. Unprecedented events in the banking industry combined with double-digit unemployment have created a certain level of gloom and doom. Yet the credit union industry has prevailed and in many cases even benefitted from the turmoil because of its unflinching focus on serving members. Below are a few briefs (with licensed rights) from the Associated Press and BusinessWeek, summarized into what CO-OP Financial Services sees as the outlook for 2010.

# Get Moving with Mobile

## Buddy, Can You E-Mail Me 100 Bucks?

(BusinessWeek)

What if you could send money to that friend who loaned you \$20 last week by using your mobile phone rather than having to go through the trouble of trekking to the ATM or mailing a check? All you'd need would be your buddy's e-mail address or cell number – and presto.

Folks in Japan and Europe can already do that. Soon Americans will, too. Studies show that U.S. consumers, particularly the younger set, have embraced the convenience of online shopping and e-banking and are now ready to move to the next frontier: person-to-person mobile payments. A recent poll by Mercatus, a financial consulting firm, showed that the proportion of people ages 26 to 34 who had used a cell phone to buy goods or pay for a product or service had doubled, to 14 percent, in the past year. "We are at the tipping point," says Mercatus managing partner Robert Hedges.

What about security, you ask? "Banking on the mobile phone is relatively safe," says Robert Vamosi, an analyst on security, risk and fraud at Javelin Strategy & Research. In fact, says Vamosi, mobile banking is currently more secure than online banking because cellular networks are tough to hack into.

With many of these new offers set to launch next year, the big question is who will gain critical mass quickly. Says Jim Bruene, editor of trade publication Online Banking Report: "Whoever can make mobile payments as simple as sending a text message is going to win."

**TIP:** CO-OP provides a mobile banking platform with three member access options, including text banking, mobile Web browser and downloadable applications. Mobile banking allows credit union members real-time access to verify balances, view transaction history and transfer funds among their accounts, all through the use of mobile devices. Credit unions do not have to make any changes to their host or home banking system to participate in CO-OP Mobile, which provides the members with access to their share and loan accounts with up to 30 days of account history.

# This is One Social Media Event to Avoid

## Hacking for Dummies (BusinessWeek)

A few years ago it would have been difficult to pull off an Internet attack like the one that knocked out the Twitter microblogging service in early August 2009. A hacker would have needed either the tech savvy to hijack thousands of computers simultaneously or tens of thousands of dollars to pay someone else to do it, says Gunter Ollman, vice-president for research at Damballa, an Atlanta Web security firm.

In the Twitter episode, hackers were trying to silence a single blogger. In what appears to be collateral damage, the hackers took down the entire Twitter service, and hobbled the blogging site LiveJournal and Facebook.

It may be a sign of things to come: Criminal groups and hackers have infected tens of millions of computers around the world with viruses that allow them to control the machines to launch attacks or send spam. These networks of zombie computers, called "botnets," are then rented out on a per-machine and per-day basis through websites that make executing

a denial-of-service (DOS) attack almost as easy as getting a book from Amazon.

Attackers have a variety of motives. Some, like the Twitter assault, appear to be political campaigns to silence critics. Others help cover up fraud. With the declining cost, DOS attacks may be used by a wider variety of people. A disgruntled employee could hammer his company's site; a car dealership could knock out a rival's site on a busy Saturday.

It would take perhaps an hour. A search on Google for "botnet" or "bot rent," leads to one of dozens of hacking forums, where there are postings to lease botnets. After downloading software that includes a control panel, a would-be attacker enters the name of the target website and manages the precise timing of the assault. Transactions are usually paid for with digital money transfers through Western Union.

Companies have been adding extra capacity to their computer networks to protect against DOS attacks. But security experts say the growing armies of botnets mean more creative approaches are needed.

**TIP:** CO-OP offers full-service support and protection through Falcon Fraud Center. CO-OP's NGN Switch provides state-of-the-art technology you can count on to be safe and secure. CO-OP even provides 100 percent turnkey back up from accounting systems and payroll to member records and branch operations systems, giving you unparalleled security and protection.

# Debit Is the New Credit

Visa posts Q4 profit on debit card use, cost cuts (Associated Press)

Visa Inc. posted a profit for its fiscal fourth quarter of 2009, reversing a year-ago loss, as cost reductions and growing debit card use made up for a decline in payment volume reflecting consumer spending cutbacks.

San Francisco-based Visa said payment volume slipped 2 percent, to \$687 million. But the total number of cards carrying the Visa brand rose 5 percent worldwide, to 1.7 billion, and total processed transactions rose 9 percent to 10.5 billion.

The increased number of cards and the higher transaction volume reflect

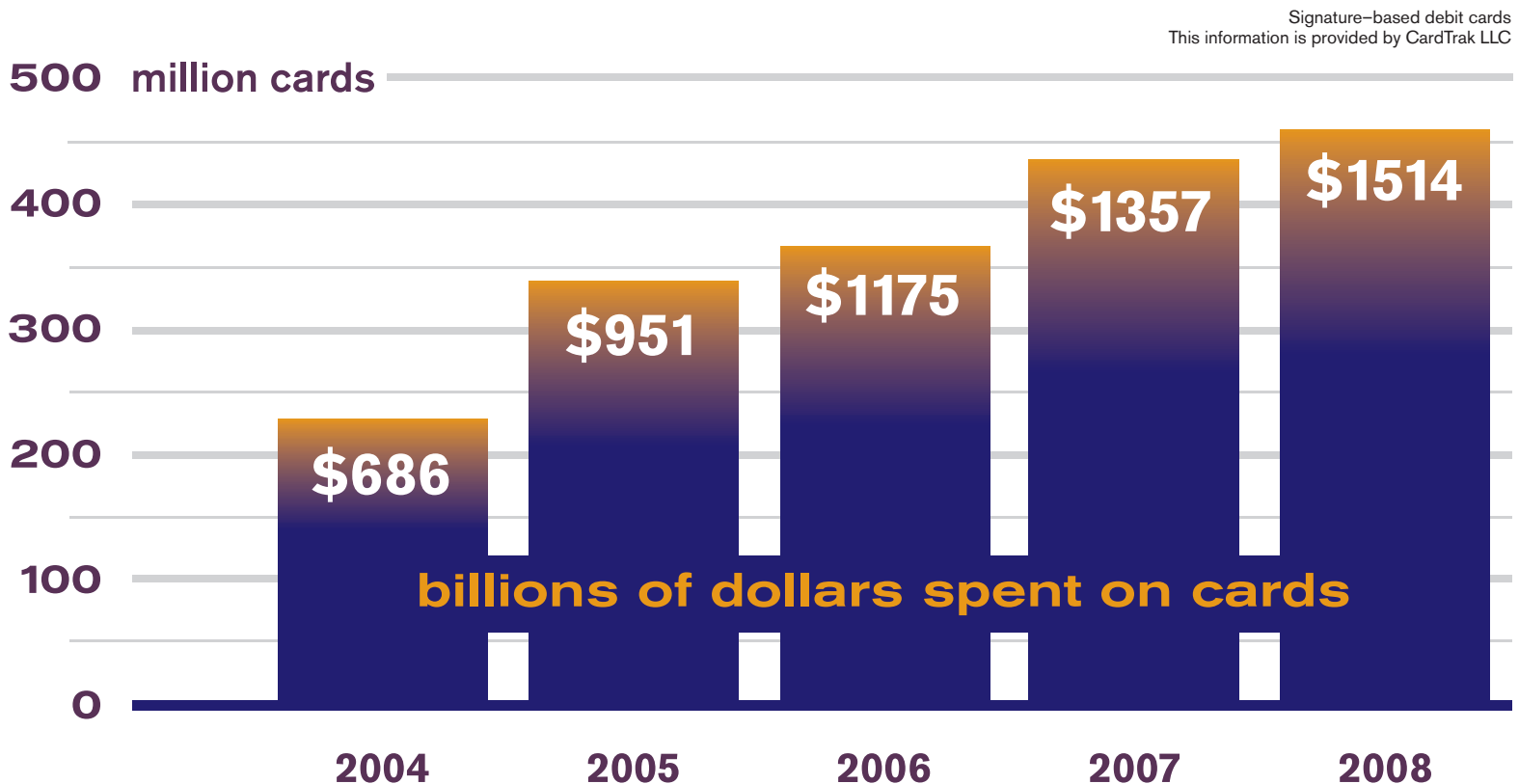
the growing use of debit cards over credit cards, as consumers continue to tighten their belts.

Debit card use is also up because banks have cut back on the number of credit cards and amount of available credit they offer to consumers, as defaults continue to rise. Several large card issuers have reported past-due credit card payments approaching 10 percent. That figure tends to track unemployment, and is expected to keep rising through mid 2010.

**TIP:** CO-OP Revelation enables real-time interaction with your debit card data, at the cardholder level, at the merchant level and even at the interchange income level. Use it to better understand your cardholders. You may be able to increase transaction volume, or add cardholders like Visa. Best of all it will give you insight into your members' financial habits, helping you develop new and better ways to serve them!

## More Debit Card Users

U.S. Visa and Mastercard debit cards



# Spread Happiness – Please!

Wall Street: Paging Dr. Happy  
(BusinessWeek)

Amid the financial crisis, human resources departments across Wall Street have been grappling with how to handle dark and brooding employees. Three firms, UBS, Credit Suisse and American Express, hired Shawn Achor – who for the past decade has co-taught one of the most popular classes at

Harvard, “Positive Psychology” – to help.

The first day Achor walked into UBS’s offices in October 2008, employees were ashen-faced, he says. They didn’t show the slightest interest in anything, even their BlackBerrys. “All these banks were in such dire straits,” says Achor, aka Dr. Happy. “Employees had just stopped working.”

To get them moving again, Achor held happiness seminars, which explained how contagious upbeat emotions can be in the workplace and stressed the value of psychological vs. financial wealth. Achor also put employees and their managers under a microscope. His findings: Teams whose managers had a positive attitude have less turnover, fewer sick days and higher productivity.

**TIP:** CO-OP Member Center can help you grow your lending operations and provide full-service call center support, all without increasing staff overhead. Your clients will be happy, which will make the work environment better for your own employees!

# Leverage What You Have, Assume Nothing Else

Financial Innovation Under Fire  
(BusinessWeek)

Americans prize out-of-the-box thinking in technology and culture, but they fear it in finance – understandably, thanks to innovative disasters like credit default swaps, collateralized debt obligations and “negatively amortizing” mortgages whose principal grows instead of shrinking.

In spite of the public’s mistrust, entrepreneurs and academics are plunging ahead. They’re working on ideas they hope will help the consumer borrow more safely and build wealth more reliably. Some are ambitious, like reducing homeowners’ exposure to declines in local housing prices. Others are fanciful, like an electronically rigged wallet that becomes harder to open when your bank account is low, an idea from the Massachusetts Institute of Technology.

The lightning rod for the debate over innovation is the Obama Administration’s proposed Consumer Financial Protection Agency, which would vet new financial products for safety. Bankers and laissez-faire

economists object that government is bad at picking winners and losers. Andrew W. Lo, director of the MIT Laboratory for Financial Engineering, favors letting markets work: “Financial technology is no different from any other technology. It goes through a maturation process. Version 2.0 is going to be better than version 1.1.”

Many free-market economists do acknowledge that some regulation is appropriate in the wake of the crisis. Lo, for example, favors both controls on new technologies with no redeeming social value and government-led safety testing of new financial technologies.

But some economists go further and argue that any financial innovation is guilty until proven innocent. Former International Monetary Fund chief economist Simon Johnson and James Kwak, authors of the popular Baseline Scenario blog, wrote in the summer issue of the journal *Democracy* that innovation often generates unproductive or even destructive transactions. “The presumption should be that innovation in financial products is costly ... and should have to justify itself against those costs,” they wrote. The two bloggers support the Consumer Financial Protection Agency.

Regulation complicates even the rollout of financial products and services that are seemingly pro-consumer. For example, prepaid debit cards allow people who don’t have checking accounts to make electronic payments and avoid carrying around a lot of cash. But they’re controversial with regulators.

**TIP:** CO-OP offers many proven products you can add or integrate to boost your revenue. You don’t need to reinvent the wheel to get ahead – take advantage of what’s already available to you. Full-service debit processing, mobile phone banking, CO-OP Revelation and CO-OP Member Center all can be implemented quickly and easily, and in compliance.

# The Art of REVENUE

It's About Innovation

Sometimes your highest revenue product is sitting right in front of you. You don't need to reinvent the wheel. IT programming is not necessary. You might not even have to spend much money.

So says Jeanne Denton, director of marketing at Nikkei Credit Union in Gardena, Calif. Denton is a relatively young executive. At age 34, she has already been a pioneer in fostering attention on younger markets for more than a decade. "Sometimes just thinking about the younger market helps develop ideas that are good for all members," she says.

In an effort to cast a wider net for new membership and increased revenues, executives like Denton are looking at creative ways to garner attention from a diverse mix of markets, such as Gen Y. Innovative, low-cost strategies for mobile banking, debit transactions, member education and industry involvement can yield big results, Denton says. Here are just a few examples.

## Old products with a new twist.

Denton recently ran a promotion for share-secured loans targeted to Nikkei's Japanese-American market, elegantly designed with a simple origami swan. The hook? She knew her market appreciated the care that went into their savings, just like the care that goes into beautiful origami. What members may not know is how much more cost effective a share-secured loan can be over an unsecured loan or dipping into savings, and her marketing broke down those

savings in an easy-to-read chart. "This wasn't developing a new product, it was just explaining an existing product in a new way," she says.

## Mobile banking.

"I often think of my college age brother when developing new products. He totally gets CO-OP Network and Shared Branching. He knows every shared branch and CO-OP ATM from his home in San Diego to mine in Los Angeles. If a website isn't mobile enhanced, it is a disappointment to him. In thinking how he would want to be served, I think CO-OP and I think mobile.

"But maybe taking this message to the rest of our members is as simple as calling a new member on their mobile phone the day after they open an account and saying, 'Hi! I just wanted you to have our number – now it's in your call log. Save it and call us anytime if we can be of service.' My brother would immediately save the number. An older member may not completely understand how to do that, but they will appreciate the call. They might even call back and ask how to do that. What did that cost? Nothing. What's gained? Much! And if that member is now connecting with us from their cell phone, it's just another short step to downloading mobile banking, or texting their location to 692667 (MYCOOP) to get the nearest CO-OP ATMs and Shared Branches."



## Debit transactions.

According to the Filene Research Institute's study, "10 Young Adult Innovations," members of the Gen Y demographic already spend an average \$100 a week – adding up to a stunning \$150 billion a year. And they influence another \$50 billion in family purchases.

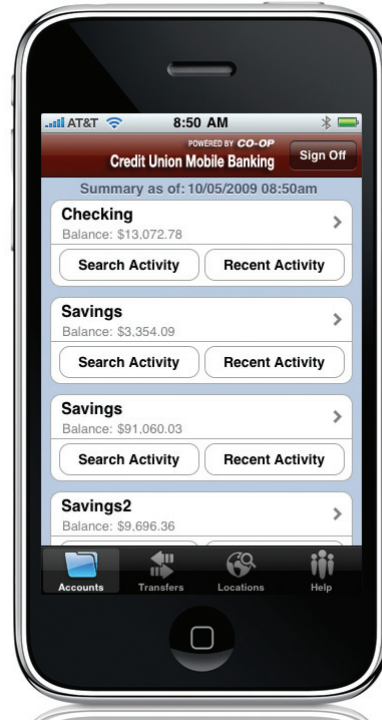
"It's interesting to think about how we can earn more interchange income by increasing our number of cardholders or their monthly transactions," Denton says. "My brother would never leave home without his debit card. I think we should sign every member up for a debit card when they open an account. I know that getting more of our members to adopt our cards and increase their usage will give them more convenience like my brother enjoys. We have a lot of members coming in to open checking accounts because their banks are overcharging them and providing terrible service."

Denton recommends signing younger members up for a debit card the day they open an account. "An active debit card is a conduit to learning about CO-OP Network and shared branching. A member using it is a happy member, and these are services that are also good for our bottom line," she says



Jeanne Denton  
Director of Marketing, Nikkei Credit Union  
Pinnacle Day at the Beach Triathlon Festival  
Hermosa Beach, Calif., Oct. 12, 2003

## Innovation?



## There's an App for That

Members can download CO-OP Mobile from the Apple iTunes Store to start performing mobile banking activity on an iPhone. After a few minutes downloading and setting it up, members can then check their balances, transfer money between accounts, and find the nearest CO-OP ATMs and Shared Branches, all from the convenience of their iPhones.

Text your innovative ideas to Innovate at **84444**  
First 10 texts will receive a \$25 iTunes gift certificate  
Standard text messaging fees apply.

## Credit scores.

Another thing Denton's brother is concerned about is debt, yet he doesn't know much about what impacts his credit score. As a member of Filene i3, a work group of innovative credit union professionals, Denton and her team at Nikkei participated in testing for DebtInFocus.com. The online software application offers strategies for paying off debt, and rates the user's debt profile in a user-friendly format. "One of the important things about Debt In Focus is that you don't need enter a Social Security number, or for that matter, any personal information. That's very important to people like my brother, who are online all the time and will quickly opt out of a process that requires cumbersome usernames and passwords or feels invasive to privacy."

## Be involved.

Denton believes that one of the keys for staying innovative is to be involved. She was a leader in starting the California Credit Union League's Youth Initiative. She participates in Toastmasters locally and provides training and mentoring to younger Toastmaster Members. She just recently came back from World Council. "Through Toastmasters, I meet people from Toyota and Xerox and other big companies. I learn best practices for control tactics, planning and leadership. Filene i3 offers a playground for checking out ideas with other credit union innovators. My volunteer time gets me out of my daily element and allows me to stretch – you need that to keep up!"

CO-OP Financial Services member Nikkei Credit Union serves 6,000 members with assets nearing \$67 million. Nikkei serves Japanese-Americans, is in their 58th year of business and promotes its mission in its tagline:

**Banking for All Generations.**

# CO-OP ATM

## Signage Program

**A Simple Way to Market Yourself  
– and Increase Income**

**With the summer travel season coming up fast, can traveling credit union members easily identify credit union ATMs as surcharge-free? If not, there's a simple and inexpensive solution to market your ATMs and add increase interchange income.**

The ATM Signage Program from CO-OP Financial Services makes it easy and cost-effective to advertise that an ATM is one of 28,000 surcharge-free ATMs on CO-OP Network. By placing the CO-OP Network logo alongside a credit union logo, CO-OP will subsidize the cost of the replacement signage at up to \$400 per terminal. Whether credit unions would like to replace signage at one or all of their terminals, CO-OP will work with vendors that create signage – some may even install the signs.

Keri Bennett, vice president of marketing and membership at Fresno County Federal Credit Union, was thrilled with the program and says the simple marketing procedure has added business.

in additional income. Finally, working with CO-OP and Systemax (the company that produces the CO-OP branded products), has been very simple. They have both been very responsive.

**More than 100 credit unions are currently participating in the ATM Signage Program. To join, simply fill out an inquiry form at [www.co-opfs.org/atmsignage](http://www.co-opfs.org/atmsignage) and a CO-OP representative will contact you.**

*“With the additional exposure, we’ve seen an increase from non-members, which has resulted in additional income.”*

### **How did you first hear about the ATM Signage Program?**

I was reviewing some of the CO-OP marketing materials on the website when I saw information about the program. I was intrigued to find out how I could get signage for little or no cost – always a great way to make a positive impact to the bottom line!

### **What was your credit union’s goal at the time?**

We were adding a few new ATMs and wanted to gain additional attention to the machines for greater usage. Once I understood how the program worked, I was eager to add to my order to get some of my older signs updated with a cleaner, fresher look.

### **What has your experience been like so far?**

It has been a great program. The banners turned out better than I had anticipated. They have a nice clean look, are of good quality and consistent with our brand. They have accomplished my goal – to gain exposure to the ATMs where they are placed. With the additional exposure, we have also seen an increase from non-members, which has resulted



Do you want your business development rep to contact you about the CO-OP free signage program? Text Signage to **84444**

Standard text messaging fees apply.



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Fran Gaetano, Richmond, VA. Works on the go.  
Eats on the go. Does her banking on the go with  
CO-OP Mobile.

# When she walks out her door, we open all of ours.

Next Generation Network from CO-OP connects your members to their account anytime, anywhere. Another way we help you help your members.

The NGN technology behind CO-OP Shared Branching goes well beyond providing a large network of branches for your members. It creates a Universal Hub that offers one-stop access to multiple NGN-based CO-OP products. CO-OP Mobile. CO-OP My Deposit. CO-OP Fast Branch. CO-OP Member Center. And CO-OP Shared Branching. All are part of an innovative suite of products that conveniently connect your member to their account, while allowing your credit union to leverage existing infrastructure. [CO-OPNGN.NET](http://CO-OPNGN.NET)





9692 Haven Avenue  
Rancho Cucamonga, CA 91730

Damien Lavizzo. Milwaukee, Wisconsin. Enjoys being able to close deals from his favorite sidewalk cafe. Also enjoys being approved for a loan without setting foot in a branch.

## 24/7 access under our roof. Loyalty and revenue growth under yours.

**CO-OP Member Center call services. Another way we help you help your members.**

Your members look to you for 24/7 access and convenience, personalized attention, and quick and efficient lending services. The CO-OP Member Center delivers highly flexible call center solutions with your needs in mind. You choose your availability. You choose your service level. You gain capacity efficiency, avoid resource mismanagement, and grow your business as a result. Well-trained agents are standing by to provide service to your members and help you achieve greater lending volumes and cross-sales. To learn more, visit [CO-OPFS.ORG/MEMBERCENTER](http://CO-OPFS.ORG/MEMBERCENTER)



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