

KEYSTONE

Extra

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Your online connection to important information, service updates, and happenings for Pennsylvania credit unions

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Top 10 Growth Strategies for 2015

After years of recession-induced cost-cutting, it's time to position your credit union for growth. CUNA's 2014-2015 Environmental Scan Report identifies the following 10 trends for growth in 2015:

1. **Mobile Payments.** Mobile bill payments jumped 150% from 2012 to 2013; and are growing 68% annually from \$16 billion in 2010, to a projected \$214 billion by 2015. This transaction type continues to be the single greatest opportunity and threat to credit unions. Credit unions can capitalize on emerging technologies and changing demographics by focusing on the three pillars of payments success: real-time, mobile, and social payment capabilities. The challenge is to increase member loyalty to retain your members in the new mobile-payments world.
2. **Mobile Banking.** With more than a million interactions daily, mobile now dominates all channels of customer engagement. Representing three of every five customer contacts, mobile's newfound dominance is driven by consumer expectations. Mobile devices will soon surpass personal computers as the most common tool used to access the Internet. Therefore, credit unions need to pay close attention to all facets of the mobile user experience.
3. **EMV Card Standard.** All eyes are turning to the implementation of the much anticipated card



standard EMV – Europay, MasterCard, and Visa. The liability-transfer target date of October 2015 is looming. Before implementing the new standard, credit unions need to work with their card processor to determine its card profile by configuring its card authentication method, cardholder validation method, and access method.

4. **Strong Lending.** Credit union lending is expected to increase 7.5% in 2014 and 8% in 2015 as credit unions experience record loan originations. These growth rates represent the strongest growth since 2007. Leading the way will be auto loans, credit card loans, and purchase money mortgages.
5. **Operating Ratios.** Credit union earnings as measured by return on assets will rise from 0.77% in 2013 to 0.8% in 2014 and 0.85% in 2015. Improved loan growth will shift assets away from low-yielding investments into higher yielding auto loans and

continued on next page

mortgages, improving credit unions' asset mix. This will push credit union asset yields above the record low of 3.4% set in 2013. Faster economic growth in 2015 will keep the upward pressure on interest rates. This will push mortgage rates up and boost earnings.

6. **Life After Refis.** Now that the mortgage refinancing boom is over, lenders will be turning their attention to the purchase mortgage market, which will become more competitive. If your credit union is looking to expand your purchase mortgage business, external business development might be the answer.
7. **Lower Fee Income.** Credit unions need to make plans for lower fee and other noninterest income over the next two years. Fee income as a percent of average assets will continue its six-year decline as the economic recovery exerts a downward influence on penalty fees. The end of refinancing will reduce loan origination fees and gains on sale of mortgages during the next two years. Interchange income might also decline in 2015 as interchange rates fall more than the increase in card transactions. Falling noninterest income will be the biggest drag on net income in 2015.
8. **Interest-Rate Risk.** The NCUA has identified in its *Examiner's Guide* that "interest-rate risk is the most significant risk the credit union industry faces right now." Be sure to demonstrate to your examiners that you review your interest-rate risk program and ask your vendors for additional assurance. If you haven't adopted an enterprisewide approach, you should consider this discussion with your staff and board to develop a strategy.
9. **Recruit and Retain.** Attracting and retaining top talent will remain a priority for most credit unions. Human resource experts all point to the same finding – retaining top performers will be the most important and difficult challenges in the next decade. HR professionals believe the answer lies in creating a corporate culture that attracts the best and the brightest employees to remain competitive in the talent marketplace and find employees with increasingly specialized skills. To retain talent, provide adequate training, recognition, and feedback for employee job satisfaction, which in turn leads to higher levels of engagement and retention.

10. **Big Data.** Credit unions hold vast amounts of member data, but often in systems that run independent of each other. The challenge is to building bridges between those systems to create an "Omni-channel" experience to members. Start by analyzing members' use of your delivery channels. This should help to understand how members currently access your products and services and how to plan for the future. Be leery of outside partners that want you to sign away rights to your members data.

Your Association is here to help your credit union succeed in 2015. Keep abreast of compliance issues by using our compliance tools: hotline, *InfoSight*, and *PolicyPro*. *CU Analyzer* can help you develop goals and benchmark your credit union against its peers. To keep informed of news in the credit union movement, read our daily newsletter *Life Is A Highway*. Your Account Executive is also available to help guide your credit union with products and services that can benefit your credit union and your members.

Here's to a prosperous and successful 2015!

Best Way to Fight Fraud Is to Prevent It

Everyone is familiar with the data breaches affecting millions of consumers nationwide. However, more localized, lesser-known and lesser-publicized breaches are occurring every day. While some rely on VISA CAMS/MC CAN alerts or behavior-based monitoring, others stay one step ahead by identifying breaches before fraud occurs with **TrueCards™** from **Advanced Fraud Solutions**.

How Can TrueCards™ Help?

By independently managing your card portfolio, TrueCards™ allows you to determine the true point of compromise and block the cards at risk almost immediately.

How Does TrueCards™ Work?

Housed within your credit union's environment, your cards services team is able to proactively monitor card holders' transactions for breaches and common points of compromise by having access to real time data.

1. CPC Locator: Identifies additional cards at risk. It is known as your own private CAMS alert.
2. Merchant Search: Identifies the cards used at a particular merchant during a certain timeframe.
3. Vendor Frequency: Alerts you to higher-than-normal transaction volumes at a particular merchant. Discovers possible test sites.

Combating Check Fraud

As overall check volume decreases, the amount of fraud per item has actually increased. This form of payment has been a favorite of fraudsters for many years. With the industry average on each fraudulent item at \$3,000, check fraud is an area credit unions simply cannot afford to ignore.

How Can TrueChecks™ Help?

TrueChecks™ identifies counterfeit, NSF, and closed account issues without compromising the integrity of service at the frontline. The uniqueness of TrueChecks™ is the collaborative approach to fighting fraud. Financial institutions, processors, and other industry sources contribute their counterfeit, NSF, and closed account information to the shared database.

How Does TrueChecks™ Work?

TrueChecks can be deployed in a variety of different formats and locations:

1. **Web-based:** The web-based deployment allows tellers to run high-risk items against the TrueChecks™ database at the point of presentment.
2. **Teller-Capture Integration:** For financial institutions with a teller-capture environment, the above process can be seamlessly integrated.
3. **Batch:** By reviewing the standard file that is sent out for processing, TrueChecks™ Batch can deliver the same level of protection, with responses delivered to a web-based console for review within 2 hours.

In real time, via the web or as part of an existing teller system, TrueChecks™ provides credit unions with a cross-institutional, account level view of check transactions.

For more information about Advanced Fraud Solutions, contact your Association [Account Executive](#).

Take Your Old PC and Jump in the Deep End

On a hot summer day, would you rather jump into a cool pool, or wade in slowly? Although initially more shocking, jumping in allows you to adjust more quickly to the temperature and reap the benefits of swimming sooner. Some people never even make it past the wading part, getting only their feet wet.

This can be seen in the cloud computing environment, and the result is that many institutions are not ever realizing the full benefits of being fully in the cloud.

With Windows XP no longer supported, financial institutions are currently faced with some

decisions: what do they do with older machines running an unsupported operating system and how do they replace them in the most efficient manner? Some are taking the comfortable choice of purchasing yet another Windows-based computer and find themselves with all the same issues they have to deal with today in managing those devices, also referred to as endpoints.

The Endpoint Is Always the Problem

Even with the remarkable efficiencies that the cloud brings, it still requires dedicated resources and a concerted effort to manage Windows-based endpoints.

From a financial perspective, replacing dozens or hundreds of PCs can be a huge capital outlay and requires the equally expensive proposition of paying someone to install and configure them.

Refresh Instead of Replace

Windows continues to become more and more resource-intensive with each version, causing financial institutions to retire good hardware to purchase new. Don't forget, you have to securely destroy the old hardware somehow.

There is an alternative; refreshing instead of replacing. Hardware that is less than five-years-old is usually still plenty powerful enough to power cloud-based applications. D+H has designed and tested a solution that can take almost any Windows-based machine and completely convert it into a lean client.

What is a lean client? D+H creates lean clients using industry-leading software that completely and securely erases Windows XP and turns the PC into a new browser-based computer. Not only that, but the lean client can be completely installed and configured in about five minutes.

The advantages of going lean include:

- Lean client software is less than \$100 and includes a three-year license, easily extending the lifespan of these older machines and reducing capital expenditures significantly.
- The machines are completely read-only, meaning these systems cannot be infected with viruses or malware.
- Locking down the machine is easy. The lean client validates users via your current Active Directory infrastructure automatically, and USB drives are locked by default.

Making the problems at the desktop disappear, financial institutions are finally experiencing the full benefits of the cloud. They are finding refreshing the PC to be, well, refreshing. Just like jumping in a cool pool on a hot summer day.

For more information about D+H, contact your Association [Account Executive](#).



A soup sale was held recently at the branches of **Horizon FCU** from donations from area businesses, raising \$700 for the Central PA Food Bank. Horizon staff and members also donated 316 lbs. of food items. Presenting the check to Jamie Caputo, Central PA Food Bank Development and Community Relations Director was Jaime Bitler, MSR.



Clearview FCU President/CEO Mark Brennan (right) and Golf Outing Chairman Ron Gottschalk (left) present a \$5,500 check to Charlie LaVallee, CEO of Variety the Children's Charity of Pittsburgh. The funds were the proceeds from Clearview's Annual Charity Golf Outing, which was held in August 2014, at the Beaver Valley Golf Club, Beaver Falls.



Service 1st FCU's Dawn Gilliland and Sarah Zinga participated in WNEP's Trail of Treats at the Woodlands Inn & Resort in Wilkes-Barre for special needs children and young adults from the area.



The **Heights Community FCU** recently received their 75th Anniversary award gifts from the Association. Compliance Consultant Denise Sickonic presented them to (left to right) Eileen Applegate, Head Teller; Mary Grammes, Teller; and Christine Heiserman, Loan Officer.



Sb1 FCU staff raised \$1,693 for Light The Night Walk To End Cancer. Sb1 staff donated their time and money for this special event. Light The Night Walk is a fundraising campaign of The Leukemia & Lymphoma Society.



Mid-Atlantic Corporate FCU and its family of companies took on a walk-a-mile-a-day campaign to raise money for Children's Miracle Network. Pictured (left to right): Jaime Agostino, Lori Gall, Erica Johnson, Margie Jones, Teresa Stetler, Erin Doan, and Leslie Hannan.

January 2015

18-21
CEO Summit

March 2015

19
Member Engagement
on the Front Lines
Central Penn College
Summerdale

April 2015

23-24
Cultivate
(Marketing/Lending)
Eden Resort and Suites
Lancaster

May 2015

14-16
Connect 2015
(Annual Convention &
Exposition)
Hershey Convention Center
Hershey

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