

KEYSTONE

Extra

January 20, 2012

Volume 43 Issue 2

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Five Elements of A Good Auto-Loan Refinance Campaign

In the wake of the consumer movement shifting deposits from big banks to credit unions, culminating in Bank Transfer Day on November 5, 2011, many credit unions are experiencing a drop in their loan-to-share ratio. Raising it will be difficult, given the continuing slow growth in loan demand.

Even so, this new liquidity — and the priceless boost in the public's awareness of the credit union movement — create a unique opportunity. In this article, Stephanie Christensen, Loan Generation Marketing Specialist at CUNA Mutual Group, discusses how refinancing loans from other lenders can save members money.

Captive financiers have left the back door open

Auto loans remain the backbone of most credit union lending programs, so that seems a logical focus for a refinance campaign.

It's difficult to compete up-front with captive financiers that close loans at the point of sale. But plenty of new-car owners drove off the lot with loan terms your credit union can probably beat. *The Raddon Report* (September 21, 2011), published by the Raddon Financial Group, estimates that less than 40 percent of car buyers who intend to use 0 percent financing actually get that rate.

But will these buyers move their loans? Auto Loan Recapture, a pre-screened direct-mail refinancing program offered through a partnership of CUNA Mutual Group and Ser Technologies, averages more than \$5 in interest income for every \$1 that credit unions spend on



the campaigns (as measured one year after the start of each campaign).

Here are five key elements in a successful auto loan refinance campaign:

1. **Properly pre-screened mailing list:** Selecting the proper parameters for pre-screening membership data takes experience. It's easy to make mistakes — such as not screening out your credit union's own auto loans — that will cost the credit union money or result in too many non-qualified members receiving letters.
2. **Incentive:** Consumers are bombarded with auto loan offers with impressive-looking interest rates. Consider making your offer stand out by offering consumers something useful: a gas card is typical. But the cost of this type of incentive may siphon too much value from the loan, so consider offering favorable terms such as deferring the first payment for 60 or 90 days.
3. **Strong, professional, legally compliant letter:** When creating the marketing piece, try to be objective

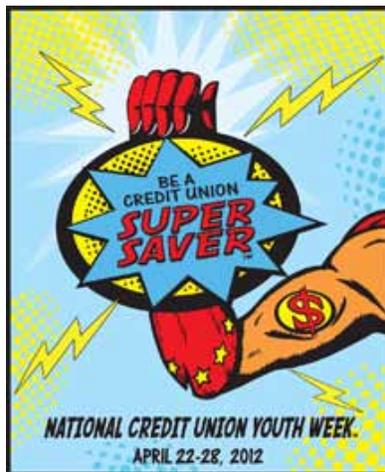
about your in-house copywriting and design capabilities. The design and packaging need to compete for a busy person's attention, and the text must make your offer compelling enough to draw a response — these are jobs for experienced direct-marketing pros. Likewise, if you don't have in-house expertise to make sure the language and terms in your offer comply with regulations, you'll need a qualified outside consultant.

4. **Cross-selling skills:** The letter itself is a springboard to conversation. Lending staffs must be trained to engage members to learn about the member's financial situation, and find additional credit union products and services that meet their needs.
5. **Performance tracking:** Each campaign should include a return-on-investment analysis including loans closed for those on the mailing list, the average credit score and loan balance for all respondents, and more. In addition, measure the "halo effect," that is, all of the products, not just auto loans, acquired by those on the mailing list over the following six months. This gives you an idea how well your staff is cross-selling.

Put Youth Week Plans Into Action

April is the month when credit unions celebrate Youth. National Credit Union Youth Week will be held April 22-28, 2012, but events that coincide with the National Youth Saving Challenge can be held anytime during the month of April.

The theme for Youth Week 2012 is *Be a Credit Union Super Saver*, which uses a comic-inspired superhero design to encourage young members to save their money. Coordinating promotional products are available through CUNA's online [Youth Week store](#). Place orders by March 9 for early-bird prices and save!



Last year, nearly 146,000 young members showed *Money Rocks at their Credit Union* (the 2011 Youth Week theme) by depositing \$28.5 million into their saving accounts during this national event — with 9,058 of these new accounts.

In Pennsylvania, young members deposited a record \$1.5 million in savings, topping the previous 2009 record. During April 2011, young savings deposits amounted to \$1,555,886 from 16,504 savers.

It's time to start planning your 2012 Youth Week activities and register for the National Youth Saving Challenge. Participation is free, and 10 lucky young super savers will win \$100 at the conclusion of the Saving Challenge. [Find out more.](#)

Free resources to help you plan a super saving extravaganza are available at cuna.org/youthweek.

Education & Professional Development

CEO Leadership Workshop

March 27, Pittsburgh; March 28, Harrisburg

The current environment has provided a spotlight for credit unions to make a far greater impact in the financial marketplace. As a credit union leader, do you have what you need to position your credit union to take advantage of this opportunity?

For more information and to register, visit the Association's [Education page](#) or [click here](#).



Up Next for Front Row Webinars:

Controlling Expenses Without Choking Growth

February 7, 2:00 p.m.

Cost control is a hot topic, but do you know where to start? This webinar will help you face the challenge of doing more with less. You'll learn how your credit union can be high performing but still manage costs. Discover how to control expenses while keeping employees positive and productive. For more information or to register for this FREE webinar, visit the Association's [Education page](#) or [click here](#).

Education on the Horizon

Put these dates on your calendar and watch for details and registration information in your inbox soon!

Real Estate Lending Conference

April 18, Westmoreland County Community College, Youngwood

April 19, Association Headquarters, Harrisburg

78th Annual Convention & Exposition

May 20-22, Wyndham Grand Pittsburgh Downtown

The Credit Union Rises. Unprecedented backlash to big bank practices along with positive press for credit unions have created a movement of great proportions. Join us in Pittsburgh for the 78th Annual Convention & Exposition, where we'll celebrate the rise of Pennsylvania credit unions, kicking off Sunday afternoon and concluding Tuesday evening with an awards gala and banquet.

Top Three Student Lending Myths Debunked

If your 2012 strategies include lowering your average member age, increased lending, and growing member relationships, then providing a higher education financing solution is a smart choice. Given recent caution in this asset class, is now the right time?

Here are the Top Three Myths of student lending:

1. **The debt is unsecured. Defaults are rising. A college education just isn't worth it anymore.** Financing higher education can seem daunting, but it's important to understand that the reported rise in loan defaults is specific to Federal student loans which carry no traditional underwriting criteria. According to the *New York Times*, less than 12 percent of the nation's students attend for-profit colleges, but these colleges account for nearly 50% of all student loan defaults – an important fact to consider.

Credit unions can mitigate risk by lending only to traditional, four-year, not-for-profit schools using conservative underwriting that encourages a co-borrower.

2. **Student lending is a losing proposition with thin margins and regulatory concerns.** If properly managed, private student lending can produce ROAs on par with other strong consumer lending products while responsibly providing a low interest rate – as much as 200-300 bps under competitors. Why are rates being charged by competitive banking brands so high? Unfortunately, the short answer is a lack of competition which fuels the needs for more credit unions to get involved.

On the regulatory front, if electing to outsource private student lending to a CUSO, then one needs to select a model that is transparent and keeps the ultimate credit decision authority with the credit union. Regular audits of any automated decisioning are also recommended in today's regulatory environment.



3. **Responsible lenders should avoid this market as Occupy Wall-Streeters are calling for borrowers to walk away from all student loan debt.** Although the Occupy effort – seeking public support and legislative relief in cancelling student loan debt – falls drastically short as a viable solution, it reinforces the fact that members need a solution today. Credit unions are poised to help by:
 - Highlighting the advantages of using low- and no-cost financial resources first, including grants and scholarships along with government loan programs;
 - Making clear the proper role of credit and encouraging its responsible use; and
 - Focusing on long-term member relationships.

Credit unions have a unique opportunity to deliver a solution that establishes a solid foundation for long-term financial success. Don't avoid doing the right thing – start building valuable long-term relationships with young members today.

To learn more about private student lending, please visit www.studentchoice.org and sign-up to attend a free educational webinar or contact your Association Account Executive.

Audit Services Announces New Hires

The Association is pleased to announce the addition of two auditors to the Audit Services team.

Lauren Peffley is a recent graduate of Temple University, having earned a B.B.A. Degree in Accounting. Peffley currently resides in Lebanon.

Vanessa Dettmore is a graduate of Lock Haven University of Pennsylvania, having earned



Lauren Peffley



Vanessa Dettmore

a B.S. Degree in Accounting. Prior to joining the Association, Dettmore worked for Vantage Trust FCU, Wilkes-Barre.

The Audit Services staff also includes Greg Westwood, Senior Auditor; Doug Rumbaugh, Auditor; and Joel Slagan, Director, Audit Services.

For more than 25 years, the Association has provided audit services to member credit unions, including a Supervisory Committee Annual Review, ACH Review, BSA/CIP/OFAC Review, Internal Operations Review, and Member Account Verification services.

To discuss your audit needs, please contact Audit Services Director Joel Slagan at 800-932-0661, ext. 5241; or email joel.slagan@pcua.org.



Rebecca Buhman, Marketing Communications Specialist, First Commonwealth FCU, and coordinator of the holiday food drive, prepares donated items for delivery. More than 2,150 pounds of food was donated by members, employees, and Select Employer Groups (SEGs) to benefit the Second Harvest of the Lehigh Valley and the Greater Berks Food Bank.



Sue DeStefano, VP of Lending, First Capital FCU, presents a check for \$500 to Diane McElwain, Oncology Nurse Coordinator/Navigator, York Cancer Center. The money will go directly to the Cancer Center Patient Help Fund. The No One Fights Alone campaign was created for employees at all First Capital branches to hold various fundraisers to help two employees and others locally fight the disease.



UFCW FCU presents \$2,300 to the Marine Corps Reserve Toys for Tots program. From left: Navy Corpsman Doc Castillo; Cindy Martz; Janice Kizis; Dee Ambrose, COO; Thelma McClure; Jenny Borton; and Sergeant Robert Smith.



Vantage Trust FCU employees Lura Vincent, Amanda Salko, and Timothy Swanson, present items collected for the Toys for Tots program to the Marine Corps Reserve.



Left: Pam Palotas, Marketing Assistant, Erie Community Credit Union, presents a check for \$1,213 to Karen Seggi, Executive Director, Second Harvest Food Bank, in addition to 119 pounds of food collected at its branches, for the Backpack program. Erie Community, JET 24, the Second Harvest Food Bank, and Ronald McDonald House Charities teamed up to support the Second Harvest's Backpack program, which gives Erie school kids a backpack full of healthy food for the weekend.

Events Calendar

February

20
Presidents Day
Federal Reserve Bank
Holiday

March

18-22
CUNA Governmental
Affairs Conference (GAC),
Washington, D.C.

27
CEO Leadership Workshop,
Pittsburgh

28
CEO Leadership Workshop,
Harrisburg

April

18
Real Estate Lending
Conference, Youngwood

19
Real Estate Lending
Conference, Harrisburg

22-28
National Credit Union
Youth Week

Keystone Extra is published bi-weekly online by the Pennsylvania Credit Union Association
4309 North Front Street, Harrisburg, PA 17110-1618
800-932-0661 • www.pcua.org

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