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Loyalty Matters

How likely are your members going to pull your credit union's debit or credit card from their wallet?

There is no one, singular, or isolated reason why your members choose your credit union as their primary financial institution. They join your credit union for many reasons, perhaps for a car loan or to open a checking account. They return for more services because of the total member experience which, if successfully executed, can lead to your credit union becoming their primary financial institution.

These days, the difference between one financial institution and another focuses less on the financial products offered and more on service and engaging the membership.

While most credit unions enjoy a competitive price advantage, that advantage can evaporate quickly when a member does not value or have an incentive to use your financial products. Member loyalty reward programs can influence members' choices of financial services. Recent research shows that 71 percent of credit and debit cardholders say that rewards programs "really do affect which card they pull from their wallet at point of sale."

In a recent report, "Engagement: The New Competitive Advantage," by Peppers & Rogers Group and Allegiance, the analysts suggest that product innovation will no longer give



businesses a competitive advantage in the marketplace. Rather, a "new and improved" product is more often perceived by customers as short-lived commodity while service and engagement – areas where credit unions are most competitive – are viewed by customers as a much more durable reason for investing their time and money with the organization.

For a credit union that wants to be its members' primary financial institution, the principal "gateway" to foster engagement and build an enduring bond is the credit or debit card

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Dream Points Rewards can enhance member loyalty

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the member chooses to use most often. This will give the credit union an edge when "all else is equal." For today's financial institutions, "all else" is increasingly equal. Especially for reward programs that have become ubiquitous for credit cards, with 75% to 80% of issuers offering rewards. For debit cards it's less so with 25% to 50% having rewards programs according to latest industry analyses.

Four simple rules of an effective rewards program

For loyalty programs to be effective, a credit union needs to do more than just offer the program. Below are four simple rules to apply when building and deploying a loyalty rewards program:

1. Loyalty programs must be a two-way exchange of value. Members must feel that they're getting something worthwhile for participating. Moreover, the program should improve the member's personal experience with the credit union.
 2. Loyalty programs must be clearly differentiated. Members will only participate actively in a loyalty program that appeals to them and that means being different from all the others in the marketplace. It shouldn't be just another program for the member or a guessing game for the credit union. Before starting a rewards program survey your membership, asking them what kind of rewards program would engage them.
 3. Loyalty programs must be simple enough to succeed. Members may start out with great enthusiasm, but what makes the program successful are rewards that are simple enough and beneficial enough to maintain continued participation. The key components of a loyalty program consumers say they are looking for, include:
 - 1) A unique and relevant reward that's easily attained;
 - 2) Rewards that are easy to understand;
 - 3) Several easy ways to earn the rewards;
 - 4) No restrictions or expiration dates on rewards;
 - 5) A simple, fast, and painless redemption process.
- All too often loyalty programs don't offer compelling rewards, or they set the thresholds too high, or they create unnecessary barriers to redemption – and that's why enthusiastic new members become apathetic later on.
4. Loyalty program must encourage the right participation. The priority of your loyalty program should be to recognize both members' current value and potential value as the basis for allocating resources to them. It needs to increase the members' ability to earn points around the highest-value activities, which include greater transaction amounts, increased transaction volumes, and spending across more categories.



For example, credit unions encourage members to regularly use credit or debit cards for everyday purchase like gas, groceries and car insurance. Then, supported by a marketing campaign and ongoing customer service, the institution demonstrates how an individual's or family's monthly spending can gain reward points quickly (see chart below). Credit unions can also use rewards to encourage members to

SAMPLE DREAM POINTS PROGRAM USING SIGNATURE DEBIT

MONTHLY SPENDING		POINTS EARNED
Coffee	\$60	20
Groceries	\$210	70
Going out	\$75	25
Gas	\$240	80
Cell Phone	\$90	30
Insurance	\$120	40
Gym	\$60	20
Home Improvements	\$75	25
Vacation	\$120	40
All other purchases	\$150	50
MONTHLY POINT TOTAL		400
ANNUAL DREAM POINTS TOTAL		4,800

make profitable decisions when using their debit cards at the point of sale – for instance encouraging signature-based transactions over using PIN.

A change in cards used: debit versus credit

With the passage of the 2009 CARD Act and the recent economic slowdown, many have predicted a cutback in credit card reward programs. Moreover, spending on debit cards in the United States has exceeded credit card spending for the first time in 2008 as financially weakened, less confident consumers reduced their overall spending and chose to pay now, not later. With debit cards now eclipsing credit, more credit unions will want to consider implementing loyalty rewards program to capture increased debit transaction volume. With analysts predicting debit card reward programs to reach 70% by 2010, the need to compete for member loyalty only grows.

The TowerGroup, a financial services research firm, recommends that debit issuers protect and expand their market share by means of multipronged loyalty design that balances point programs with merchant relationships, enterprise rewards, and customer savings options.

Continued on next page

Dream Points Rewards can fit all your loyalty needs

In 2008, Member Access Pacific launched its Dream Points Loyalty Rewards program to assist its client credit unions in engaging and better serving their members. With offerings in all the categories, the well regarded Dream Points Loyalty Rewards is an outstanding and comprehensive program that features merchandise, gift cards, travel, experiences, cash back and green products:

Merchandise: With over 300,000 products to choose from and an experienced team of professional merchandisers, Dream Points has the largest point reward structure in the industry. All items are new, in carton and shipped directly to the reward recipient. All rewards have full manufacturers warranties.



Gift cards: Gift cards offer a great value to your customers. Dream Points draws on relationships with over 100 retail partners and all the top brand names and also offer a prepaid Visa® gift card that is redeemable virtually anywhere.

Travel: Travel rewards can have a big impact on your loyalty program. These rewards include free and discounted airline tickets, cruises, hotel stays, special vacation packages, and car rentals. Travel fulfillment is handled in-house through Dream Points' full-service travel agency.

Experiences: Experience rewards including a ProSport Dreamtrip, a Wine Lover's Getaway and other destination packages.

Green products: Dream Points offers an array of green products for your eco-conscious members. Sample products include renewable energy credits, energy efficient electronics, hybrid bikes and Energy Star compliant products.

For more information about the Dream Points Loyalty Rewards program or to request a Marketing Guide, contact Herb Tajalle at Member Access Pacific, 866-598-0698 x7116.

New Analytic Model proves helpful for clients

MAP's one-day educational session held April 21 at The Golf Club at Newcastle was a huge success. Fifteen client credit unions joined Visa's Greg Borchardt and the MAP team for the workshop designed to improve and evaluate the health and success of their institutions' debit and ATM products.

In 2009, MAP began providing each of our Debit and ATM clients with statistical data in the form of a Penetration, Activation and Usage (PAU) Model. The PAU model, along with its peer-to-peer counterpart, the "Check Card Scorecard", aid in the development of practical, personalized, portfolio tools that measure current and future sales, revenue volumes, promotions, and tracking of cardholder activation and usage. Each credit union that participated in the workshop were provided individualized, "hands-on" training by Greg with assistance from the MAP and Visa experts.

Recently, the Gartner Research Group predicted that 20 percent of organizations will have an "industry-specific analytic application" as a standard component of their business intelligence portfolio. MAP introduced a comprehensive program based on the PAU Model and PAU Score Card as an "industry-specific analytic application" to support and strengthen client competitiveness. The growth of business intelligence to support business decision-making and marketing has never been more rapid, particularly with the recent innovations in data mining and multidimensional databases. Want to learn more? Attend the PAU Webinar on July 22, 2009 at 9:30 AM or contact Nikolay Martinov at Member Access Pacific, 866-598-0698 x7114.

PAU Webinar

Join MAP for a 2-hour PAU Webinar with Visa's Greg Borchardt to analyze your credit union's 2nd Quarter penetration, activation and usage statistics.

Date: July 22, 2009

Time: 9:30 to 11:30 AM



Visa's Greg Borchardt assists Phyllis Devlin, Gesa Credit Union, analyze her credit union's statistical data in developing the PAU and Scorecard.

MAP's Summer Prepaid Card Promotion assists clients with member acquisition and revenue

This summer MAP launched an "Employee Instant-Win Incentive Promotion" for the sale of Visa Reloadable Prepaid cards. Employees at participating credit unions have an opportunity to win fun prizes each time they sell a prepaid card. With the sale of every Prepaid card, the employee receives an "Instant-Win Game" scratch card. Instant prizes include Visa gift cards, Amazon gift certificates, and free music downloads.



The Summer Promotion, which runs from June 1 through the end of September, is part of MAP's marketing services program for clients. During the past year, MAP has enhanced its marketing services with a number of new or expanded programs, including quarterly PAU (Penetration, Activation, and Usage) Workshops designed to aid credit unions with increased sales volume and revenue for their card portfolios as well as in-branch marketing materials to support prepaid cards sales.

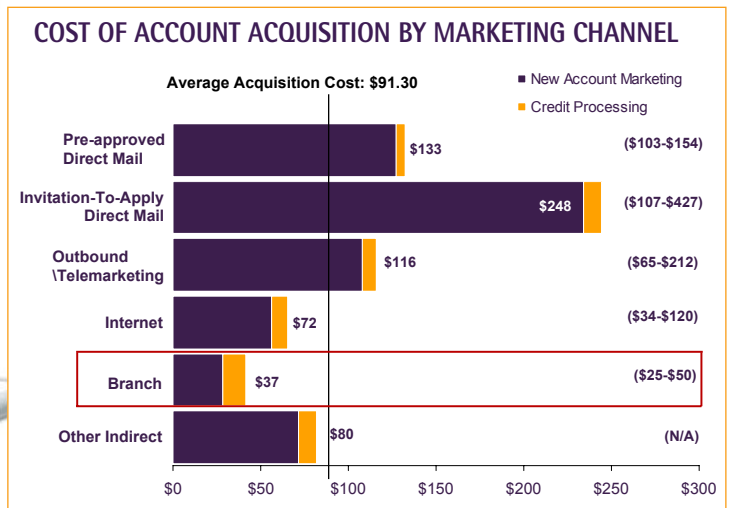
The Summer Promotion is one strategy to assist credit union clients with the sale of their prepaid cards, but also provides tools for employee training and enhancing in-branch sales. In recent years, the financial services industry as a whole have recognized that in-branch customer service is the most effective means for product sales and that the ability of front-line employees to evaluate and recommend relevant products is extremely important to members using the branch.

More importantly, people prefer branches to other channels for their financial services. Recent consumer polls reveal some useful results for helping credit unions to make the best use of their limited marketing dollars:

- 92% of surveyed customers in the U.S. visit a branch regularly
- The branch is the preferred location to open new accounts
- 49% of U.S. adults researched new accounts by visiting the branch office prior to applying
- 86% of surveyed customers visit a branch once per month – compared to 36% for online banking
- 55% of issuers cite that branch-originated accounts drive the highest return on assets – compared to the rest of their portfolio

Probably the most compelling argument for focusing on in-branch

marketing is that when comparing the cost of account acquisition by marketing channel, branch sales are far and away the most cost effective (see chart below).



In addition to being a fun and rewarding experience for employees, the Summer Promotion's training and support materials assist the participating credit unions in educating and engaging their staffs. A key component of the employee training and incentive programs is the online Campaign Tracker tool that assists managers in tracking the success of the promotion in real time. This powerful tool plays an essential role in managing, implementing and evaluating the credit union's in-branch promotion. With the Campaign Tracker, credit unions can track and verify employee sales performance, foster friendly competition between branches and/or employees, and view real-time promotion results by credit union and branch location.

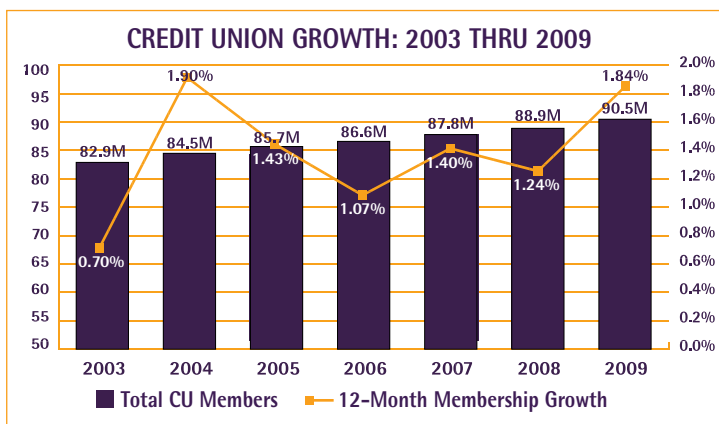
MAP was so encouraged by the comprehensive nature and easy-to-implement design of the Summer Promotion, it has offered it free of charge to all credit union clients to assist them in growing their Visa prepaid card business at their branches. In addition to the Instant-Win Prizes for employees, there will be raffle prizes (iPods) for employees and managers and there will be monthly Top Seller prizes (iPods) for employees awarded at the end of July, August, and September. Finally, the person who sells the most cards during the campaign will win a HP Mini Netbook Notebook Computer.

For more information about the Summer Promotion, contact Karl Kaluza at Member Access Pacific, 866-598-0698 x2151.



CU's on the Rise: Opportunities for Credit Union Growth Revealed

As consumers flee banks, credit unions grow in assets and membership. In the first quarter, credit union assets increased 5.6% to \$856.4 billion; investments increased 14.5% to \$189.8 billion. Shares increased 6.4% to \$724.5 billion and membership increased to its highest level in over five years. As of March 31, 2009, member growth reached a peak of 90.5 million, a 1.84 percent increase since March 2008. The average member relationship also increased to \$14,127 at the end of March 2009, growing 1.5 percent over the past twelve months.



A recent national survey by Raddon Financial Group found a lack of consumer interest in banking with the Big Four (Bank of America, Chase, Citibank and Wells Fargo). Thirty-seven percent said that they are less likely to continue banking with them, and twelve percent said that they were "not very likely" or "not at all likely" to remain customers. For credit unions competing against the Big Four, twelve percent represents seven million customer households that are ready to leave their bank and may be looking for a new credit union.

The 2009–2010 CUNA (Credit Union National Association) *Survey of Potential Members* survey reveals that there are opportunities for growth from people who are eligible to join a credit union. Thirty-five percent said that they would be persuaded to join a credit union if only they were better informed about services and rate/fee advantages. In fact, the survey found that better loan rates, savings rates, and fees were among the top deciding factors for potential members, lead only by more convenient locations.

Regional opportunities are also more evident, the Texas Credit Union League's recent state-wide poll ranked credit unions as the "most popular" financial institution. And in Washington state, credit union savings deposits reached \$24.85 billion during the first quarter of 2009, an 111 percent increase from a decade ago when deposits were at \$11.77 billion, according to a recent report from the Washington State Credit Union League.

Industry News

CUSOs Owned by Credit Unions Most Preferred. A recent survey conducted by Credit Union 24, an ATM network CUSO, revealed that 70% of respondents said they look for exceptional customer service while 40% look for flexible programs that allow CUSOs to customize their financial product and service offerings to individual credit unions. Approximately 61% said attracting consumers to become new members in the credit union movement is the top challenge facing credit unions today. Fifty-nine percent said the current economic climate. More than two-thirds also said consumer misunderstanding of credit union benefits directly affects credit union growth. Most respondents said they are promoting free checking, online banking, surcharge-free ATM access and lower fees on mortgages and loans to attract new members. Nearly 90% said easy access to large surcharge-free ATM networks is an important draw.

Underbanked Find Prepaid Cards Very Useful In a survey by Network Branded Prepaid Card Association, underbanked consumers, or individuals with limited access to financial services, cite a number of advantages that prepaid cards have over carrying cash and cashing checks. The poll "Underbanked Reloadable Prepaid Card Users" found that 51% of network-branded prepaid card users are women, and 49% are men. Sixty-eight percent are white, 16% are black and 7% are Hispanic, the survey found. Sixty-four percent of underbanked individuals had used network-branded prepaid cards to make online purchases, while 56% had paid with prepaid cards for everyday purchases, such as buying groceries. Another 52% paid bills with their prepaid cards, according to survey. The survey also found that 84% of underbanked consumers considered it a benefit that funds loaded onto network-branded cards were protected if the card were lost or stolen. Seventy-seven percent of those surveyed said the cards provide more security because cardholders do not need to carry as much cash.

Prepaid Cards "Bright Spot" of Economy The surge in the nation's unemployment rate has resulted in an increased distribution of prepaid cards that pay jobless benefits, according to a report released by Mercator Advisory Group. Mercator identified 33 prepaid card segments in the report, "The Resilient Nature of Prepaid: A Bright Spot in a Down Economy," with 18 of the segments likely to continue to see positive growth while seven will likely see negative growth, and eight will either be neutral or are too hard to call. Categories that have done well include merchant gift cards, transit, the digital content and online games segments, as well as a wide range of social programs in addition to state unemployment benefits, such as food stamps and school loans.

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Changes on the Horizon for Credit Card Issuers

Major Credit Card Issuers Will Need to Adjust Their Business Model to Meet the Changes in Consumer Spending Habits and New Regulatory Environment

In a sign of the times, a recent study by Mintel Comperemedia revealed that U.S. card issuers mailed fewer than 500 million direct-mail credit card applications during the first quarter of 2009, the lowest quarterly total recorded since 2000. The Chicago-based marketing firm reports that the number of direct-mail credit card offers, the primary marketing tool for major issuers, has fallen by half in the first quarter as these large issuers face tightening credit requirements and rising delinquencies and charge-offs.

Faced with the decreased ability to offer lines of credit, major issuers are also seeing a decline in credit card spending among their cardholder base. Mintel confirms people are not using their credit cards. The firm's survey of consumers states that 43% of adults are using debit cards more and credit cards less because of the recession. Another fifth of Americans (22%) told Mintel they are relying less on both debit and credit cards. Overall, 83% of survey respondents report having changed their spending habits due to the economy.

Many Factors Impact Credit Card Business Model

Many of the larger credit card issuers were caught off balance when the recession began in 2008, relying on old business models for predicting changes in behavior and economic stress. Credit card profit margins declined last year as card spending slowed and credit card loan losses soared. While major issuers still made a profit in 2008, the return on assets for credit card banks declined to the lowest figure recorded since 1986, according to the U.S. Federal Reserve. Moreover, the trusted business model issuers have relied on for more than 30 years was drastically changed by the new federal regulations (2009 Credit Card Accountability, Responsibility and Disclosure Act) and will be further eroded by consumers' diminished net worth and a changing workforce. For many issuers, the outlook is troubling given that their business assumptions for the future remain untested for the economy beyond 2009.

Credit Union Model Is Usable & Works Already

Two Harvard University doctoral students recently published a study that found that the credit card model used by credit unions



was feasible for banks and other issuers as well. "Banks and credit unions compete for customers in the same market," said Ryan Bubb and Alex Kaufman about the recently-signed CARD Act in the *New York Times*. Yet, industry representatives would have you believe that the 2009 CARD Act "spells the end of the credit card as we know it." The economics students use the example of their research of cards issued by credit unions "that puts the lie to [bank lobbyists] claims. Credit unions largely conform to the new rules already, while profitably maintaining the basic features that users know and love."

What will change, analysts agree, is that profits by major issuers will be built upon more-restrictive, less-generous deals for cardholders. Acceptance will be less likely for subprime card applicants, and cards issued by investor-owned banks to creditworthy consumers will face lower rewards, higher annual percentage rates, and increased costs such as annual fees and late fees.

Debit and Prepaid Card Use Grows

Although the credit card business model is facing a major upheaval, branded card networks like Visa continue to flourish with the growth in prepaid and debit card transaction volumes. More and more consumers will move to prepaid and debit cards for their purchasing and electronic transaction needs, especially with the rise in budget consciousness among consumers and as credit lines become more restricted.

Analysts predict large credit card issuers will endure for the rest of 2009, waiting out the weak U.S. economy while also adapting to the new federal regulations. During the next one to two years, the lack of growth opportunities in the industry will most likely result in a number of mergers of both issuers and portfolios. Earnings are expected to normalize by 2011, but no one is predicting a return to volumes of credit card offers that once clogged consumers' mailboxes.

Back-to-School Season Makes for Perfect Merchant Promotion

The busy back-to-school shopping season is the perfect time to promote your credit union's Visa debit, credit and prepaid card usage. Millions of students are heading back to school this fall, and many will be on their own for the first time at college. Moreover, with the newly enacted 2009 CARD Act, dependent students under the age of 21 will now need the signature of a parent or guardian to acquire a credit card. Parents and students alike will be looking to their trusted credit union for the financial card products that will best fit their family's needs.



During this important time, help your members learn about your institution and help them save with valuable discounts from leading retailers. Visa's Back-to-School Merchant Promotion offers all Visa Card users savings at select merchants. With MAP and Visa negotiated merchant promotions, you can easily distribute these turnkey materials to your members. Available materials include:

Back-to-School In-branch and Newsletter Materials

Educate your members about what the 2009 CART Act will mean to college-bound children with pre-designed in-branch and newsletter materials available exclusively to MAP clients.

Back-to-School Statement Insert

Take advantage of market-ready statement insert to announce special back-to-school discount offers from popular retailers such as Gap Outlet, JCPenney.com, The Children's Place and more.

Back-to-School E-mail Template

The pre-designed e-mail template features discounts from Target.com, American Eagle Outfitters, Shoes.com and more.

Back-to-School Web Page Template

Create a free, customized Web page featuring relevant back-to-school offers with the Merchant Offer Program Tool at Visa Online.

With MAP's in-house marketing support, you can personalize these materials at no-charge to you as a client. For more information or assistance, contact Karl Kaluza at Member Access Pacific, 866-598-0698 x 2151 or email at karl.kaluza@mapacific.com.

Visa News

Debit Cards Lead The World Of Electronic Transactions And Money Spent

Visa made headlines with reports that its branded debit cards had beaten its credit cards for the first time in terms of total dollars spent on purchases this spring. This isn't an entirely new trend. The Nilson Report, which covers these matters, noted last fall that debit transactions exceeded credit transactions in 2005 and have been steadily gaining market share ever since. Some industry observers point to the rise of debit as an indicator that consumers are becoming more responsible in their spending, since debit transactions require immediate payment, while credit card balances can be stretched out over time.

Visa Looks To Build Image According to YouGovPolimetrix's Brand Index, the industry's brand-rating guide for all four major credit card companies – Visa, MasterCard, American Express and Discover – has dropped steadily since the beginning of the year. In the survey of 5,000 consumers, Visa – which had the highest buzz scores of all the credit card rankings – announced in April that it would launch its first-ever global marketing campaign with the tagline "More People Go With Visa." The effort is intended to encourage people to use their Visa cards in place of cash or checks for their purchases. In a press release about the campaign, the company's Chief Marketing Officer, Antonio Lucio, made a point of saying the campaign was "not about spending more, it's about using Visa for those things that are important to you every day."

Visa Europe Offers 'Green' Card Visa Europe has launched a "green" charge card for companies in the Netherlands that will offer carbon offsets based on spending. Visa's green card program determines carbon dioxide emissions that result from services and products purchased with the card. Those emissions are offset by investments in renewable energy, forestry projects or CO₂-reducing technologies. Visa expects 50,000 cards will be issued within a year and the green investments to total 0.4% of card spending.

New Visa Service Reveals Tourist Card-Spending Data

Visa cardholders from the United States last year spent more than \$42.4 billion using their cards in 225 top destination countries, while cardholders from all other countries spent more than \$52 billion with their Visa cards in the U.S. Visa released the data in connection with the launch of its VisaVue Travel site. The service enables tourism organizations and other subscribers to receive information about international spending on Visa credit, debit and prepaid cards. Canada, Mexico and the United Kingdom topped the list of destinations for U.S. cardholders, accounting for a combined \$13.4 billion in card expenditures.

Visa News

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Visa Blasts Interchange Legislation: The bill “will significantly and negatively impact consumers, especially those struggling in this time of economic uncertainty. The proposed legislation seeks to give retailers the ability to pass even more costs on to consumers by making the public pay for the retailers’ cost of doing business. Today, retailers enjoy all the benefits of a fast and secure system that increases their profits by handling millions of credit and debit transactions every day and guarantees them payment, usually within 24 hours. The legislation gives retailers exemption from antitrust laws, allowing them to dictate the cost of accepting credit and debit cards at the expense of consumers. This anti-consumer approach undermines decades of sound U.S. competition policy by trying to mandate what the U.S. government is generally not in the habit of doing – stepping in between business entities and picking favorites and creating a system that is inherently anti-consumer and pro-retailer.”

Visa Applauds Obama's Cyber Security Plans: Visa praised the Obama administration's plans to improve online security and President Obama's announcement to create of a new cyber security leadership post as part of an effort to help protect U.S. government and business computer networks. “It's building on the groundwork of the comprehensive national cybersecurity initiative, said Ellen Richey, global head of enterprise risk. “There is a feeling in the industry that cybercriminals operate with impunity in certain jurisdictions around the world.” Agencies such as the FBI and Secret Service are focused on shrinking that zone of impunity, working with international governments around the world so law enforcement can apprehend individuals and put them behind bars when they steal from the payments system.

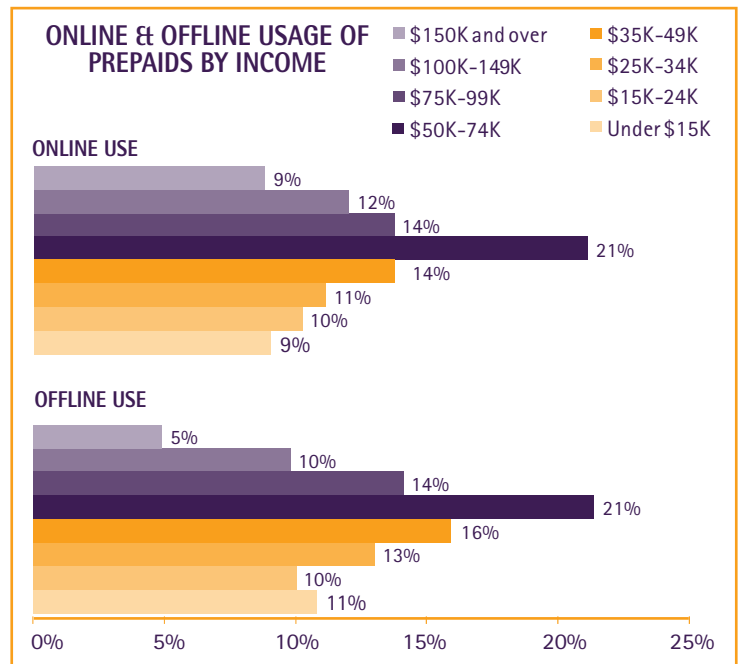
Chase To Convert Wamu's Debit Cards To Visa: JPMorgan Chase & Co. is converting more than half of the former Washington Mutual Inc's debit MasterCard portfolio to Visa check cards during the next several months. Last year, New York-based Chase purchased Seattle-based WaMu, which had filed for bankruptcy protection.

Visa Publishes ISO Directory: The 44-page “List of Registered Independent Sales Organizations” Visa recently published may be the nation's first directory of third-party companies that deploy point-of-sale terminals and off-premise ATMs. Registered ISOs are businesses that Visa and MasterCard Worldwide have approved to process their credit, debit and prepaid card transactions. The list will inform ISOs of whether an unregistered competitor is operating in its service area. The list includes ATM ISOs, Merchant Service ISOs (for credit cards) and Prepaid Card ISOs alphabetically by state and includes their Web site addresses.

Evolving Prepaid Card Market

In a recent report about the evolution of the prepaid card market, Javelin Strategy & Research dispels some of the myths about consumer usage and what financial institutions can gain through a prepaid program. Namely, consumer use of prepaids extends well beyond the commonly assumed demographics of lower income and younger consumers.

It is middle income Americans demonstrating the highest usage of prepaid products with consumer usage spread relatively evenly among all income groups (see chart below). The use of prepaids both online and offline is evenly split, demonstrating the growth opportunity for prepaids in e-commerce – a retail channel that has held-up during the current recession. Also interesting to



note, the multi-channel nature of the prepaid relationship with middle-to-higher income consumers demonstrates and validates the revenue stream capabilities of prepaids.

The report also finds that security is paramount in prepaid card issuance, not only in terms of fraud mitigation but also in the scrutiny that issuers face to comply with regulatory Homeland Security standards—anti-money-laundering and customer initiatives.

For more information about MAP's Reloadable Visa Prepaid Card Products, contact Member Access Pacific's Blake Colbo at 866-598-0698 x 2153 or email at blake.colbo@mapacific.com.

Debit Card Usage - Out Front and Leading the Way

The *2009 Debit Issuer Study* conducted by the Pulse Network includes several positive trends for credit union debit card issuers, such as sustained debit transaction growth despite the recession. This study also found that, while the use of PIN debit has increased, fraud loss rates have declined. Issuers surveyed experienced debit transaction growth of 8 percent in the second half of 2008, composed of 15 percent growth in PIN debit transactions and 4 percent growth in signature debit. Survey participants predicted 7 percent growth each for PIN and signature debit in 2009.

"Although the economy is a challenge for debit card issuers, as it is for everyone, debit transaction growth remains strong," said Cindy Ballard, PULSE executive vice president. "Debit card use is expected to continue to grow as the economy bottoms out and begins to recover, because consumers use their debit cards for a large portion of necessary everyday expenses."

The *2009 Debit Issuer Study* revealed that more than a quarter of all debit transactions (27 percent) in 2008 were for less than \$10. In most cases, these transactions are replacing cash, highlighting a clear consumer preference for electronic payments.

Debit card penetration – the percentage of eligible account holders who have a debit card – remained flat at 73 percent. Using an expanded definition of "active" debit cards, the number of issued cards used actively in 2008 was 66 percent.

PIN debit accounted for 35 percent of debit transactions in 2008, up slightly from 34.2 percent in 2007. The average debit transaction value was \$42 for PIN debit and \$37 for signature. Both figures have declined by roughly \$1 compared to the previous study. In addition, active debit cardholders performed 17.3 point-of-sale transactions per month, on average, compared to 16.6 transactions per month in the 2008 survey.

Debit card fraud losses at the point of use declined in all categories. PIN point-of-sale losses, as measured in dollars per card per year, fell to \$0.15 from \$0.19. Similarly, ATM losses declined to \$0.56 per card per year from \$0.61, and signature debit loss rates fell to \$1.81 from \$1.92. Although losses at all three usage points declined year-over-year, the survey did record an increase in share for ATM losses, to 38 percent of total debit fraud losses in 2008 from 25 percent in 2007.

Despite the challenge of navigating through an economic downturn, the *2009 Debit Issuer Study* results support the view that debit cards still have considerable long-term growth potential. As transaction growth remains robust, issuers should see further improvements in the performance of debit card portfolios as a key opportunity in 2009.



MoneyPass Expands Network



Network Adds Additional Surcharge-Free ATMs in Western Washington and Oregon

Frontier Bank, with more than 50 branch locations throughout Western Washington and Oregon, recently joined the MoneyPass surcharge-free ATM network. Their membership in this growing network expands the MoneyPass network to more than 16,000 surcharge-free ATM locations, including nearly 1000 ATMs in Washington and Oregon.

"As consumers become savvier and more cost-conscious,

forward-thinking financial institutions can take advantage of the opportunity presented by MoneyPass and its accessible and convenient locations," said Doug Miraglia, president of MoneyPass.

MoneyPass has enjoyed considerable growth since its inception in 2003. At present, the network boasts over 16,000 ATMs, more than 30 million cardholders and nearly 1000 participants. As more financial institutions join the MoneyPass network, it continues to grow in convenience, accessibility and concentration, including a heavy expansion in the West, Midwest and Southwest

Industry News

Continued from page 5

Generation Gap Widens to Include Personal Finance Young adults and their parents prioritize personal finance decisions very differently according to a recent survey conducted by Wells Fargo & Co.

The online survey of 1,000 parents of college students listed the top three priorities for their children as: (1) finding a job, (2) paying off student loans and (3) paying off other debts, such as credit cards.

The 600 young-adults who responded to the survey listed their priorities as: (1) buying a car, then (2) finding a job and (3) buying a home. As a group, young adults listed paying off student loans as their fourth priority, followed by paying off other debts. Knowledge about their personal finances is an area of difference between parent and their adult children. Forty-one percent of young adults said they knew what a credit score is, compared with 75% of parents who did. Also, 28% of young adults said they understood annual percentage rates, while 73% of parents did. Asked about the effectiveness of budgets in managing personal finances, 71% of young adults said budgets are somewhat ineffective, and 24% said they are very ineffective. Comparatively, 57% of parents said budgets are somewhat effective, and 35% called them very effective.

The Push for Contactless Stickers is Moving Ahead But Maybe Too Little Too Early Chase Bank is planning to deploy contactless stickers that consumers can attach to their mobile phones. Chase, the largest U.S. issuer of contactless cards, would provide the stickers that incorporate an antenna-and-chip inlay for customers to pay at point of sale by tapping their phones. Also, processor First Data Corp. is making a big push behind stickers hoping to generate excitement among consumers, who generally have not embraced contactless technology on cards. However, a noted mobile-commerce expert says issuers are making a mistake. "The idea of stickers is fundamentally flawed," said Nick Holland, a senior analyst at Aite Group LLC, a Boston-based research firm. The stickers are widely seen as a temporary solution until the to full-scale near-field communication (NFC) technology is implemented. NFC is a two-way communications technology that interacts with a mobile phone's operating system to allow users to wave or tap their mobile phones to pay for items at the point of sale, track their transaction activity, and manage their e-wallets. "There's a danger with these semi-NFC initiatives," Holland states, pointing to their limited functionality and that the sticker could be seen as defacing the handset. "You don't want to cover [the handset] with unnecessary stickers. The NFC technology clearly works. The industry's just waiting for somebody to take the first step."

Issuers May Consider Charging For Paper Statements According to a recent survey of credit cardholders by Auriemma Consulting Group, 23% said they would rather pay a \$5 fee than switch from paper to electronic statements. One-third of the respondents said they relied on paper statements as a reminder to pay their bill. The report did offer some middle ground for issuers suggesting alternatives to full paper bills, such as a postcard reminder, an automated monthly phone message, or an e-mail message.



A plastics solution for financial literacy

Join MAP at the Washington Credit Union Leagues' Convention & Annual Business Meeting September 15 -18, 2009 for a breakout session on Financial Literacy, highlighting the benefits of Visa Reloadable Prepaid Cards as a realistic teaching-tool for parents to educate their children about sound financial practices. In a world where electronic financial transactions are fast becoming the norm, having a proper understanding of electronic money management has never been more important. With the Reloadable Prepaid Visa Card for teens and young adults, parents can teach teens financial responsibility while monitoring their spending. The Reloadable Prepaid Visa Card belongs to the parents with the tools to monitor its use and control how it is funded. Unlike credit cards, neither parent or child take on debt with the prepaid card, and unlike debit cards, prepaid cards are not linked to a checking account. As a Credit Union Service Organization, Member Access Pacific (MAP) is committed to forwarding the credit union legacy of promoting financial literacy for all ages. MAP offers "No Fee" and "Low Fee" card options, including no-fee reloads (originating from a credit union account), free e-statements, and free online account management.



Letter from the CEO

In the fast-paced, ever-changing and often complex world of debit, credit and prepaid card processing, it is important to have a partner that keeps you updated about the latest changes in the industry and who is committed to your institution's member-centered mission as a credit union.

The passage of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (2009 CARD Act) in May is a foremost example of how credit unions are faced with complex changes that will impact their every-day business. MAP, as a credit union service organization, is focused solely on the card industry from a credit union point of view. Whether it is the new compliance issues that are unique to your institution, developing products or promotions that are member-centric, or just breaking through the fog of all the industry changes, MAP is here to help you with the resources you need to grow your institution and serve your members.

Included with the July issue of our newsletter is a 2009 CARD Act "Compliance Overview" prepared by industry experts and attorneys, Farleigh Wada Witt. While the pamphlet is intended for general information only and should not be construed as legal advice or opinion, it provides an easy-to-read overview of the new legislation - the chart on pages two and three is especially helpful in the way it outlines the 19 key provisions, their impact, and the dates the provisions become effective.

This issue of our newsletter examines the importance of loyalty programs as a part of a credit union's card portfolio. The right loyalty program can genuinely influence what card a member chooses to use. Our Dream Point Loyalty Rewards program is both comprehensive and flexible, offering your credit union a platform to better serve your members' needs.

This summer MAP launched an "Employee Instant-Win Incentive Promotion" to assist credit union clients in growing their Visa prepaid card business at their branches. The Summer Promotion is just one new initiative to assist our clients in growing their card usage. On July 22, we will hold our quarterly PAU (Penetration, Activation, and Usage) Workshop designed to aid credit unions with strategies and tactics to improve their debit portfolio performance. This fall, we are introducing a Back-to-School Promotion for all of our clients to help their members with valuable discounts from leading merchants.

Also reviewed throughout the newsletter are the many industry changes of importance to credit unions. Principally, the impacting growth of debit card use and the evolving business model underlying the credit card industry. All signs point to growth for debit card portfolios as members rely more on electronic transactions and, at the same time, reduce their use of credit cards. While credit card spending drops and credit lines tighten, the major credit card issuers will be re-working their business models to conform to the 2009 CARD Act. As explained in the article "Changes on the Horizon for Credit Card Issuers," credit unions, on the whole, are already conforming to the new rules and have the business model banks and other issuers will need to comply with the new legislation.

It's no easy task keeping up with all that is happening in today's debit, credit and prepaid industries and the complexities impacting the credit union movement. As your partner, MAP is committed to keeping you informed and supporting you with the resources you need with a sharp focus on your credit union's and members' best interest.

Best regards,

Cyndie Martini
President/CEO



Cyndie Martini - CEO - MAP

Member Access Pacific Welcomes Our New Clients as of July 1, 2009

American Lake Credit Union
Central Florida Postal Employees Credit Union
Champion Credit Union
Community Credit Union
Community Healthcare Credit Union
Florida A&M University Fcredit Union
Frankenmuth Credit Union
Hanover Federal Credit Union
Lakeview Credit Union
Newaygo County Employees Credit Union
Northern Hills Federal Credit Union
Our Community Credit Union
Pacific Northwest Credit Union
PortAlliance Federal Credit Union
Spirit Of Alaska Federal Credit Union
Texas Federal Credit Union
Unitus Community Credit Union
Verity Credit Union
West Florida Medical Federal Credit Union
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