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Payment Lessons From The Pandemic

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Be where members are on the contactless and peer-to-peer fronts—and look to the future.

Members learned a lot about their payment options over the course of the COVID-19 outbreak. They discovered which of their cards are contactless—and which store terminals support tap-to-pay. Some tried mobile wallets for the first time and started splitting bills with friends and family via person-to-person payment apps instead of cash. Even previously technology-averse members started learning about digital channel options to manage their cards and accounts.

Like other card issuers, credit unions saw their members collectively log a decade's worth of shifting toward contactless and online card transactions in just the first few months of the pandemic, notes Chris Harris, senior director at **Ondot Systems** (<https://www.ondotsystems.com/>), Santa Clara, California.

These new payment preferences will likely settle in as habit for many members. “One of the reasons that paying by phone with a mobile wallet hadn't taken off is that people don't know where they can use that,” Harris notes. “As people have had more impetus to figure out where those payments are accepted, ... they have become more comfortable paying by phone on a regular basis.”

The past few months have been a learning experience for card and digital channel managers as well. They can apply their own lessons gleaned from the pandemic to stay ahead of members' evolving payment inclinations.

Support Member Preferences

With the shift toward favoring contactless payments, CUs that started planning to swap out EMV for contactless cards in the midst of the pandemic are now standing in line as processors are deluged with requests. At the time of writing, the lead time to roll out

tap-to-pay plastic could be six to 12 months, notes Libby Calderone, president/COO of CUES Supplier member **LSC Inc.** (<https://www.lsc.net/>), Naperville, Illinois.

Promoting Apple Pay, Google Pay and Samsung Pay—with the credit union’s debit and/or credit card as the preferred payment method, of course—is a quicker transition, Calderone suggests.

Marketing campaigns to communicate that members can use their credit union cards in these wallets are a great start. Short video tutorials or email campaigns to show members how to enter their cards can be helpful, along with reminders that if they have an Apple watch, it’s an extension of their phone and can be used for payments as well.

Chris Harris

Senior Director
Ondot Systems

Providing self-service options is great for members who can resolve those issues quickly and on their own time, and it is great for other members in that it should reduce wait times at the call center and branches.

Contests—such as entering members in a drawing whenever they make tokenized wallet payments—are another means to showcase support for contactless. CUs should be able to track payments made at contactless point-of-sale terminals, she notes.



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Another way to encourage members to position their credit unions at the top of their mobile wallets is through “push provisioning,” an option built into Ondot’s and other card management apps to facilitate adding a debit or credit card to a mobile payment app with just two or three clicks. Once the card is enrolled, the next step credit unions should promote is for members to answer in the affirmative the question, “Do you want to make this card your preferred card?” Harris suggests.

Make Your Cards Habit-Forming

Reflecting nationwide trends, many members of \$1.2 billion **Farmers Insurance Federal Credit Union** (<https://figfcu.org/>), Burbank, California, have relied more on their debit cards than on credit and favored card payments over cash throughout the pandemic, says President/CEO Laura Campbell, a CUES member. Like many other credit unions, Farmers Insurance FCU has been experiencing a large influx of deposits into checking accounts. As such, the shift toward paying out of pocket using debit over paying with credit cards “seems to make sense. ... It will be interesting to see if that continues.”

Farmers Insurance FCU continues to roll out service upgrades and promotions to win new credit card business and ensure that its cards stay top of wallet. Its new rewards credit card offers 3% cash back with no annual fee for the first year.

The credit union also launched an “on us” campaign, randomly selecting and paying for debit card transactions. “We’ve been trying to go where the members are—and since they’ve been using their debit cards more, we try to encourage that” through promotions and a high-yield checking account for members who swipe their debit cards at least 10 times a month and sign up for e-statements and direct deposit, she says.

“And we’re making sure members know their credit cards are contactless so they can just tap and go,” she adds. “Some people don’t pay attention to those things until they need them.”

Farmers Insurance FCU has been working with its debit card processor, CUES Supplier member **CO-OP Financial Services** (<http://co-opfs.org/>), Rancho Cucamonga, California, to roll out text alerts for transactions flagged as potentially fraudulent, so members can verify whether they authorized those payments. While the goal is to avoid shutting down members' cards over valid transactions, achieving a wider reach will require member buy-in to supply their cellphone numbers to receive the alerts.

For credit unions that are planning to roll out contactless cards soon, managers should consult with processors on adjusting fraud rules appropriately for contactless transactions, Calderone recommends. Those adjustments aim to reduce false negatives, which allow fraudulent transactions, and false positives, which deny valid purchases.

Promote Self-Service Payment Management

Pandemic or not, “we’re constantly looking to improve the members’ payment experience,” says CUES member Julie Linch, SVP/retail delivery with \$1 billion **Directions Credit Union** (<https://directionscu.org/>), Toledo, Ohio. Those efforts include offering Ondot’s card management app as “a more robust, encompassing way to look at transactions between statements, to be able to put stops on lost cards, to watch for payments and to get instant alerts on transactions.”

Directions CU introduced the new mobile card app in the middle of the pandemic, “and fortunately, our members seem to be embracing it,” Linch says. The credit union has seen a steady increase across remote channels since restricting access at its 22 branches in Ohio and southeast Michigan in March. Remote deposits are up 22%, and incoming calls are up 36%.

Drive-thru lanes were backed up when the branches first closed. “We were surprised at how many members stayed in line when so much of what they needed to do could be done remotely. I think they still like that contact, and they wanted to know we were still

here,” Linch says. “But we did see that volume drop off once they realized there were other ways to get those things done.”

A majority of member calls involve payments, “so any self-service tools we can offer are a big win for us. We get a lot of calls about balances and transactions on their cards. Being able to encourage them to use the app has been very helpful,” she adds.

Directions CU offers **short videos** (<https://info.directionscu.org/video-resources>) on its website on how members can use its remote services, including the new card app, and members and staff have masked up for one-on-one guidance in branches as well. Employees have been using the app themselves so they can share that firsthand knowledge with members who request guidance.

Reducing call volume at busy member service centers is an additional benefit of promoting card management apps, Harris agrees. A survey conducted by Ondot and a card processing partner indicate that 11 out of 12 calls to service centers are related to debit and credit cards—questions that could be easily answered through an online or mobile app.

“Providing self-service options is great for members who can resolve those issues quickly and on their own time, and it is great for other members in that it should reduce wait times at the call center and branches,” he says. “Augment [service] with digital to deliver that differentiating experience, so members can handle quick transactions on their own and you can free up more time for those richer in-person and phone interactions when members need them.”

To aid members in monitoring payments and account activity, \$1 billion **Amplify Credit Union** (<https://www.goamplify.com/>), Austin, Texas, in 2019 rolled out a new feature through its mobile banking app designed for Apple Watch wearers. Members can enable an icon on their watch that allows them to view the 10 most recent transactions on up to 20 accounts by swiping left or right, says VP/Payments and Operations Lisa Larson.

on the watch, she notes. More than 600 members signed up for the service in the first few weeks following its introduction.

Add Payments to the Financial Ed Syllabus

Marketing and education are critical to “let members know about what you already have,” Harris says. “If you say, ‘Did you know you can use our card to pay with Apple Pay?’ people are going to put their card information in Apple Pay. People who’ve never used mobile banking before are suddenly downloading those apps and interacting with them—including a lot of older people. A little bit of education can make them more comfortable with that.”

In what turned out to be lucky timing, Amplify CU rolled out its **online help center** (<https://help.goamplify.com/>) early this year to give members readily accessible answers to common questions, including uploading their credit and debit cards into Apple Pay. (Instructions for Google Pay and Samsung Pay will be added.)

The twin goals of the help center are to offer members 24/7 guidance on account management, online banking, payments and transfers, and identity theft and fraud and to reduce call center on-hold times by offering the self-help option. The online help center has garnered a strong response from members, says Marketing Communications Manager Matthew Monagle.

One of the most popular help center articles explains submitting a mobile check deposit, a service that has picked up volume significantly since March, Larson says. Enrollment for that service has grown from an average monthly 80 to 90 members to 200.



Lisa Larson

Amplify Credit Union

Add Payments to the Financial Ed Syllabus” section): “As we’re planning for 2021, some of the changes that we thought would be temporary we’re now thinking might be permanent.

To help members manage their finances during the pandemic, Amplify CU increased same-day funds availability on remote deposits. Transfer limits involving both internal accounts and accounts at other financial institutions were also increased to give members more flexibility in managing funds.

“As we’re planning for 2021, some of the changes that we thought would be temporary we’re now thinking might be permanent, including some of those limit changes,” she notes.

When branch traffic begins to rebound at credit unions that offer instant issue of plastic cards, contactless or otherwise, employees can also guide members through the process of entering their new cards in mobile wallet apps and demonstrate digital channel features to manage and monitor payments in person.

“Sit down with them and show them how to tokenize the card—how to put it in one of those wallets,” Calderone advises. “Help them set up their new card as their primary payment with Amazon and for recurring payments with Netflix. ... Then it immediately becomes their everyday card.”

Recognize the Rise of P2P



P, or peer-to-peer, payment apps epitomize the digital transformation of banking,



suggests Harris. “The old ways of paying people are cumbersome—getting cash, writing a check and transferring money to other people’s accounts. P2P asks for your phone number and a copy of your card, and then you can pay friends, family, landlords, etc. It’s super easy, and that’s the experience consumers are looking for from their credit unions.”

\$13.4 billion **America First Credit Union** (<https://www.americafirst.com/>), Ogden, Utah, rolled out **Zelle** (<https://www.zellepay.com/>) in November 2019, an unintentionally well-timed introduction of a new digital payment option just months before the pandemic began.

“Real-time payments are the trend of the future, and they’re imperative for member satisfaction. We knew we had to put Zelle in place to remain competitive, but also to provide a better payment experience for our members,” says CUES member Mike Salerno, director of digital operations.

Since making Zelle available through its mobile app and online banking channel in partnership with **Fiserv** (<https://www.fiserv.com/>), Brookfield, Wisconsin, America First CU has logged an almost 500% lift in P2P payments over its previous offering, **Popmoney** (<https://www.popmoney.com/>). The volume of Zelle transactions has increased 63% since the pandemic started, Salerno says. As of late August, about 5% of its 1.1 million members were active Zelle users.

“We attribute a lot of that adoption to the ease and speed of Zelle,” he notes. “It’s as easy to use as any P2P solution out there, and payments are transferred within minutes.”

This service does not generate the interchange income produced by card transactions, he acknowledges. “But we were committed to offering a peer-to-peer payments system, and we wanted to have a best-of-breed solution that would integrate with our online and mobile banking, and Zelle did that. So it was a no-brainer for us.”

Plus, members are using P2P apps even if their CU doesn't offer the service, Calderone notes. "I tell credit unions, 'Look at your ACH transactions and see how many times Venmo comes up.'"

Member education about these apps is important, she adds. "I always want to stress with members that when the money's gone, the money's gone. Members need to be very vigilant in their fraud protection with these apps. Their credit union really can't do anything to stop these transactions. Members need to monitor their statements and set up alerts so they know when money is moving in and out of their accounts."

Therein lies another opportunity for CUs to steer members toward their own mobile apps to sign up for text or email notifications, she adds.

Farmers Insurance FCU also rolled out Zelle in the first quarter of 2020. The timing was "pure luck," Campbell says. Access to the popular P2P payment service, available through the CU's mobile platform, has been helpful in giving its members across the country an alternative to stopping by an ATM or shared branch to withdraw cash.

"We want to make sure we're meeting the needs of our members, particularly our younger members, and those payment options are really popular with young people," she notes.

Card and P2P payments are so ubiquitous in some countries, like Sweden and China, that commerce is nearly cashless. "I can't imagine that here, but who knows? In 2020, it seems like anything is possible," Campbell observes.



Offering rewards to encourage members to use their CU cards for online purchases makes a lot of sense, given the coronavirus-driven increase in card-not-present transactions and the likelihood that many members will continue to appreciate the convenience even after the pandemic eases.

“Rewards programs have changed quite a bit—not so much whether you’re offering rewards but what you’re rewarding,” Calderone notes. The emphasis in recent years on points for travel and leisure spending are being replaced with double points or cash back for grocery runs, home improvement purchases and take-out meals.

Making the most of card rewards involves data analytics to identify how members’ payment habits are evolving and marketing offers that reflect their current preferences, Calderone recommends.

At Directions CU, for example, offering extra rewards for using the credit union’s debit and credit cards for groceries, online shopping and recurring automated payments has helped to keep its cards top of wallet, Linch says.

Credit card rewards programs are critical for staying in the race with other card issuers, Harris says. “You have to offer rewards to stay somewhat competitive, but you don’t necessarily have to win—as long as you make up for it in that relationship with members. That’s why people come to credit unions, because they want to feel like they’re treated like a person, not a number.”

Look to the Future

Farmers Insurance FCU has invested in credit union initiatives to keep the movement on the forefront of financial services, such as **Constellation’s digital services platform** (<https://www.constellation.coop/>) and **CU Railz** (<https://www.payrailz.com/curailz/>), a credit union service organization founded by CUES Supplier member Payrailz, Glastonbury, Connecticut.

“We really think digital is the future, and we want everything to be as simple for our members,” Campbell says.

There is the potential for smart payment systems that select the most efficient option instead of requiring consumers to choose between card, billpay or P2P methods, and for artificial intelligence to assist with timely bill payment. Campbell offers the example of a service that proactively nudges members when they haven’t yet paid a monthly phone bill or annual insurance premium and even offers to set up those payments on payday.

Some people might find that type of assistance a bit invasive, she acknowledges, but speaking for herself and others like her, “something like that would be nirvana for me. I want things to be easy. I want to know that things are being taken care of. With credit scores being everything for all sorts of products and services, making sure that bills are paid on time is really important. That’s what Payrailz is working on, and I’m very excited about anything like that—because then we truly are making things easier for members.”

Investing in payment innovations is imperative for CUs to remain relevant and to keep pace with big banks and fintechs, Campbell adds. “And as net interest margins get squeezed and we’re looking to reduce expenses and increase non-interest income—not on the backs of our members—the best products we can offer are going to be really important.”

Karen Bankston is a long-time contributor to *Credit Union Management* and writes about membership growth, operations, technology and marketing. She is the proprietor of *Precision Prose*, Eugene, Oregon.

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