# Credit Card Know-How:

## The Top 10 Ways to Maximize the Profitability of Your Portfolio

A WHITE PAPER

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Fidelity National Information Services, Inc. (NYSE:FIS) is a leading provider of core processing for financial institutions; card issuer and transaction processing services; mortgage loan processing and mortgage-related information products; and outsourcing services to financial institutions, retailers, mortgage lenders and real estate professionals. FIS has processing and technology relationships with 35 of the top 50 global banks, including nine of the top ten. Approximately 50 percent of all U.S. residential mortgages are processed using FIS software. Headquartered in Jacksonville, Florida, FIS has been ranked the number one financial service provider in the world by *American Banker* and the research firm Financial Insights and the number two overall financial technology provider in the annual FinTech 100 rankings.

FIS maintains a strong global presence, serving over 7,800 financial institutions in more than 60 countries worldwide. For more information on Fidelity National Information Services, please visit www.fidelityinfoservices.com.

## About Card Services for Credit Unions (CSCU)

With more than 3,300 member credit unions representing more than 13 million Visa and MasterCard accounts, CSCU is the nation's largest credit and debit card processing association exclusively for credit unions. We're dedicated to helping our members build and maintain profitable card programs. Together we can strengthen your portfolio's performance and the relationship you have with your members. For more information about CSCU, please visit www.cscu.net.

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# Credit Card Know-How:
## The Top 10 Ways to Maximize the Profitability of your Portfolio

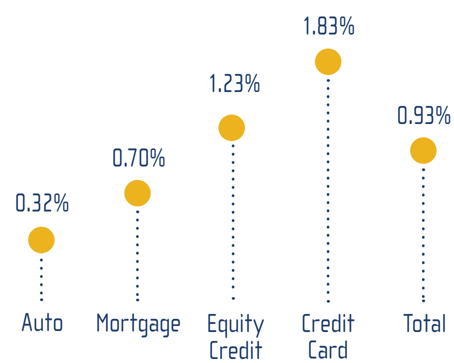
Your credit card program has the potential of becoming one of your highest earning assets, with industry performance indicating that you can generate earnings that approach your mortgage, equity credit and auto lending portfolios. In addition, statistics backed by research from The Raddon Financial Group show that credit cardholders tend to have a greater number of account relationships with the issuing institution than non-cardholders, and they hold higher deposit and loan balances.

In this paper, Fidelity National Information Services (FIS) and Card Services for Credit Unions (CSCU) have joined forces to summarize the 10 ways you can focus on critical components and build a stronger card portfolio—one that will deliver not just superior profits, but intangible benefits that will improve the overall performance of your credit union.

### Areas of discussion include:

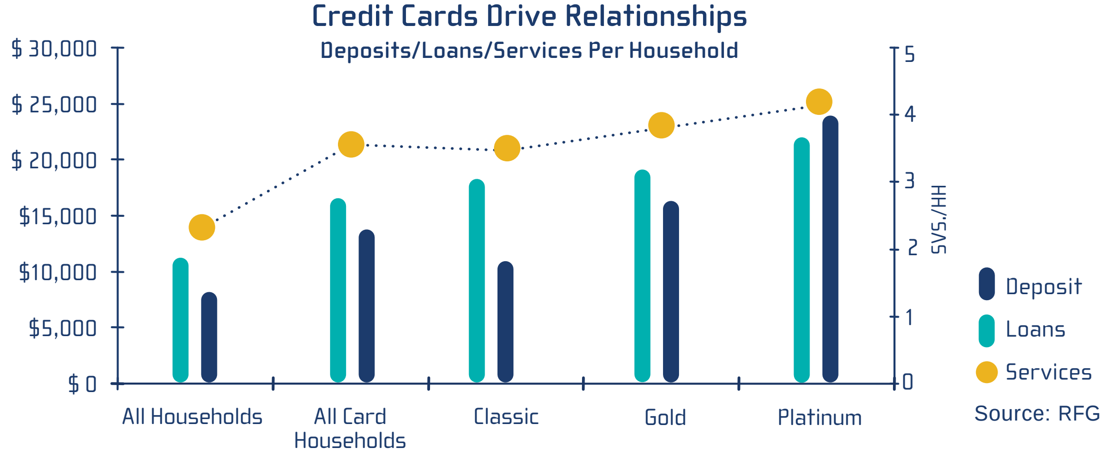
1. Know how to analyze your numbers
2. Know how your offerings compare
3. Know how to define your lending policies
4. Know how to market your program
5. Know how to communicate with cardholders
6. Know how to keep them happy
7. Know how to evaluate upgrade opportunities
8. Know how to reward them
9. Know how to keep them secure
10. Know how to manage your credit line

### Return on Assets:
Credit Cards vs. Other Loans




Source: Raddon Financial Group

### Credit Cards Drive Relationships
Deposits/Loans/Services Per Household




Source: RFG Credit Card Analysis

**Read on to gain the know-how you need to develop and manage a high performing credit card program.**

# 1 Know How to Analyze Your Numbers

Card portfolios need to be actively managed. Begin by including cards in your overall strategic plan. Assign a champion for your card program. Then challenge that person to make a habit of regularly reviewing and analyzing your key indicators. Use that information to formulate growth strategies and adjust them to maximize your results. For example:

- Balance per active account—Is it on the rise or decline? It is important to track and compare your average balances on accounts considered active by your credit union.

- Percentage of accounts with finance charges—What percent of accounts are revolving; i.e., paying finance charges? Finance charge revenue typically accounts for over 70% of a credit union credit card portfolio's total revenue. The annual finance charge revenue per billed account averages $242.58 of the $333.75 in total revenue earned per billed account. Without a strong revolving portfolio, it is very difficult to maximize the profitability of your credit card program.

- Credit line utilization—How much of the extended credit line is being used? It's critical to monitor this at least annually so you can provide credit line increases where deserved.

- Monthly volume—Is your number of monthly transactions (and their total) increasing or decreasing?

- Delinquency percentages—It may sound counter intuitive, but your delinquencies can actually be too low, indicating overly strict lending policies that keep your cards out of the hands of creditworthy members.

- Total dollars outstanding—Obviously, you want the general trend to be a continual increase, so be sure to monitor your numbers on a year-over-year basis. To give outstandings a boost, consider running a balance transfer promotion with a promotional rate. To be effective, the rate should be at least 3-5% lower than your ongoing rate.

- Percent of statemented accounts—If you find that fewer than 60 percent of your cardholders are receiving statements each month, it is an indication that too many are not generating monthly transactions.

- Transactions per statemented accounts—In 2007, CSCU credit unions averaged 4.7 transactions per month on classic cards and 6.6 on premium cards. Compare your monthly rate to those of your peer group. Also of importance is a year-over-year comparison of this number. Compare these numbers between your various products to see the impact of rewards programs on driving transactions.

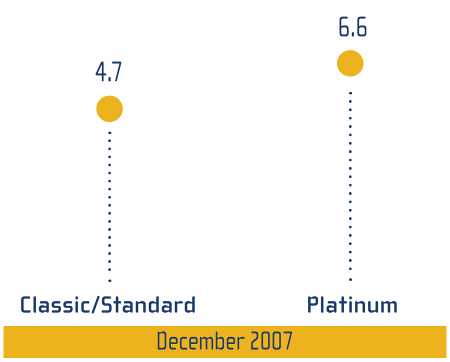
- New account generation—How many new accounts are you gaining, and how many are closing? Why? How can you maximize the former and minimize the latter?

- Penetration rate—What percentage of your members have a card with your credit union? The numbers will fluctuate dramatically between financial institutions, so it's important to look at that number and compare it with your historical data. On average, around 75 percent of your members are carrying a card from someone; your job is to ensure that you're getting an adequate share of them.

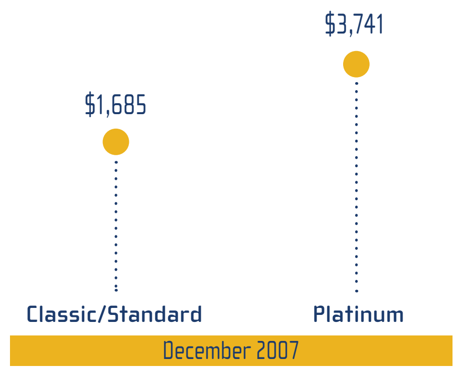
- Revenue breakdown—Revenue comes from three primary sources: finance charges, interchange income and fees. While finance charge is still the primary income source, we continue to see this ratio shift, with an increasing percentage of total income coming from interchange revenue.

# ❶ Know How to Analyze Your Numbers (continued)

### CSCU Average Number of Monthly Transactions



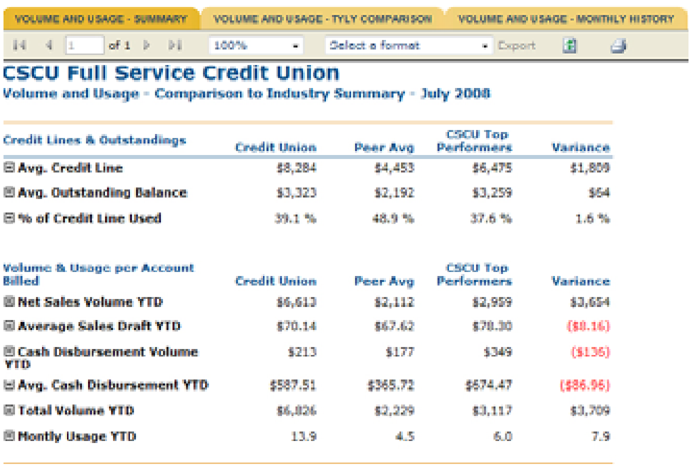

### Average Outstanding Balance — by Product




Members of CSCU are eligible for free access to an online portfolio analysis tool called the Virtual Card Consultant (VCC). Designed to help credit unions maximize their card portfolio performance, VCC uses data from monthly cardholder activity to provide comprehensive financial analysis of card portfolios.

Users can look at several different performance metrics and rank them according to which would have the largest incremental revenue impact . VCC also displays easy-to-read color charts and graphs. You can take advantage of this dynamic tool by visiting www.cscu.net.

### Sample Report



VOLUME AND USAGE - SUMMARY | VOLUME AND USAGE - TYLY COMPARISON | VOLUME AND USAGE - MONTHLY HISTORY

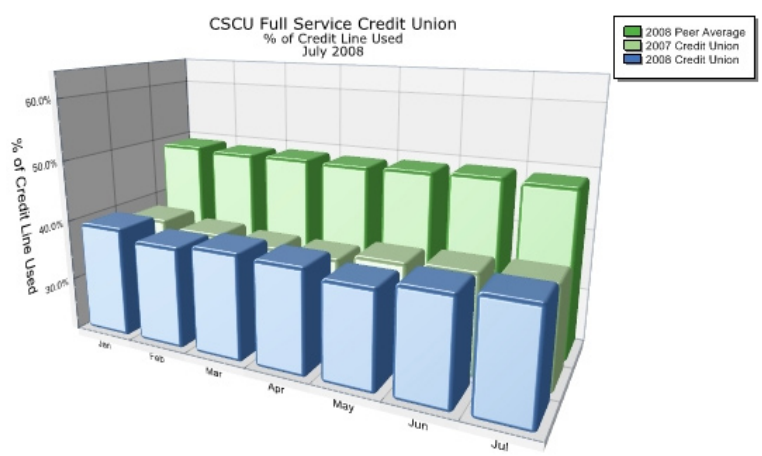
**CSCU Full Service Credit Union**

Volume and Usage - Comparison to Industry Summary - July 2008

| Credit Lines & Outstandings | Credit Union | Peer Avg | CSCU Top Performers | Variance |
|---|---|---|---|---|
| Avg. Credit Line | $8,284 | $4,453 | $6,475 | $1,809 |
| Avg. Outstanding Balance | $3,323 | $2,192 | $3,259 | $64 |
| % of Credit Line Used | 39.1 % | 48.9 % | 37.6 % | 1.6 % |

| Volume & Usage per Account Billed | Credit Union | Peer Avg | CSCU Top Performers | Variance |
|---|---|---|---|---|
| Net Sales Volume YTD | $6,613 | $2,112 | $2,959 | $3,654 |
| Average Sales Draft YTD | $70.14 | $67.62 | $78.30 | ($8.16) |
| Cash Disbursement Volume YTD | $213 | $177 | $349 | ($136) |
| Avg. Cash Disbursement YTD | $587.51 | $365.72 | $674.47 | ($86.96) |
| Total Volume YTD | $6,826 | $2,229 | $3,117 | $3,709 |
| Montly Usage YTD | 13.9 | 4.5 | 6.0 | 7.9 |

### Sample Graph



## ❷ Know How Your Offerings Compare

Before you and your team members shred those unsolicited credit card offers that appear in your mailboxes, take time to open them and really evaluate what your local and national competitors are putting in the hands of your members and prospects. In fact, go one step further and visit the branches of the banks and credit unions in your area, pick up their brochures and talk to their representatives. The objective is not to try to beat every element of every issuers' offering; after all, there are a multitude of advantages of doing business with a credit union that go far beyond a credit card rate—personalized service, to name the primary benefit. However, it is good to make your offering as competitive as possible.

As you conduct your comparison, APR is a good start, but it's only the beginning. Be sure to compare notes with your co-workers and friends who carry cards other than your institution's. What are they paying in terms of introductory rates and annual fees? What are their liabilities in case of loss or theft? What strategies and tactics are being used to market to them, to promote activation and to motivate them toward regular usage? Are they being offered rewards redeemable for travel options, merchandise, gift certificates or cash? How does the appearance of the card compare?

You're sure to find that the differences between various issuers' offerings can be dramatic, because over the last decade, the credit card industry has shifted away from a simple one-size-fits-all pricing model to a more sophisticated system of varying APRs, fee structures and finance charges (Furletti, 2003).

A visit to www.bankrate.com is a great way to get a good read on the competition. With just a click, you can compare credit card offers and rates on various types of cards—low-interest cards, cards with no annual fees, secured cards, as well as those offering airline miles and other rewards. You can also view average national rates on standard, gold and platinum cards and compare offers in your area, including APR, annual fees, late and over-limit fees and much more. The site also includes related articles that can help you stay current with industry trends and consumer preferences. Be sure to also check out www.creditcards.com, a site with comparable information.


One of the best ways to determine what will attract cardholders is to simply ask your existing members what they would most like to see in a credit card. Consider mailing a short survey to your members to determine what would favorably dispose them to apply and activate a card. You can also include the survey on your website for instant online feedback.

## 3 Know How to Define Your Lending Policies

It's tempting to completely rely on automation for quick credit decisioning, because it can save you money on introductory costs, serve as a product differentiator and help you build volume over a short period of time; however, it can also cause you to pass up potentially valuable accounts. It's all too easy to simply establish a credit score threshold and let automation make all the decisions about eligibility. But if you are using the same standards for all forms of retail credit approval and haven't developed a product-specific approach for your card program, it's likely you are overlooking many viable candidates.

The industry's largest card issuers that dominate the market have, of course, developed highly sophisticated product-specific credit standards. After all, when the mega-players speculate that there may be a rise in delinquencies, they can save millions of dollars by even slightly tightening their lending policies. And whether or not their speculation comes to pass, they often leave low-hanging fruit at the local level that can represent great opportunity for your credit card portfolio.

To illustrate the point, a recent study by the Office of the Comptroller of the Currency indicates that 25 percent of the institutions surveyed are tightening their credit card lending policies in light of current conditions—yet delinquencies of 30 days or longer are near historic lows. The message is that if your credit policies have historically proven effective, you might want to buck the trend and resist the urge to tighten your policies, or perhaps even ease them.

**Changes in Underwriting Standards in Credit Card Loan Portfolios**
(Percent of Credit unions)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1999 | 8 | 66 | 26 |
| 2000 | 9 | 75 | 16 |
| 2001 | 16 | 60 | 24 |
| 2002 | 12 | 66 | 22 |
| 2003 | 19 | 62 | 19 |
| 2004 | 18 | 61 | 21 |
| 2005 | 7 | 74 | 19 |
| 2006 | 19 | 56 | 25 |

Source: Office of the Comptroller of the Currency

When it comes to prospective cardholders that are on the borderline, take the time to analyze their individual credit history to determine first if the records are accurate, because very often they are not. Once you have made that determination, analyze their history further and place more emphasis on their recent payment trends rather than on their long-term credit history, because problems in the distant past may not always indicate future difficulties.

Realize also that the average U.S. consumer has a credit score somewhere in the mid 600s, which is actually pretty marginal. The sought-after people with dramatically higher scores are likely carrying cards offering substantial discounts and over-the-top perks. Keep in mind that there are plenty of other desirable prospects with the potential to contribute to your profitability. In addition, as a credit union, you have the home court advantage of offering the best in personalized service to members of your market area.

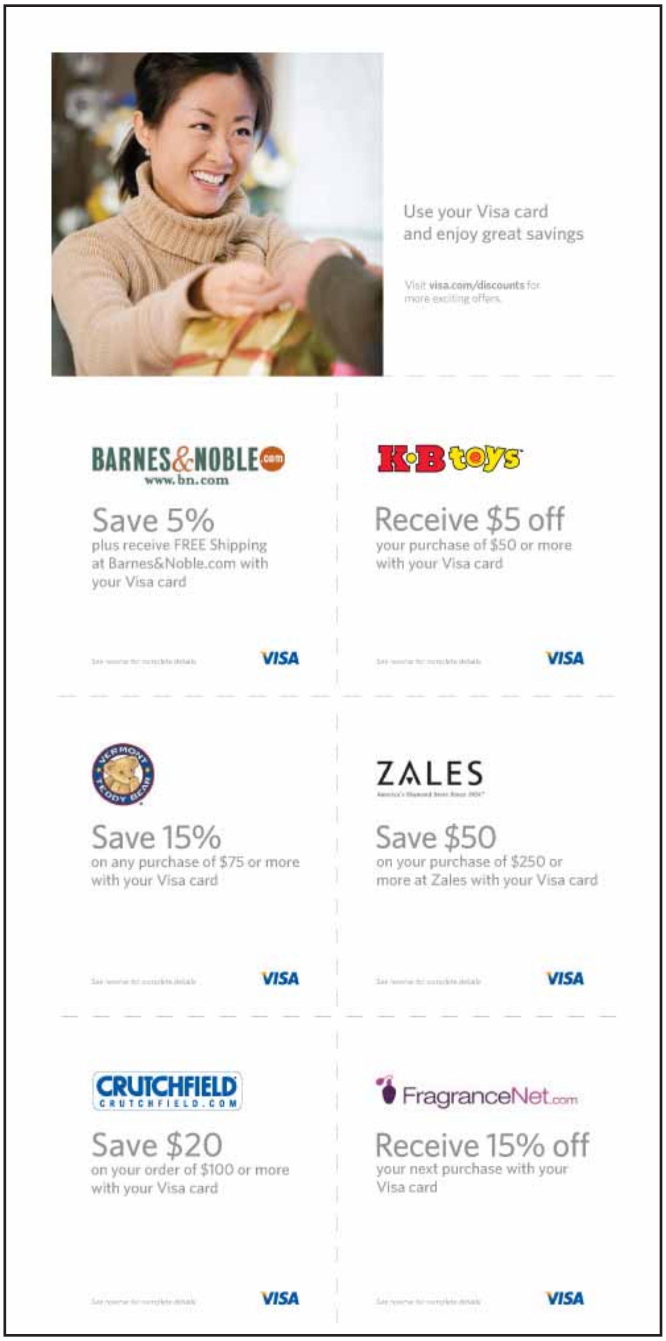
Of course, no matter where you place your score threshold, be sure that you are taking advantage of all the tools your card processor is offering to monitor your risk on an ongoing basis. For example, FIS can help you be on the lookout for a member's increasing tendency to miss payment due dates or growing incidence of cash advances that may indicate financial problems. FIS has a full spectrum of state-of-the-art analytical products and services—many of which are used for fraud detection and prevention—that can alert you when a member is moving from acceptable to questionable behavior. Armed with that knowledge, a simple phone call to the member is sometimes all it takes to jolt him into altering the unacceptable habits he is falling into.

As part of your lending policy, you'll want to proactively review your cardholders' credit reports on a regular basis to keep an eye on activity that could represent one of two things: a cause for alarm, such as excessive requests for new credit from other sources, or an opportunity to increase a credit limit, such as an improving financial picture. You may want to develop a matrix that categorizes your members into three categories, with the top echelon reviewed annually, the mid tier reviewed quarterly, and the lowest tier reviewed monthly.

As with any lending product, there is no substitute for accurately managing your credit card risk. Institutions that do so with an eye toward matching risk with rewards have every chance at success. A combination of sound credit policies coupled with accurate and timely reporting and monitoring systems will insure your credit card portfolio remains profitable.

# 4 Know How to Market Your Program

As with any marketing undertaking, you need to start by establishing goals that are both reasonable and measurable. By studying industry averages of the various components of your plan, and then applying them to your own credit union's experience, you should be able to develop objectives that are clearly defined, achievable and trackable. From there, identify the various segments of your member base that would make good prospects for your card. You'll want to look for creditworthy segments that have household incomes within desirable ranges, those maintaining deposit account balances fitting the criteria you choose, and individuals who have demonstrated responsible management of past loans and lines of credit with your institution.




Because your credit card represents a potentially important part of your product mix, be sure to include it in your annual rotation of marketing campaigns. You will want to prominently showcase your offering on your website's home page and include banners on numerous pages throughout. Of course, your branches are the prime place to promote your products and services, and take-one applications are one of the best, most cost-effective ways to market your program. Also be sure to rotate your credit card promotion into your schedule of lobby posters, table tents and literature racks. Don't forget to include your offers in any regularly published newsletters, and promote the program via statement inserts and messages.

Other means of promoting your card include advertising in the local media, as well as direct mail and e-mail campaigns. Be sure you don't overlook opportunities such as a display on the local Little League scoreboard, as a low-cost promotion of this nature can go a long way in positioning your credit union as a full-service community based institution.

Both Visa® and MasterCard® run nationwide, multi-media campaigns during the weeks preceding the end-of-year holiday season, the summer vacation months and other times of the year when spending patterns tend to spike. By participating in these programs, you benefit at the local level from heavy national media support in the form of television commercials, radio spots and print advertising in newspapers and consumer magazines. Participation is easy and inexpensive, because in-branch materials—brochures, tent cards, teller counter mats, door decals, lapel stickers and the like— as well as statement inserts are available at very reasonable prices or often complimentary through CSCU.

Artwork is available if you wish to customize your own direct mail or e-mail campaign. If you were to attempt to create a similar campaign on your own, even at the local level, you would likely invest tens of thousands of dollars and hundreds of hours of staff time. And because the national campaigns are thoroughly researched many months in advance to ensure consumer appeal, you can be assured your cardholders will be motivated by the promotion, and that it is in compliance with any sweepstakes-related regulations.

For example on the well-known unifying theme "Life Takes Visa," a recent bill payment promotion enticed cardholders to use their card as often as possible to earn chances to win $25,000 to pay off their bills. The campaign encouraged members to use their cards to pay "manual bills" (one-time payments such as doctor or dentist charges) as well as for recurring expenses such as utilities and monthly Internet charges—bills that tend to be significantly larger than the average credit card transaction. Other promotions included a dream vacation to Walt Disney World® and a special NFL promotion that kicked off with football season and extended through the end-of-year holiday season.

## 5 Know How to Communicate With Cardholders

If you are wondering when the best time is to communicate with your credit card members, the answer is easy: the right time is all the time. The most effective way to ensure that your members feel confident they have made the best decision when choosing your card is to tell them—and tell them repeatedly.

If your members are paying no annual fee, remind them of that value at least annually. If they are earning rewards points with every purchase, don't let them forget it. If you offer 24/7 toll-free member service (available through FIS), brag about it. Regular communication and ongoing education is essential to keeping your members active and loyal.

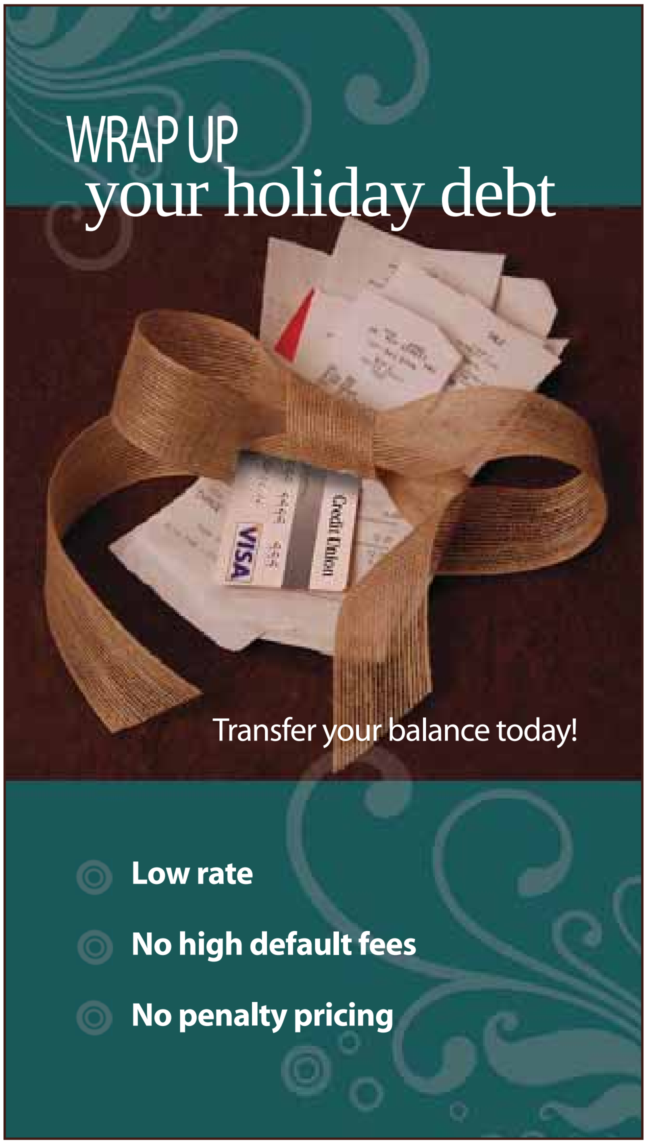
With credit card fraud top of mind for credit unions and members alike, use statement messages or inserts to remind your members of all the ways you are protecting them, including the safeguards that are required by regulation or law. Your cardholders will take comfort in being reminded they have zero liability if their cards are compromised and that you are leveraging methods such as authentication name matching and neural network technology to keep them safe. Explain the virtues of the card verification value (CVV) or card verification code (CVC). Educate them to the fact that they can benefit from added protection when shopping online by registering their card with Verified by Visa or MasterCard SecureCode™, which involves selecting a personal password that's used in place of the full account number during the transaction.

As you continue your ongoing dialogue, dare them to compare your card's attributes with the offers they are hit with every day. A host of competitors are constantly seeking out your members with low-rate offers that look good on paper but may have undesirable strings attached. Use your communication vehicles to convey the reality that if an offer looks too good to be true, it probably is. You can help them understand the pitfalls by pointing out that hidden fees—exorbitant over-limit or past due charges, for example—can negate the low teaser rate that looks so tempting. Caution them to watch for "low interest for life" offers that surreptitiously require minimum monthly purchase amounts and/or payment in full within 30 days.

A word of caution: This type of messaging can quickly become mired in techno-talk, so remember to keep your messages simple and understandable, explaining technical concepts in easy-to-grasp language.

## 6 Know How to Keep Them Happy

As with any product portfolio, you need to be continually talking to your cardholders, not just about their card activity, but about all the products and services you offer. It's a truism, but the more products and services your cardholders have with you, the harder it is for them to leave.




Other tactics for retaining cardholders include:

- Design easy-to-read statements
- Offer multiple payment options (at the teller line; by U.S. mail to your lockbox; or via phone, ACH, automatic account deductions or online banking)
- Respond to inquiries in a timely and accurate manner
- Resolve disputes expediently

Once you get past these basics, think about making special offers to members with multiple accounts, those who maintain high deposit balances and those who have responsibly managed credit with your credit union in the past. For example, consider offering them an increased credit line, a tactic that costs your institution little or nothing, but pays big dividends in terms of loyalty. You can also offer them relationship pricing; i.e., discounts on other types of loans or premium rates on a deposit account. Of course, the gift of your own product or service is one more way to promote member stickiness, so consider providing a freebie such as free overdraft protection or a complimentary safe deposit box.

Many credit unions have successfully used the tactic of offering their members a low promotional rate to encourage them to close out other credit sources and bring the balance over to their credit card. Some opt to develop their own campaign internally, while others utilize free balance transfer marketing materials offered periodically through CSCU. An effective balance transfer strategy will not only boost your outstandings, it also will benefit the members who can consolidate debt at a better interest rate and reduce their number of monthly payments.

On the flip side, you need to be on the alert for warning signs that cardholders may be preparing to leave you—perhaps with the rest of their accounts. For example, when members inquire about their payoff amounts or ask probing questions about your rates and terms, they may be comparison shopping and getting ready to head for the door. Empower your Member Service Reps to do what needs to be done to save the business, such as reduce a rate or eliminate a fee. Likewise, if members begin using their card less frequently or become inactive altogether, trouble is likely brewing and you need a strategy to resolve their issues.

## 7 Know How to Evaluate Upgrade Opportunities

Chances are the majority of the credit card offers filling up your mailbox indicate you are worthy of a prestigious platinum card. There's a reason for that. By upgrading cardholders from their classic card, institutions can boost the overall results of their portfolios. The chart below illustrates the positive effects of elevating your cardholders.

**2007 Platinum Upgrade Results**

| | Before Upgrade (10/06 - 8/07) | After Upgrade (10/07 - 8/08) | Change | Change % |
|---|---|---|---|---|
| Accounts Billed (Active) | 1,251 | 1,277 | 26 | 2.1% |
| Transactions (#) | 76,651 | 80,233 | 3,582 | 4.67% |
| Total Volume ($) | $5,301,371 | $5,758,701 | $457,330 | 8.63% |
| Total Monthly Volume per Acc Billed | $388 | $413 | $25 | 6.44% |
| Average Balance | $2,205 | $2,413 | $208 | 9.43% |
| Total Outstandings | $2,780,475 | $3,161,389 | $380,914 | 13.70% |
| Total Monthly Revenue per Acc Billed | $23.51 | $27.51 | $4.00 | 17.01% |

**Metrics are derived from an average of 48 credit unions that participated in September 2007 Platinum Upgrade promotion from CSCU and FIS.*

Source: CSCU Virtual Card Consultant

While the term "platinum," used to imply elitism, the card associations removed the distinction in 2004. Today, the term Platinum Preferred has a suite of products associated with the moniker—perks such as identity theft insurance, extended warranty, personal shopper, travel and security services, shopping and health care discounts, and travel accident insurance.

Your processor can help identify likely candidates for upgraded cards. For example, FIS offers a service called Readi-Review℠ that assesses cardholder financial history, including bankruptcy, late payments and outstanding debt. A grade and numeric risk score is assigned to help you determine whether a credit line increase is advisable and, if so, how much. Or credit unions can work directly with the credit bureaus to determine which members may qualify for an upgrade. You can also request a validation of your membership to benchmark your members credit scores against overall averages.

## 8 Know How to Reward Them

Because loyalty programs have proven to have such a dramatic effect on an institution's overall business, they have become the industry standard, with 64% of total Visa credit volume generated from rewards cards. More and more are realizing rewards are a necessity if they wish to remain competitive. Countless institutions are using rewards programs and benefiting from increased transactions, greater per-transaction dollar value, higher total transaction dollars per account per month, growth in number of accounts and improved retention.

### Monthly Average Transactions

| | | | |
|---|---|---|---|
| Non-rewards card | 6.5 | Rewards card | 11.3 |

### Monthly Average Spend

| | | | |
|---|---|---|---|
| Non-rewards card | $466 | Rewards card | $886 |

At the core are two advantages working for you: 1) float, fulfillment of a reward long after the purchase has been made; and 2) breakage, points earned but never redeemed.

Float works in your favor because often participants save for one award, but then reconsider and continue saving for an even bigger item. It's not unusual to see less than five percent of points issued in the first year actually redeemed that year. Thereafter, it often grows by five percent per year, finally leveling off to 25 or 30 percent.

The concept of breakage recognizes that no program redeems 100 percent of points issued. Some members are attracted by the prize, but inertia prevents them from staking their claim. Up to a third of your members will ignore the program altogether, despite mounting points. Still others will reach a plateau and redeem an item worth less than what they have earned, relinquishing the remainder. Some accounts will be cancelled by you or the member, with points forfeited.

As with any undertaking that has a potentially high payoff, there are also risks, so it's important that you have a good understanding of how rewards programs work, or partner with a provider with expertise in the loyalty arena.

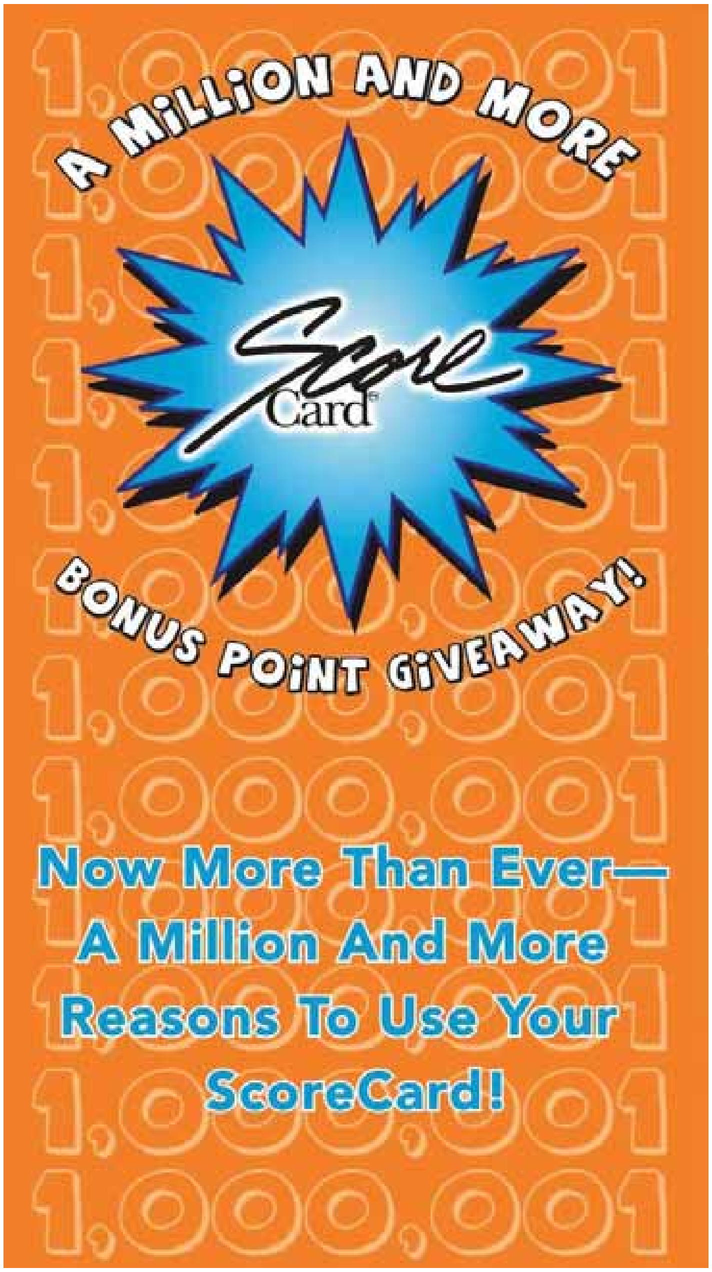
When selecting a loyalty provider, be sure to ask for a statistical model that demonstrates reasonable expectations under different scenarios. Talk with other credit unions currently offering rewards and inquire about their experiences. CSCU credit unions have had success with ScoreCard®, provided by FIS.

A host of options are available, but many ScoreCard programs award one point for every net dollar in purchases, redeemable for a selection of awards. Depending on your aggregate member demographics, the awards can be travel related (airline, hotel, car rental, cruises, package tours); and/or merchandise that comprises items of wide appeal organized into levels according to value. A great idea—one always recommended to FIS' ScoreCard clients—is to make points redeemable for your own products and services, which lowers your costs and creates cross-sell opportunities.

Fundamentally, your program must be fiscally responsible, with the cost per redeemed point within acceptable parameters driven by the program's funding, which is principally the interchange fees you earn. In addition, it needs to be compelling, competitive, easily administered and understandable by the consumer.

As you work through the setup of your program, you'll need to develop administrative guidelines, rules on how points may be redeemed (including a policy on the treatment of unredeemed points), training for your member service representatives, and a monthly reporting process to monitor results.

The promotion of the program is critical. FIS' ScoreCard participants take advantage of lobby posters, tent cards and statement inserts that promote and explain the program, provide an overview of awards, highlight merchandise examples, showcase travel options and serve as reminders.



# 9 Know How to Keep Them Secure

In recent years, staggering losses from the fraudulent use of credit cards have cost issuers millions of dollars. Because fraud comes in many forms, these losses occur even with various control mechanisms in place, such as card activation and verification. As more and more large credit unions invest heavily in fraud management systems, criminals are beginning to target smaller institutions. As a result, some institutions are opting to sell their existing portfolios, which means handing over their valuable cardholders to competing institutions who will use a multitude of tactics to win the rest of the members' business. Leveraging today's advancing technologies, it's no longer necessary to abandon this lucrative line of business, because fraud can be managed. However you need more than one or two deterrents—you need a comprehensive package. Look for a partner that can provide solutions encompassing all of the following:

- Authorization services
- Card activation
- Expiration date matching
- Predictive software
- Analytics performed by risk operations
- Fraud challenge, investigation and reporting

A good example of a solution that embodies all of the above is FIS Secured℠. The neural network component of this remedy enables cardholder profiling to analyze fraud trends and spending patterns, as well as real-time authorization information to calculate a fraud score for every transaction. If your cardholder seldom uses his card outside his home state, and then it is suddenly used in a foreign country, the score is high and FIS blocks the account. Likewise, if a member's card has been phished through a phony email scam and a counterfeit card has been created, the technology will detect the crime and deny the transaction. Plus, FIS Secured indemnifies your credit union, reimbursing you for losses that may have gotten past the barriers.

Suppport your fraud protection package with a strong member education strategy. Utilize free fraud prevention, education marketing materials and best practices web conferences from organizations like CSCU and keep members up-to-date on the latest fraud schemes, as well as effective consumer fraud prevention and detection tactics.

## 10 Know How to Manage Your Credit Line

It's important to provide your cardholders with a sufficient line of credit, because when they begin approaching their limit, they'll typically pull another card out of their wallets to pay for purchases. The result is that they must now make monthly payments on the balances and finance charges on two or more cards, and your credit union loses fees and interchange income. Worse yet, they may decide to consolidate debt by transferring the balance on your credit union's card to another issuer. Thus begins the steady process toward thinking of another institution as their primary financial institution.

The lesson: Review your credit limits regularly to ensure you are extending the right amount of credit, because if your limits are too rigid, you compromise your ability to grow your portfolio. Indeed, instances may arise in which reducing a cardholder's credit limit is clearly the right thing to do. More often, however, you are likely to find opportunities to increase credit limits for members who have proven themselves to be good managers of their accounts. In those cases, extending additional credit sends the message that your cardholder is a valued member—a reward that costs you virtually nothing. Naturally it's paramount that you keep the best interests of the member in mind and abide by industry best practices, because it's a disservice to all parties if you extend too much credit and the cardholder takes on more debt than he or she can handle. Like so many other areas of credit union offerings, it's a balancing act that, when handled properly, can maximize both revenue and cardholder satisfaction.

Additionally, don't overlook potential members who may be in the beginning stages of establishing credit. For example, many credit unions—especially those in college towns—have enjoyed great success in creating starter packages of basic credit union services, including a low-limit credit card. Comprehensive youth strategies like these are even more important today as Gen Y encompasses over 83 million, wielding $500 billion in spending power in 2009. By being the first card in their wallet, you have the opportunity to help educate young adults about the value of a good credit rating and counsel them on how responsible management of their credit will serve them well. It's also a golden opportunity to establish enduring relationships that grow as your members progress through life and need auto loans, mortgages, business accounts and other products and services we all eventually need as we mature.

## Your Credit Card Portfolio – The Key to Healthy Member Relationships

As you consider all aspects of your program, it's important that you guard against getting lost in the numbers. Yes, profitability is one of your goals, but far from the only one. If you were projecting a five percent return on investment but are only realizing three, that's not an indication that your program is failing. To the contrary, when you compare it to your other loan portfolios, you'll likely find that it's outperforming many if not all of them. But even if it's not, the intangible benefits are countless. Your card members represent a core of opportunity for cross-selling additional products and services. So make sure your program stacks up well against the competition, market it wisely, communicate with your cardholders regularly, reward them generously and protect them ferociously from fraudulent activity. With a little credit card know-how, the rewards will be yours in the form of profitable members that may just stay with your credit union for a lifetime.

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