

February 2004

Holiday transaction count up 25 percent

Holiday traditions often have curious starts. One here at PEMCO involves looking at which days during the holiday season bring the highest number of authorizations. One programmer, who tracks these trends, gives us his annual review.

December 23, as this programmer jokingly calls it, is "guys' day out" based on an idea that guys tend to wait until the last minute to begin their holiday shopping. And true to form, Dec. 23 was the heaviest shopping day, with more than 700,000 authorizations processed. (No word on whether these purchases were made by men or women.) Noon on Christmas Eve was the heaviest hour, bringing in 62,000 authorizations.

Holiday 2003 spending rebounded as news of the improving economy made headlines. We processed 15.2 million authorizations during the holidays. This was a 19.7 percent increase over last year's holiday authorizations or a bit more than 2.5 million more authorizations. For all of 2003, the number of authorizations we processed increased by 21 percent.

We're careful when drawing conclusions about these numbers, but we like to believe it reflects an economy that's picking up momentum and the continued popularity of plastic to pay for purchases.

Visa Resolve Online deadline draws near, PEMCO offers options

When October arrives, all financial institutions are required to process all dispute documentation electronically as part of Visa's new Resolve Online program.

If PEMCO processes your chargebacks, we will continue to do so – including Visa Resolve Online requirements – as part of our current chargeback handling fees. Visa's Resolve Online transaction fees will apply (but no monthly minimum), which we'll pass on to you.

If you process your own chargebacks, PEMCO offers two methods:

Option #1: Subscribe to Visa Resolve Online (VROL). You will submit all dispute documentation and case filings including pre-arbitration and pre-compliance attempts through VROL. These documents are kept in electronic case files, which you access through VROL.

This requires a one-time \$1,000 set-up fee per end point and monthly Resolve Online transaction fees based on volume, with a \$50 monthly minimum charge.

Prior to Oct. 3, you are still required to complete the chargeback in PEMCO's PowerLink system. Beginning in October VROL will allow you to generate the chargeback. One caveat: If you chose to use VROL to enter your chargeback it will affect the level of detail PEMCO can provide to you on our reports.

Option #2: You send dispute documentation and case files including pre-arbitration and pre-compliance attempts to us via e-mail or fax. We convert the documents to electronic files and upload them in bulk to Visa each day.

We charge a \$150 per month support fee along with standard Resolve Online transaction fees. There's no set-up charge or monthly minimum.

Using this option, you can choose to subscribe to a **limited Visa Resolve Online** service. It gives you limited functionality to submit pre-arbitration, pre-compliance, and case filings but not chargeback documentation. (PEMCO would step in for that.) It comes with a \$250 set-up fee per end point and standard Visa Resolve Online transaction fees (no monthly minimum).

We wanted to give you a choice of the most cost effective method for you. From what we've been told, other processors are simply passing along Visa's requirements and not offering options.

PEMCO to award three symposium scholarships

For the second year, PEMCO will award three full scholarships to our annual symposium. We've shifted the time of year for our annual training event. It's Oct. 17-21, 2004 at a new venue on Seattle's waterfront, the Marriott Waterfront/Bell Harbor Conference Center. Each scholarship includes the four-day symposium, flight, hotel, and transportation between the airport and the hotel.

To be considered simply write a letter telling us, in 500 or fewer words, about a program your financial institution has implemented specifically to boost your card program(s) in the last year or two. Please include any supporting tables or charts you feel help illustrate your progress. Sorry, past scholarship winners are ineligible.

Deadline for submissions is Aug. 1. We'll notify the winners on Sept. 1 and post their names on our Web site and in our newsletter. We'll also share the winning submissions with your fellow symposium goers to highlight your success.

Please e-mail any questions and your scholarship entries to: Kelly Logan at Kelly.Logan@pemcotech.com.

Instant issue, instant activation give you power to create cards in house

PEMCO gives you the option to issue your own cards using our instant-issue and instant-activation services. You can create cards in house to satisfy members who want new cards right away or for members who've asked for emergency card replacement.

Both scenarios require the use of a CardWizard machine from Dynamic Solutions International (DSI) and a VPN connection. The CardWizard is a small desktop machine that connects to DSI's server and produces and embosses the plastic. It also connects to PEMCO to create the account.

With instant issue, you send the cardholder information to our system using the CardWizard. This initiates a 300-type message to PEMCO through a VPN connection and signals us to create the new account using the card number and account information provided. PEMCO logs the action to a card issue history screen with the account record identified as "instant issue." Your member walks out the door and begins using her card.

With instant activation, the process is the same, but the 300 message to PEMCO signals us to create a new account and set it up for activation. Our system logs the action to the card issue history screen with the account record marked as "instant activation." The card must be activated by the cardholder or financial institution.

Before selling your card portfolio, consider this

If you haven't been approached by a credit card brokerage firm to sell your card portfolio to one of the big issuers, chances are you will – soon. While many financial institutions have fended off these tempting offers to sell their hard won portfolios, many are still being lured by the promise of a big pay off.

If you're in the latter group, we encourage you to consider why your cardholders are so attractive to these brokers and big issuers. Selling your card portfolio comes at a cost. And that cost could be your members' loyalty. Once you sell, you have no control over the interest rates, terms, or customer service surrounding your member's credit card accounts.

Brokerage companies find your cardholders attractive because they represent huge potential given that credit unions tend to have conservative lending policies. And it's cheaper for big issuers to buy your pool of cardholders than to try to gain new cardholders one by one through traditional direct mail and advertising.

PEMCO urges you to look into card marketing programs aimed at activation/penetration/usage, set goals, and hammer at them. Tacoma Washington-based Sound Credit Union has been a star in that area. Recently the credit union sent pre-approved direct-mail card offers to members who didn't have cards with them. Sound CU received a seven percent response rate to the mailing -- astounding considering that a typical direct-mail response rate of one percent is good.

Sound CU included balance transfer coupons with the mailing, encouraging members to roll over higher-interest debt to their new credit cards. Within the first two months, balances on these new cards averaged \$1,885. After five months, balances for that same group have grown to an average of \$2,604 per card. Additionally Sound CU increased card limits for a group of existing cardholders and offered the same balance transfer offer.

Here are some marketing tactics your credit union might consider:

1. Pre-approved card mailings
2. Competitive interest rates and terms to compete with other issuers
3. Statement inserts promoting debt consolidation, holiday spending, vacation getaways. For campaign ideas and statement insert samples, look at Image Works' Web site at www.imageworksdirect.com.
4. Staff contests that reward tellers for encouraging members to complete credit card applications

5. Card loyalty programs that award members with points to use for gifts and travel simply for using their credit or debit cards. Extra Awards and Signature Awards are PEMCO's loyalty programs that give you flexibility to reward members in ways that fit them.

Before looking at selling your card portfolios, it's worthwhile to put marketing resources into promoting them. After all, these brokers aren't trying to relieve you of a flat portfolio, they're buying your relationships with your cardholders – a relationship that could suffer if not nurtured in the credit union way.

We can help you get started by performing a portfolio analysis. This will help us spot areas within your card program(s) that are weak and identify strategies to strengthen them.

Take advantage of PEMCO training

Regional Training in Portland, Ore.

Thursday, April 1, 2004, Sheraton Portland Airport Hotel
Registration deadline March, 19, 2004

Join us for regional training in Portland, Ore. We'll present current fraud trends, demonstrate how PEMCO's neural network fraud tool, PRisM, works, and discuss ways to curb your fraud losses.

We'll start with continental breakfast at 8:30 a.m. Training begins at 9 a.m. and ends at 2 p.m. This training day is free to our customers and it includes breakfast and lunch. Space is limited. Please register by March 19.

Questions? Call Ryan Prentice toll-free at 800-881-7488, extension 3525.

Symposium moves to October in 2004

Mark your calendars for PEMCO's biggest training event of the year, Oct. 17-21, 2004, on the waterfront at the Marriott Waterfront/Bell Harbor Conference Center.

The symposium price is \$550 for the two-day general session OR the two-day chargeback class or \$700 for the four days. We'll post details on our Web site at www.pemcotech.com as the date approaches. Registration opens in late summer 2004.

We welcome two new customers

Colorado United Credit Union, Denver.

First US Community Credit Union, Sacramento, Calif.