

Credit unions start to see the possibilities of plastic

Credit cards, now easier to administer, can constitute a greater percentage of loans

BY TAMARA MULDOON
CONTRIBUTING WRITER

Oregon credit unions are now in a position to give banks some serious competition for consumers' financial services. Many of the state's largest credit unions

FAST FACTS

IN 2011, 21 percent of banks charged annual fees for their credit cards, versus 14 percent of credit unions.

THE MEDIAN annual fee was \$59 for bank cards and \$25 for credit union cards.

now offer credit card programs that rival those offered by banks, including cards with reward point incentives.

Credit cards are one of the newer products offered by credit unions. These non-profit, member-owned financial cooperatives tend to be conservative and averse to risk, a mind-set that has kept

credit unions from pursuing the credit card market for a long time.

More recently, with improvements to the support structure for processing credit union card transactions and members requesting more options, credit unions began expanding their basic credit card programs.

"I think there are a couple of things credit cards have had to overcome at credit unions," Bill Lehman, vice president of portfolio consulting services at Tampa, Fla.-based Card Services for Credit Unions, said in a Feb. 20 article in trade publication Credit Union Times. "First, unlike other loans, they are un-



CATHY CHENEY | PORTLAND BUSINESS JOURNAL

Unitus Community Credit Union's Laurie Kresl says the risks of a credit card program can be minimized.

secured debt and that always has an additional element of nervousness with it. Second, sometimes credit unions felt their credit card offerings really couldn't compete very well with the offerings from the big banks."

Lehman said in the article that credit union cards are now better managed and marketed and are more highly regarded by consumers than ever before. In his opinion, however, many credit unions have not even begun to reach their potential, with credit card balances making up only about 5 to 7 percent of an average credit union's loan portfolio.

Nationally, median advertised interest rates for purchases on credit cards issued by the nation's 12 largest banks

ranged from 12.99 percent to 20.99 percent, depending on a consumer's credit history, according to data collected by an arm of the nonprofit Pew Charitable Trusts in January 2011.

At the same time, the median advertised rates for cards issued by the nation's 12 largest credit unions occupied a lower range: from 9.99 percent to 17 percent.

"We have seen reasonable growth in the Oregon credit union credit card marketplace," said Troy Stang, president of the Portland-based Northwest Credit Union Association. "Credit unions have been able to maintain some good rates on their credit cards for the members who do need to maintain a balance on them. They also have been able to add some perks."

"As long as you manage it like any other loan product, it's not any more or less risky," said Laurie Kresl, Vice President of Planning and Business Development at Unitus Community Credit Union.

Unitus is aggressively marketing its credit card program. A current promotion that runs through April offers a 3.99 annual percent rate on balance transfers for up to one year.

In addition, Unitus credit cards include an attractive rewards points program, no annual fee and an interest rate as low as 7.99 percent for existing balances. As an added perk, members can personalize their credit cards with their own photographic image or artwork through the My Design Card program.

Unitus seeks to not only increase the number of member credit card accounts, but to increase members' use of the card, making it their "top of wallet" choice for credit card purchases. Kresl said that at present, 4.5 percent of the members have Unitus credit cards, and that percentage is definitely increasing. Last year Unitus' number of credit card accounts increased 15 percent.

Northwest Community Credit Union considers credit cards to be a core product and ran quarterly promotions in each of the last two years. A recent promotion offered a 1 percent cash back incentive on balance transfers to new Northwest Community Gold or Classic Visa cardholders.

"I think credit unions are definitely making headway in the minds of consumers," said John Iglesias, president and CEO of Northwest, which is based in Springfield and operates 12 offices, including ones in Beaverton and Oregon City.