



**CREDIT UNION  
ASSOCIATION  
OF THE DAKOTAS**

## *Credit Unions prepare/'Bank Transfer Day'*

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# Ready sheet

*Background and suggestions for credit unions to consider to ensure they are prepared for the influx of new accounts and inquiries and ready to make the most of the opportunity.*

**What is Bank Transfer Day?** It is the idea of a 27-year-old woman in California who became fed up after Bank of America announced its \$5-a-month debit fee. She is urging people on Nov. 5 to switch from their big bank to a credit union, or if not a credit union then to a smaller community bank. She established a Facebook page and the idea has caught on virally.

So far nearly 60,000 people have signed up for this "event" on the Bank Transfer Day Facebook page, and another more than 330,000 have been invited by their friends to sign up. The "switch from a big bank to a credit union" cry has also been taken up by some within the Occupy Wall Street movement. But the founder of Bank Transfer Day, Kristen Christian, has said in press interviews and on her Facebook page that she is not affiliated with Occupy Wall Street.

Since its launch, Bank Transfer Day has been getting a great deal of attention not only in the social media realm, but in traditional media as well. National, state and local media have keyed in on the event following the uproar over the B of A debit fee. Kristen Christian has been interviewed on ABC, CNN and in other national media.

How many of those pledging to switch to a credit union will actually do so, and/or do so on or by Nov. 5, remains to be seen. But credit unions would do well to be prepared so they can accommodate any surge in interest from people within their community and make the most of this opportunity to build membership, especially among young people who in the past have often been so hard to reach.

### **Some suggestions to consider:**

**Have your switch kits ready.** Be sure front line staff have adequate supplies to accommodate increased traffic.

**Cross sell your other services.** People may come in to establish a basic checking or savings account. Be sure staff is primed to explain the value inherent in the many other products your credit union offers—auto loans, online banking, personal loans, etc.

**Extend your hours.** The day designated as Bank Transfer Day, Nov. 5, is a Saturday. If your credit union has limited hours, consider extending them to handle the additional traffic from this one-time event.

**Consider advertising.** If Bank Transfer Day is garnering a lot of press attention in your community, consider traditional or online advertising to let people know they are welcome at your credit union. (CUNA and your league have online banner ads available for you to use).

**Use your social media channels.** If your credit union has a Facebook page, Twitter feed and other elements of a social media strategy use these channels to acknowledge the increase in interest and explain the benefits of belonging to a

credit union. Key messages to stress include how credit unions differ from banks as member-owned, not-for-profit, community-centric institutions that put their members best interests above their bottom line (a key differentiator in the Bank Transfer Day viral discussion); the fact that people will find all of the convenience and array of products they expect from a financial institution at your credit union; and how they can switch from their bank to a credit union.

**Reach out to local media.** Issue a news release (see CUNA's model news release as an example) to your local media ahead of Bank Transfer Day. Local reporters will want to talk to area credit unions about how they are preparing. This is also a great opportunity to explain the credit union difference to a general audience. Tell them also to visit [aSmarterChoice.org](http://aSmarterChoice.org), the website set up by the credit union movement where consumers – and the press – can learn more about credit unions.

**Expect press calls afterward.** Expect calls from local media after Bank Transfer Day asking about the level of activity your credit union experienced. Having comparison figures for new account openings and web traffic ready will help with your responses and give reporters the solid numbers they will be looking for. If you can line up one or several members willing to talk to the press about why they switched to your credit union, share these contacts with the reporters and work with them to arrange an interview.

**Consider holding a community education meeting.** Before Bank Transfer Day occurs, consider holding a community meeting at your credit union or community center to explain what credit unions are all about. If you are seeing a high level of press and social media interest about Bank Transfer Day, such a community meeting is a way to get in front of it. People are hearing they should join a credit union, but may not really know what a credit union is, whether they are eligible to join, how to find one, or what the real value is in becoming a member. A community meeting gives you an opportunity explain and sign up new members in advance of November 5. Let people know any day is a good day to become a credit union member. Have staff and materials available there to handle membership requests.



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### Q&A

*Answers to negative questions banks are feeding reporters to keep their customers from choosing credit unions.*

**Q: Banks say new interchange rules capping their debit card revenue are a big reason they are raising fees, and when interchange was being debated in the Senate credit unions said they would have to raise fees too. Will they? A survey from Credit Union National Association indicated a high percentage were looking to do so.**

Credit unions are not-for-profit and owned by their members, not outside investors. So for credit unions, raising fees is a last resort, not a first resort. And certainly with the public outcry that has ensued since Bank of America announced its \$5 a month debit fee, credit unions are doing all they can to hold the line on fees.

The new debit interchange rules exempt financial institutions under \$10 billion (which includes nearly all credit unions) from the revenue caps. During the interchange debate, and even now, credit unions have remained concerned about whether the exemption will work in practice and overcome market forces that in time could cause the different rates to converge.

The CUNA survey was done and released in January before the new law and implementing regulations took effect. We continue to watch carefully how the card networks are handling this to see whether the exemption will truly be effective. We hope that it will, and if it is not, we plan to work with regulators and members of Congress to address any problems.

If their interchange revenue is restricted, credit unions will have to find a way to offset the lost revenue, whether through fees or changes in services (our survey on this question was broad and not limited just to raising fees). That's because, unlike banks, credit unions as co-ops can only build capital from retained earnings, which include things like fee income (credit unions do not issue stock and have no stockholders).

However, there is a huge difference between raising fees enough to replace the lost income (which would probably be somewhere around \$2 or \$3 a month), and using that as an excuse to raise fees much more than the likely lost revenue, such as \$5 a month.

**Q: Won't people have to sacrifice convenience by switching from a big bank to a credit union? Don't credit unions have far fewer branches and ATMs?**

A: A Citicorp spokesperson was quoted in the press saying they have 28,000 ATMs, and credit unions can't offer anything near that. He couldn't be more wrong. Local credit unions are now competing on equal footing with large national banks in terms of offering consumers convenient access to accounts.

Many credit unions around the US participate in extensive, surcharge-free ATM networks. For example, thousands of credit unions are on The CO-OP Network, which has a nationwide network of 28,000 ATMs that allow the members of these credit unions to access their funds without incurring a surcharge. These ATMs can be found at the credit unions, retail locations, including 5,500 7-Eleven stores, as well as Costco, Walgreens and other outlets.

Further, 98 percent of all credit union members have access to an ATM or debit card through their credit union; 96 percent have access to an ATM via their credit union. As for home banking (via web-based services), 97 percent of all credit union members have access to this popular and convenient service.

Thousands of credit unions around the country also participated in "shared branch" networks. As the term suggests, they share their physical branch locations to provide their members with more convenience and accessibility. Members of these credit unions use the other credit union's branch just as if they were using their own.

The shared branching concept is unique to credit unions, and a perfect illustration of our industry's co-operative principles in action. You would be hard pressed to find banks sharing one another's branch facilities.

**Q: Some banks are saying it will cost more to switch to a credit union than it would to pay the higher bank debit fees. Is that true?**

A: Hard to imagine. When you become a credit union member, most credit unions will require a one-time "membership share," typically \$5 to \$25. But this is not a fee. It stays on deposit, earns interest, and, if you leave the credit union, is returned to you.

Some credit unions do charge a one-time joining fee (these tend to be smaller-sized credit unions). This fee can vary in size but the median fee is just \$1—just a fraction of the new monthly debit and checking fees that big banks are charging.

Overall, consumers receive significant savings from lower fees and better savings and loan rates by using credit unions. On average, consumers save about \$70 a year, and families save more than \$130. And that's just on average. The more you use your credit union, the more you will save. (Source: CUNA Member Benefits Survey, June 2011 [http://www.cuna.org/download/state\\_mbl/MemberBenefits-National-J11.pdf](http://www.cuna.org/download/state_mbl/MemberBenefits-National-J11.pdf))

Consider this: Financing a \$25,000 new car for 60 months at credit unions will save members an average \$174 a year in interest compared to what they would pay at a bank. That's about \$1,000 in savings over five years.

**Q: What about those who have automatic bill pay and other online banking services with their bank. A recent New York Times story that's gotten a lot of attention says those services were introduced mainly to make it harder for people to extricate themselves from their relationship with the bank. Won't that make it harder to switch to a credit union?**

A couple of key points here: First, we would disagree that these online services are designed to make it harder for people to switch institutions. Both banks and credit unions offer these services because their members and customers want that level of service and convenience.

Second, as just noted, many credit unions offer these same online services. They will be happy to set you up as quickly and efficiently as possible once you become a member and open an account. And they will explain how to make the process for moving your existing online bill pay and banking relationships over to the credit union as easy as possible.

The credit union is a cooperative. Once you are a member, you are an owner, just like all the other members. The credit union's whole reason for being is to serve your financial needs, and their staff will bend over backward to help you any way they can.

**Q: Some news reports are suggesting people should not all switch their accounts from big banks to credit unions at once or it will destabilize the banking system, maybe cause a run. Is that a valid concern?**

No one in the credit union system, or any of the organizers of Bank Transfer Day, is encouraging or wants to see a run, or a destabilized banking system.

The credit union message has simply been that if people are upset with how they are being treated by their bank, they have options, and they should look at credit unions. We provide great value and service. And today just about everyone can find a credit union they are eligible to join. So people do have options and choices, and if a credit union makes sense for them, then make the move.

The banking system has trillions of dollars in assets. It is capable of handling a large number of account transfers, many of which, practically speaking, will take place over time, rather than in one concentrated period.

For example, consider the advice Consumers Union is recommending to consumers who want to switch accounts:

If you open a second account at a credit union or another bank, put in enough money to avoid charges for a low balance.

Keep both accounts open for at least a month or one billing cycle, if not longer. Don't close the first account until all your outstanding checks have cleared. If using direct deposit, contact your employer or others to reroute checks to the new account.

Once you've confirmed that your new direct deposit is working, switch your automatic online payments for car loans, utilities, Visa payments. Give it a full billing cycle, then close your existing account. McClatchy Newspapers

**Q: Are credit unions worried about the effect a sharp influx of new deposits and accounts could have on their capital levels?**

Some credit union executives have wondered about that after news of Bank Transfer Day first surfaced. But we expect few if any credit unions to turn anyone away who wants to join. Instead more credit unions are looking at this as an opportunity to introduce these new members to the value credit unions can offer on the other side of the balance sheets with their loan products, and as an opportunity to establish a more complete financial relationship with these new members.

And, as a whole, credit unions are very well capitalized. The average capital-to-asset ratio has been holding steady at about 10%. That's considerably more than the 7% federal regulatory standard for being deemed "well capitalized." Further, the Credit Union National Assn. (CUNA) estimates that even if 1 million new members join in a short amount of time, the impact on credit union capital levels would be minimal, and would not cause the credit union capital position to deteriorate significantly.



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## Talking points

*Use these as a guide to share the position of credit unions nationwide about 'Bank Transfer Day'*

- ✓ 'Bank Transfer Day' is very intriguing to credit unions – especially since it seems to be raising the profile of credit unions on a national basis.
- ✓ We believe credit unions are the best option for consumer financial services.
- ✓ If consumers are upset with big banks, we think they should look at a credit union – and they'll like what they see.
- ✓ Each consumer, however, has to make the choice of what works best for them, their families and their futures.
- ✓ Credit unions will ultimately be the best option for most consumers, perhaps not all.
- ✓ But our point is: We encourage all consumers to give credit union membership a very close look.
- ✓ To find a credit union to join, go to: [www.aSmarterChoice.org](http://www.aSmarterChoice.org)