



ACCESS THE WORLD

ISSUE 27 | Spring 2014

Inside this issue . . .

- P.2** – MAP's Annual Conference moves to Portland, OR
- P.3** – Industry News
- P.4** – Understanding Mobile Wallets
- P.6** – Preparing for Upgrading your ATM Operating System
- P.7** – Visa News
- P.8** – Card Perks Attract Consumers
- P.9** – Credit Card Use Increases in 2013
- P.10** – Dissatisfied Customers Moving \$230 Billion out of Banks
- P.11** – Letter from the CEO

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MAP and CU24 introduce peer-to-peer payment solution

Despite all the advances in payments technology in the last decade, the simplest transaction, instantly transferring money from one person to another, still relies on cash. Before now, electronic peer-to-peer payments had to go through a third-party vendor. Today, MAP is working with our partner CU24 in launching Pocke2Pocket, a secure, reliable, fully-branded person-to-person payment solution for credit unions.

Pocket2Pocket (P2P) allows members to make PIN-secured, instant transfers via web and mobile. P2P uses EFT technology to transfer funds, so the intended recipient receives their money in minutes. Even better, there is no pre-registration required for users who want to send or receive money. All that is needed to send money via a web browser or mobile device is the e-mail address and/or mobile phone number of the recipient. The recipient receives a text message or email alert that the funds are available.

The foundation of P2P is Acculynk's patented PIN technology, allowing members to send and receive money in real-time on a debit card. They simply enter their debit



account numbers into a graphical PaySecure PIN pad and then relax, knowing the transaction went through easily and securely utilizing PaySecure's patented PIN pad.

The P2P service can be customized to meet a credit union's specific objectives. A credit union can offer P2P under its own name - one that is trusted by their members, and simultaneously build brand recognition through this cutting-edge service.

By offering P2P, credit unions are tapping into a valuable marketplace. A recent Synergistics study

See P2P on page 9

MAP's 2014 Annual Conference

September 11-12
RiverPlace Hotel

Join us in
Portland for
uConference14



DR. ADAM GAZZALEY

Member Access Pacific is pleased to welcome clients and guest credit unions to our 14th Annual Payments and Users' Conference. MAP's two-day conference will feature leaders from multiple disciplines to help us gain insights on the rapidly evolving payments industry. This year's conference is being held at River Place in Portland on Thursday, September 11 and Friday, September 12.

Friday's program features researcher, author and world leading neuroscientist Dr. Adam Gazzaley's keynote presentation "**Technology, Productivity and What You Can Do About It.**" While we're more connected and technologically advanced than we ever have been, most of us struggle to keep up with the rapid pace and progress of change. Dr. Gazzaley provides a fascinating perspective on how our saturated world of digital media, as well as growing expectations of immediate responsiveness, place excessive demands on our brains. Despite extraordinary complexity and remarkable capabilities, our brains have distinct limitations. Dr. Gazzaley explains how your brain manages the river of data that constantly floods it, exceeds its capacities, and copes with the consequences of this on your performance.

Dan Price, President and CEO of Gravity Payments, is speaking on

"Providing Value...The Most Extraordinary Product of All."

Price has created a business model committed to leveling the playing field in the merchant payment processing industry. By focusing on transparency and service, Price has grown Gravity Payments into one of the top 50 credit card processors in the U.S. with customers in all 50 states. Price's innovative approach and contributions to the small business community have earned



DAN PRICE

him prestigious awards such as the 2010 SBA Young Entrepreneur of the Year Award, 2013 GeekWire Young Entrepreneur of the Year Award, 2009 Seattle Mayor's Small Business Award, and Puget Sound Business Journal's 40 under 40. Price has been chronicled in Entrepreneur Magazine, Inc. Magazine, Yahoo! Finance, Wall Street Journal, Seattle Times, Puget Sound Business Journal, Seattle Business Monthly, Business Week, GeekWire and Forbes.

Kim Malek will speak on her passion for innovation and her desire to open her own business. Before realizing this goal she held positions in marketing and product management at Starbucks Coffee, Yahoo!, and adidas. Most recently she worked on a new online music service with (RED) to raise money to end AIDS in Africa. In May 2011 Malek opened her own small business, Salt & Straw Ice Cream, that seeks to give back to local non-profits with a focus on education and equal rights, believing that these are pillars to a strong local community and essential to building a strong business. Their ice cream has been named editor's pick by Food & Wine Magazine, Bon Appetite, Martha Stewart, Oprah, Saveur, GQ and Portland Monthly. It has also been featured in Andrew Zimmern's Bizarre Foods America, Time Magazine, The Cooking Channel and on ABC's The Chew.



Joining Dr. Gazzaley, Mr. Price, and Ms. Malek will be payment industry experts and credit union leaders from MAP, Visa, and other partners and client credit unions. Speakers will overview the immediate and long-term growth opportunities from member debit, credit, ATM and mobile product portfolios. MAP hosts this small conference each year for credit unions where we bring together industry experts to meet in a relaxed setting for learning and exploring what is happening in the payments industry and how it will impact our members. As an intimate event for select participants, space is limited.

The conference will be held at RiverPlace Hotel in Downtown Portland on the scenic Willamette River. Hotel reservations and conference registration information are available online at uconference14.com. Registration packets will be mailed May 23, 2014.



Industry News

Target breach cost credit unions \$30 million. In December, retailer Target announced that it had suffered a data breach. At least 70 million credit and debit cards were compromised. To date, it is the largest retail data breach in history. Financial institutions were quick to respond, with many reissuing cards that were used at Target during the breach window. In total, U.S. credit unions spent \$30.6 million to reissue cards to their members. That cost does not include the price of fraud monitoring or actual losses as a result of the theft.



Merchants ditch cash registers for mobile POS.

Increasing numbers of retailers are replacing their traditional cash registers with mobile point-of-sale systems (mPOS). Already popular among small merchants, a study by the Yankee Group Technology Roadmap found that more than 60% of U.S. retailers with 500 or more employees had deployed mPOS. Sales associates armed with smartphones and tablets can process payments on the floor and look up product information, creating a more personalized customer experience.

Bitcoin not a threat to traditional payments.

Bitcoin, the digital peer-to-peer currency launched in 2009, has made great strides toward acceptance in the last year. In a short time, it went from a relatively unknown black market cryptocurrency to a global phenomenon. Yet, despite heavy media coverage, Bitcoin will not be usurping the traditional payments infrastructure any time soon. Bitcoin's daily transaction volume skyrocketed from \$6.9 million in February 2013 to \$58 million in February 2014. To put that in perspective, the two biggest payment networks in the U.S., Visa and MasterCard, process that amount every four minutes.

Two-thirds of all noncash payments are made with a card. A new report from the Federal Reserve found that of the 122.8 billion noncash payments made in the United States in 2012, 82.3 billion were conducted with a credit, debit or prepaid card. Card-based payments far outstripped those made by ACH or check, growing 28% since the height of the recession in 2009. Part of the growth can be attributed to online card payments. Card-not-present transactions now account for 25% of all credit card payments.

Continued on page 8

Understanding the market for

Mobile Wallets

Rapid technology advancement and unprecedented innovation coupled with a drive to win consumer share of wallet have placed a spotlight on the payments industry, and digital wallets (or mobile wallets or wallets) have taken center stage. Today, the digital wallet competitive landscape is a fragmented, rapidly evolving space. Will digital wallets win over the consumer audience? Which players will be cast in the lead role, which will play the understudy? And where do credit unions fit in?

What is a Mobile Wallet? Like their physical counterparts, mobile wallets allow consumers to store preferred payment methods (i.e. credit card, debit card, bank account, etc.) on their PC, mobile phone or tablet. This technology lets consumers make purchases at checkout in a physical or on-line store without using their physical wallet.

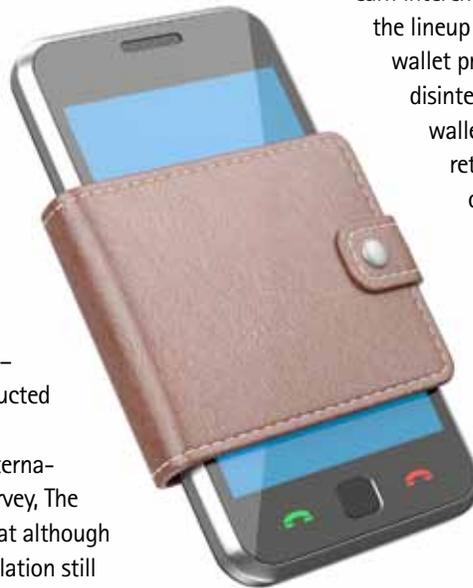
Digital wallets are a hot topic in financial services – and with good reason. According to a survey conducted by PayPal, “86% of consumers would rather leave traditional wallets at home in favor of a mobile alternative.” Comscore’s 2013 Digital Wallet Roadmap survey, *The Fast Lane to Driving Consumer Adoption*, found that although there is great interest, over two-thirds of the population still have concerns that will need to be addressed prior to greater adoption. 47% of survey respondents rated security, safety, theft and loss of phone as the leading drawbacks to wallet use. 62% believed digital wallet technology seemed useful, with 29% having no concerns about the product.

Mobile Wallets and Interchange. The current environment is one of consumer lack of understanding regarding wallet functionality and security. Interestingly, the key denominator throughout Comscore’s survey was that even though consumers demonstrated a decent conceptual understanding of wallets, they lacked clarity on key details that could impact their intent to use a digital wallet and understanding of the wallet security benefits such as alerts and increased privacy. Why is this important? For as long as anyone can remember, electronic transactions have carried fees for processing. These fees, or interchange, generate revenue intended to offset issuer card product expense, and to sustain the security and success of the consumer commerce experience. Now, some acquiring businesses

are rapidly moving towards less conventional methods of payment processing to drastically reduce – or even eliminate – the traditional fees processors and issuers depend on. Wallets, like those offered by Amazon and PayPal, offer ACH as a payments method. ACH is a more costly transaction and offers zero interchange income.

So far, payment cards that are used in mobile wallet transactions still earn interchange income for card issuers. But if you look at the lineup of brands behind some of the leading mobile wallet products, you’ll see that there’s a potential for disintermediation. For example, MCX – a mobile wallet backed by Walmart, Target and several other retailers – may be a play for an increased share of interchange fees. And Isis – a joint venture between wireless phone providers Verizon, AT&T and T-Mobile – may ultimately leave card issuers out of the payment loop altogether.

Battle for Supremacy. Big players are investing in this space. Yet even big, innovative companies aren’t necessarily making headway. In the past, Google Wallet was the product to watch. Lately, the trade press has been all but proclaiming its death.



Mobile technology icon Apple remains a wild card in this field. Apple’s current wallet offering, Passport, doesn’t allow users to carry and deploy credit or debit cards for payment. Passport does enable storage and usage of proprietary gift cards from participating merchants. CashStar, the company that makes the digital gift cards used in Passbook, reported in *USA Today* that “millions of dollars” in gift cards have already been added to Passbook since it debuted in fall 2012. Also, Apple left Near Field Communication (NFC) out of its iPhone 5, instead focusing on iBeacon technology that uses Bluetooth Low Energy (BLE) to conduct in-store transactions. They’ve filed for a patent on a digital wallet product. With millions of iPhone users already in play (and the incorporation of a fingerprint scanner on the newest iPhone 5S model) Apple could conceivably take over the mobile wallet market in one fell swoop.

The Future of Mobile Wallets. Mobile wallets still have a long way to go before they enter the mainstream. According to a study con-



The Wallet Wars

ducted by the Yankee Group, the largest wallet, PayPal, was used by 15% of mobile phone owners. By comparison, Starbucks' popular app was used by 6% of phone users and Google Wallet by 4%. Still, a full 76% of mobile phone users in the United States have never used a mobile wallet. The market is expected to explode once a front-runner emerges. Mobile wallets will generate an estimated \$58 billion by 2017, up from just \$539 million in 2012. Mobile wallets are just on the cusp of wider adoption. Javelin Strategy recently surveyed smartphone users and discovered that 3 in 10 were likely to start using a wallet application in 2014.

Why V.me Works for Credit Unions. For many credit unions, mobile wallets represent a threat to their credit and debit revenue streams. V.me offers credit unions a secure mobile wallet for their members that promotes Visa and the credit union's brand. By encouraging members to use V.me, credit unions encourage card use that generates interchange income. Many third-party applications, like PayPal Wallet, process transactions through ACH, which costs credit unions money. Worse still, Google Wallet's new card aims to replace debit cards altogether and Isis leaves sensitive payment information in the hands of mobile carriers Verizon, AT&T and T-Mobile. Visa's solution has broad acceptance at thousands of online and brick-and-mortar merchants and it supports contactless NFC payments, making it easy to pay with your phone. Online, V.me offers enhanced security by replacing card numbers with a single login.

Credit unions have the opportunity to jump into the expanding world of mobile payments with V.me. With a mobile wallet as part of their existing mobile banking solution, credit unions can give their members access to new technology backed by Visa. As a marketing tool, a mobile wallet offering conveys to members and potential members that the credit union is forward-thinking, technologically savvy and committed to providing convenient tools.

With digital wallets set to increase in popularity this year, many credit union members will be shopping for a wallet solution that meets their needs. By supporting V.me, credit unions can strengthen member relationships, retain their interchange revenue, provide an alternative to third-party apps and be a part of a growing payment technology that is expected to reach 9.4 million users by 2016.

As digital wallets gain acceptance, the question remains: Which solution will win over consumers?

 Google Wallet allows customers to store credit, debit and prepaid cards to use at the point of sale through its smartphone app or online. Despite initial hype, Google Wallet fell flat with both consumers and merchants.

 PayPal's wallet represents a greater threat to bank and credit union offerings. Unlike Google, it has a reputation for delivering secure transactions and a high adoption rate with online merchants.

 Isis is a wallet created by mobile phone carriers Verizon, AT&T and T-Mobile. Isis also requires an enhanced SIM card that incorporates a secure element to protect sensitive card data. The service has not enjoyed widespread use.

 The Starbucks mobile app is arguably one of the most successful mobile wallets currently in use. Using a QR code that gets scanned at the POS, the app provides offers, the ability to refill their account from a debit or credit card, and a reward program that allows customers to earn free drinks and snacks.

 MCX (Merchant Customer Exchange) is big box retail's answer to other mobile wallet solutions. Pioneered by Walmart, Target and many other large retailers, the app has yet to debut.

 Amazon has not yet launched a mobile offering, but it currently has a digital wallet online. There is a lot of speculation that Amazon could add a wallet to its popular Kindle devices.

 Square has already made its mark as a mobile payments company, allowing merchants to turn a smartphone or tablet into a card reader. The Square Wallet has seen limited adoption, relying on its existing network of retailers to function.

Ready to upgrade your ATM's Operating System?



For ATM fleets still running on Windows XP, it's time to upgrade to Windows 7. Microsoft will end support for the 12-year-old XP operating system on April 8, 2014. While Microsoft will continue to provide updates to its security products (antimalware engine and signatures) through mid-2015, credit unions wishing to receive technical support, protect their ATMs with the advanced security features of a modern operating system and maintain PCI compliance will need to upgrade.

MAP is working with Diebold and Visa to coordinate upgrades for client credit unions that have not yet migrated their ATMs to Windows 7. Credit unions must upgrade their ATMs to stay compliant with PCI guidelines that require current operating system patches and software support, which will no longer be available for the old system.

To begin the upgrade process, credit unions must first contact Diebold to have a technician audit their ATMs for hardware compatibility. Machines utilizing Breckenridge processors will have to replace them with newer, more powerful Sierra processors. Also, clients should be aware that their ATMs will get new terminal IDs

and host IP addresses and ports during the upgrade process.

Next, MAP's Implementations department will submit the project to Visa DPS. Diebold will work with the credit union to select a pilot ATM to upgrade to Agilis 3 for Windows 7. After a successful pilot, the rest of the ATMs will be upgraded and certified. The length of time needed to complete depends on how many ATMs are in the credit union's fleet.



MAP recommends that credit unions begin the process as soon as possible. Reserving time for ATM Certification with Visa is currently taking up to eight weeks from when the project is submitted to Visa. NCR ATMs will also need to upgrade this year. Upgrading to APTRA Edge 5 for Windows 7 is expected to be available in the second quarter of 2014. Windows 7 holds several advantages over its predecessor, including fewer maintenance issues and a modern user interface that will support swipe gestures and scrolling much like a tablet or

smartphone screen.

For more information on how to upgrade your ATMs, contact Joyce Carter at joyce.carter@mapacific.com or (206) 787-1613.



2014 FIFA World Cup Financial Soccer Game

Ready for the World Cup! Visa's New 2014 FIFA World Cup Financial Soccer Game will put your financial skills to the test with the new Brazil-branded version of Visa's fast-paced, multiple-choice question game. The updated game, which features improved graphics and additional questions, tests players' money management skills as they advance down the field and try to score. Educators can use the study modules to help students get ready for gameplay. If you're warmed up and ready to play, check it out at www.financialfootball.com.

Financial Football is part of Visa's free financial education program, Practical Money Skills www.practicalmoneyskills.com, which offers educational resources for educators, parents and students including personal finance articles, additional games, lesson plans and more.

ATMs are not the only systems at risk.

Credit unions need to update all systems running Windows XP. Microsoft warns there are genuine and important issues you should be aware of:

Security risk. Without critical updates, your PC will be susceptible to attacks that take advantage of vulnerabilities. These attacks not only cause downtime but can also put your customers' information or your own business data at risk.

Discontinued support. Because our updates often fixed problems before you were aware of them, you may have never needed our tech support. But now that these updates are to stop, new problems may arise—only now there will be no one to contact for tech support.

Downtime. The risks of system failure and business disruption could increase because of the End of Support, lack of supported software, and aging hardware running Windows XP. Even a system running an updated anti-virus or modern browser is not safe from potential issues that may cause downtime.



Thank you

Visa News

Visa introduces cloud-based mobile payments. Visa is adding new security features to Visa PayWave. Now clients will have the option of hosting PayWave accounts in a secure, virtual cloud. Visa's cloud functionality comes on the heels of the introduction of Host Card Emulation for Android devices, which allows a phone running an Android operating system make payments directly from their phone.



Visa stands by EMV liability shift date. Visa's CEO Charles Scharf responded to rumors in January that the company might move the planned liability shift deadline for EMV transactions. Scharf said that Visa was sticking to the October 2015 date, when responsibility for fraudulent transactions at the point-of-sale will move to the merchant, acquirer or issuer that doesn't support the new EMV standard. The measure is designed to encourage widespread adoption of EMV-enabled POS devices.

Visa Mobile App Redesign Coming this Spring. Visa DPS Mobile Card Services has announced that it will be releasing a newly designed user interface for its mobile apps. The redesigned apps will run on both Android and iOS devices. The app's new look will be made available as part of DPS Mobile Service's maintenance release on March 2. The enhancements being rolled out as part of the new DPS Mobile Services 2.0 mobile applications include a consolidated platform supporting credit, debit and prepaid cards, regardless of the processor; a fully redesigned user interface with streamlined process flows, simplified navigation and new color, logo and card art branding options; URL to issuer-hosted Terms and Conditions, Privacy Policy, About Us and Contact Us content; and the sunset of the desktop enrollment website for prepaid mobile services.



Industry News

Continued from page 4

Mobile wallets continue to grow despite clear frontrunner.

The steady growth of smartphone adoption around the world has led to a corresponding increase in people wanting to give up their cards and cash in favor making payments with their phones. In 2013, global mobile payment transactions topped \$235.4 billion – a 44% increase from the previous year. Companies are rushing to grab a share of the market, with Google, PayPal and Starbucks among those who launched a mobile wallet. Yet, despite their popularity, they are divided over what technology will enable those payments. Some operate with QR codes, others transmit via NFC or BLE. Currently, none are positioned to dominate mobile payments.

Prepaid shows no signs of slowing down.

Since the economic downturn, prepaid cards have been exploding in popularity. Once used primarily as last minute birthday gifts, prepaid cards are now used with increasing regularity by employers, students and unbanked populations as an alternative to credit or debit cards. In 2012, Americans made 2.78 billion payments with prepaid cards totaling \$99.5 billion.

A New Bitcoin Fund.

Several big investment firms, including Fortress Investment Group and Pantera Capital, are teaming up to create Pantera Bitcoin Partners, LLC, a hedge fund that buys and sells virtual currencies. The New York Times notes "the creation of the partnership represents a significant step in the push to move Bitcoin into the financial mainstream at a time when several well-publicized claims of theft have pointed to potential weaknesses in the digital currency economy."



NACHA to move to same-day settlement.

The Electronic Payments Association has announced that it is taking initial steps towards same-day ACH settlement capability. Through a "phased approach" to implementing new functionality, NACHA seeks to move the ACH Network from today's single, next-day settlement to multiple, same-day settlement options that would be available for virtually any ACH Network transaction. The first phase would support use cases such as payroll, person-to-person (P2P) payments and expedited billpay. A second phase would introduce same-day ACH debits and enable a wide variety of consumer bill payment use cases like utility, mortgage, loan and credit card payments. A third phase would add a second same-day settlement and accelerate funds availability.

Card Perks Attract Members

Cash-back credit cards, low interest rates and celebrity endorsements draw the interest of many consumers, but those same consumers also have proved loyal to their original card issuers, according to results from a new survey.

A CardRatings.com survey of 2,000 adults found that while many consumers are tempted by new credit card features, 63.1% of those surveyed have had one of their current cards for more than five years, while 37.5% have held onto at least one card for more than 10 years.



Consumers ages 50-64 show even greater loyalty – or maybe just longevity – with 76.5% holding onto at least one card for more than five years and 60.9% holding onto a card for 10 years, CardRatings.com said this week.

However, just because these cards are still in wallets, does not mean they are being used. Roughly half of the survey respondents said they no longer use their oldest credit card. The cards that are being used are newer cards, and 35.2% of respondents have acquired a new card within the past year and 55.6% have added a card within the past two years.

Currently, those ages 50-64 show the largest levels of credit card accumulation, with 31.8% having four or more cards. By comparison, 21.3% of consumers ages 30-39 have four or more cards, and 9.3% of respondents ages 18-29 have four or more cards.

Card history and usage also differs based on gender, with 45% of women surveyed have owned one of their current credit cards for at least 10 years, compared with just 29.7% of men. Men also are more likely than women to have added a card within the past two years, by 59.3% compared to 52%. However, both men and women are split pretty evenly on whether or not they actually still use their oldest credit card.

When it comes to the incentive to sign up for a new card, women are more likely to be attracted by non-financial benefits, such as concierge services, with 22% of women citing that as the reason behind their most recent card, compared to 17.7% of men. Men prefer cards with sign-up bonuses, with 15.3% of men citing that as a reason for a new card, compared to just 10.3% of women, the CardRatings.com survey found.

In a sign that consumer confidence and the economy are rebounding, Americans used their credit cards to make more purchases last year. Many cardholders cut back on their spending during the recession, but new reports indicate that consumers are once again reaching for plastic to pay for goods and services.

The Nilson Report found that purchases made with consumer and commercial credit, debit and prepaid cards increased 7.9 percent from 2012. Cards issued by all major American issuers generated a record \$4 trillion. Visa debit cards accounted for the lion's share of all card purchases, generating \$1.187 trillion in purchase volume.

"Visa debit cards remain the most popular payment method of American consumers, followed by Visa credit cards," said David Robertson, publisher of the Nilson Report.

American credit card balances are increasing for the first time since the economic downturn, reaching \$683 billion in 2013. According to *The Washington Post*, the majority of this growth is coming from low-risk card holders with high credit scores. Credit card debt is the third largest source of household indebtedness. Only the mortgage and student loan debt markets are larger. In total, American consumers owe:

- \$11.52 trillion in debt (an increase of 1.6%)
- \$856.5 billion in credit card debt
- \$8.05 trillion in mortgages
- \$1.080 trillion in student loans (an increase of 11.8%).

	Total Credit Card Debt	Average Household Credit Card Debt	Average Indebted Household Debt
December 2013	\$856.5 billion	\$7,115	\$15,252
Change from November	-0.05%	-0.12%	-0.12%
Change from December 2012	0.78%	-0.03%	-0.03%
Change from November, annualized	-0.58%	-1.39%	-1.39%

Source: Federal Reserve



Credit Card Use Increases in 2013

P2P

Continued from page 1

found 4 out of 10 households with Internet access had heard of P2P payments. According to the survey, awareness was highest (54 percent) for people between the ages of 18 and 34.

The opportunity to be "first" in offering P2P services is huge for credit unions. Moreover, P2P is the first credit union solution to knock down the primary barriers to adoption. The first barrier is that desire for members who want to go "cashless." As Mansel Guerry, President and CEO of CU24, explains, "P2P gives members a virtual ATM that allows them to send money to a friend or family member via their smartphone. For example, if we go to lunch and you pick up the tab and I owe you \$15, I don't have to worry about tracking you down, or mailing it to you. This is a service that helps small to midsize credit unions stay toe-to-toe with the big banks and larger credit unions that have deeper pockets and greater resources."

Another major obstacle to adoption has been the speed and efficiency of existing P2P payments. First Annapolis Consulting conducted a recent study of how long it takes to complete a P2P transaction finding faster P2P solutions like Pocket2Pocket were preferred and

more likely to be adopted by members.

It is essential for credit unions to offer new services like P2P in moving members along the curve to mobile payments. Mobile banking adoption, which offers high transaction volumes and is a lower-cost channel to serve, is what will provide for a credit union's long-term interests while preventing members from going outside the bank to other payment providers.

P2P constitutes a trend toward social payments that make life (and banking) easier for members. P2P will help credit unions strengthen relationships with members and reduce migration to third-party peer-to-peer enrollers by providing access to a network of 150 million cardholders. The service also revives the credit union's debit business line by creating net new transaction volume. P2P also provides potential members with a compelling reason to switch financial institutions.

With MAP and CU24's Pocket2Pocket payment solution, credit unions can offer a flexible, secure, simple and fast way to send money securely with just the tap of a button. For more information about adding Pocket2Pocket (P2P), please contact Mike Reynolds at mike.reynolds@mapacific.com or 1-866-598-0698 x1628.

Frustrated bank customers are looking to switch

Study Projects Top 10 Retail Banks in the U.S. to Lose a Combined \$92 Billion in Deposits and \$5 Billion in Revenue in the Next Year

The ten largest retail bank brands in the U.S. stand to lose a combined \$92 billion in deposits next year. Smells like opportunity for everyone else.

A multiyear study from cg42 ranks the top 10 most vulnerable national retail banks in the U.S. According to the analysis, Citi is now the bank most vulnerable to losing customers, deposits and revenue. Two years ago, that was not the case, back when BofA was the most likely to see high attrition and defections. BofA now ranks third.

The report is a follow-up to cg42's previous research back in 2011. The study is based on a proprietary "Brand Vulnerability Index" (BVI) that measures consumer frustrations and calculates the risks associated with each bank brand.

Brand Vulnerability is a measure of a brand's level of risk for increased customer attrition, decreased acquisition effectiveness, and the associated financial loss based on an analysis of the frequency, impact, and uniqueness of the frustrations their current customers experience.



Top 10 Most Vulnerable Big Banks

	Customers Projected to Switch in the Next Year	Deposits Lost in 2014 (\$USD Billions)
	11.4%	\$18
	10.5%	\$14
	10.5%	\$45
	10.3%	\$18
	9.6%	\$40
	9.3%	\$7
	9.3%	\$56
	8.8%	\$12
	8.8%	\$10
	8.6%	\$10

Researchers examined four components of brand vulnerability: frequency of customer frustrations; customer sharing behavior (for example, disclosure of frustrations on social media); the impact of frustrations on customer behavior; and the uniqueness of those frustrations to a particular bank. Responses were collected from 3,662 customers, analyzed, then modeled to yield the rankings. 26% of customers said they are frustrated with their primary bank. cg42 estimates that this puts customer deposits totaling a whopping \$627 billion in jeopardy at the top 10 banks, \$92 billion of which is projected to exit in the next 12 months, a mild improvement from the 2011 findings when \$675 billion was at risk and projected losses were \$185 billion.

Key findings from the study show that 63% of bank customers believe that banks merely claim to have their interests at heart but in fact only care about their own interests, an improvement from 2011, when 71% believed this to be the case. Finally, the 2013 results found that consumers are uncomfortable with how large the major banks have become.

Letter from the CEO

Real-life Response with Real-time alerts

When news broke about the theft of Target customers' 40 million credit and debit card accounts over the 19-day period from Thanksgiving to Dec. 15, issuers of those cards quickly notified their cardholders. Communication is an important tool in fighting fraud and Gesa Credit Union is armed with one of the best tools for detecting and stopping fraud, Real-Time Mobile Alerts from Visa.

Real-Time Mobile Alerts allow Visa cardholders to set thresholds that will trigger an immediate transaction alert via text message, email or push notification to a mobile device. Once an alert is received, a member can verify the transaction details, and if the transaction appears to be irregular, they can immediately contact the credit union to help stop further transactions on the card.

In an effort to empower members to take a more active role in protecting their accounts, Gesa quickly got the word out to its members about enrolling in the alert service and registering their Visa debit and credit cards. Research shows that cardholders enrolled in card-based alerts have a lower fraud-run (the time between the first and last fraud), have fewer fraud incidents, and lower fraud rates.

According to a study of Visa enrolled accounts, the fraud-run for cards with alerts is as much as 2 days less. Real-Time Alerts can also reduce the number of multiple incidents as much as 20 percent. Most convincing, the average dollar amount lost to fraud per account was more than \$200 less for cardholders with Real-Time Alerts.

"We see Real-Time Mobile Alerts from Visa as one of an arsenal of tools we use for detecting and stopping fraud early," states Jeff Gegen, Gesa's Vice President of Product and Risk Management. "As criminals become more sophisticated at stealing card and account information, we need to be especially vigilant fighting fraud and enlisting our members to help us."

Released this month is a new report from the Federal Reserve, *Consumers and Mobile Financial Services 2014*, that reinforces the importance of 'alerts' for financial institutions that are investing in mobile banking. According to the Fed's survey, 51 percent of smartphone owners have used mobile banking in the past 12 months. More than half (53 percent) of those people receive e-mail alerts and 43 percent receive text message alerts. Among those receiving alerts, 38 percent receive "fraud alerts." Most revealing for the report, nearly all consumer who received an alert say they took some action in response, with only 19 percent saying they took "no action."

At MAP, we strive to make our clients more competitive by providing payments solutions that best serve their members. Our success comes from providing cost effective, best-in-class solutions for our clients. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0898, ext 1610 or email me at cyndie.martini@mapacific.com.



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