MEMBER ACCESS PROCESSING
Payments Report

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Happiness Report reveals quality card processing = happy members

While credit unions exist to improve and support the financial wellbeing of their members, they often rely on traditional metrics – mostly financial – to evaluate their performance. Key Performance Indicators (KPI) used by credit union boards and leaders include loan growth, interest income, and even product penetration. Yet many of these KPIs don't gauge members' wellbeing or financial strength, the true aim and mission of most credit unions.

At MAP, we believe in balancing traditional KPIs with metrics that weigh members' engagement, assessment, and wellbeing.

One tool we use is the Annual Happiness Payment Report, an annual survey of credit union leaders' satisfaction with their card processing solutions. We believe that happy credit unions make for happy members. This year's report reflects the mood of the nation as it confronts the pandemic and its economic fallout.

Consistent with prior year's surveys, the respondents were happy with their credit unions' Card Payment and Online Banking services. The report revealed that just over half were "Very Happy" with their debit (56.54%) and credit (57.01%) programs. However, the importance of

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Happiness Report

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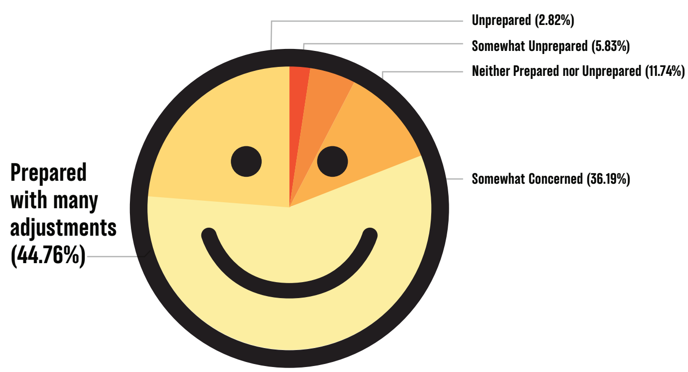
the card processor jumped significantly. In 2019, 54.76% of respondents said that their card processor was "Very Important" to the success of their credit union. Respondents stating their card processors were "Very Important" increased by more than 12 points in 2020 to 65.89%

"Payments continue to grow in importance for members and credit union leaders alike," said Cyndie Martini. "The success of a credit union's payment portfolio – debit, credit, mobile, digital – is pivotal to success and long-term viability of the credit union," she said. This year's Annual Happiness Payment Report is proof that credit unions see the importance of payments in driving the rest of their business.

The Happiness Report also asked about credit unions' response to the pandemic. Overall, the pandemic took its toll on credit unions according to survey respondents. While most (79.81%) said they were prepared, more than half said they had to make many adjustments (55.87%), with just about a quarter (23.94%) claiming there were few or no adjustments necessary. Nearly half (48.13%) stated the pandemic was "Very disruptive" to day-to-day operations and only 6.54% said it was not at all disruptive.

In General, How Prepared Do You Feel Your Credit Union Was to Handle the Pandemic?



The pandemic may have contributed to another significant change from the prior survey. In 2019, respondents stated they were happiest with Card Payments from a list of services that included online and mobile banking, member and business lending, mortgage and home loans and investment services. This year Business Lending topped the list, followed closely by Card Payments. We posit this is a result of credit unions' business lending representatives intrepid response to service the Paycheck Protection Program (PPP) loans.

UCONFERENCE 21

SAVE THE DATE

MAP's Annual Conference: August 19 - September 16

Member Access Processing is pleased to welcome client and guest credit unions to attend our 21st Annual Payments and User's Conference, a multi-day, online event for credit union professionals to learn about the rapidly evolving payments and financial services industry. In keeping with current social distancing practices, MAP will hold it's annual conference online. This year's conference will kickoff on Thursday, August 19.

We have scheduled sessions on consecutive Thursdays, beginning August 19 and continuing through September 16 to best accommodate attendees' schedules. The online event is for credit union professionals to learn about the rapidly evolving payments and financial services industry.

Our first session is scheduled for Thursday, August 19 and will include our traditional welcome kickoff followed by a keynote presentation from John Oliver. John will present "Disruption, Disintermediation and The New Reality," where he challenges the status quo credit unions as financial intermediary. He contends that the role of credit unions is changing, and it is essential that we understand the shifting forces that will allow the adaptable among us to seize the tremendous opportunities that exist. Ultimately it is our choice: keep doing what we've done so successfully for hundreds of years but with diminishing returns and diminishing relevance in society, OR be brave enough to break the model and start over.

John Oliver

The second session of the conference is scheduled for Thursday, August 26 featuring Dr. Louise Beaumont. Dr. Beaumont will talk about money and trust around the globe. What are innovators doing right now with money? How are consumers managing it, borrowing it, saving it, moving it? She'll dive into what that means for trust. What new products and services, and new ways of engaging are capturing the trust of market segments such as students, home buyers, and businesses?

Louise Beaumont

Presentation during the weeks in September will include product and service updates from MAP and Visa business leaders.

MAP offering services to enhance CU competitiveness

As online banking becomes the norm, credit unions are poised to deploy new technologies and attract new members. In response, MAP is offering a new service, with several more to come later this year, that will help credit unions attract and serve new members. RAZR, is a reward program for new customers.

"We're thrilled to launch to this new innovative service through our partner, RAZR," said Cyndie Martini, MAP's president and Chief Executive Officer. "Credit unions are constantly looking for fresh perks to attract new members and give them a gratifying banking experience. This is exactly what RAZR's gift with acquisition provides and we're happy to help our credit union partners fulfill this opportunity in an easy to implement manner."

RAZR, a partner of MAP, specializes in relationship reward and loyalty solutions, serving over 500 banks and credit unions in the U.S. and Canada. RAZR's gift with acquisition is an incentive promotional program to attract new credit union members. With this program, credit unions can offer their members a gift after they fulfill a certain action. Such actions include but are not limited to, opening a savings account, applying for a loan, or applying for a credit card. Each credit union can shape the service to its own needs and decide which actions will trigger a reward. The program takes less than two weeks to set-up and activate.

"At MAP, we realize that banking is increasingly becoming a digital experience, and this of course includes credit unions," said Cyndie Martini, MAP's Chief Executive Officer. "We're launching these services to give credit unions a competitive edge in technology. Once the playing field is levelled, credit unions, which have traditionally had the best customer service in the banking industry, can acquire and hold new members."

RAZR's gift with acquisition is part of MAP's yearlong rollout of new products and services for the credit union and regional banking industries. MAP's legacy of excellence in payments and bankcard services give the company an advantage as the entire banking industry shifts to card payments and online access as the access points of choice for all banking customers and members.

Industry News

Researchers Discover more Malware Used in SolarWinds Attack. Researchers with Microsoft and FireEye are disclosing additional malware used by the hacking group that targeted SolarWinds in December 2020. The newly discovered malware appears to be second-stage payloads deployed by the hacking group after victimized organizations downloaded a Trojanized software update to SolarWind's Orion network monitoring platform, which contained a backdoor dubbed "Sunburst," the reports note.

Consumer Credit Card Debt Hits Lowest Point Since 2017. The decline in credit card borrowing offset overall borrowing gains in vehicle and student loans, according to a Federal Reserve report. The Fed indicated that consumer borrowing dropped $1.3 billion two months ago, the first decline since August's $9 billion drop. Consumer borrowing — a metric that accounts for two-thirds of the country's economic activity — measures the average person's willingness to finance spending. The COVID-19 pandemic caused many people to increase savings and spend less as the economy remained shaky.

Fraud attacks skyrocketed in 2020. According to the recent Feedzai report, consumers got swindled by purchase, impersonation, money mule schemes, and account takeover scams at a record pace in 2020. The report's key takeaways showed a 650% Increase in Account Takeover (ATO) Scams, a 250% Increase in Online Banking in Attempted Fraud on Online Banking, a 178% Fraud Rate Increase for Digital Media, and a 48% Drop in Card Present Fraud Attacks. Across the board, the pandemic was a boon for fraudsters and a burden for consumers. When it comes to transfers fraud, criminals were more drawn to the following five fraud schemes than to all others. (1) Impersonation Scams – 23%; (2) Purchase Scams – 22%; (3) Account Takeover Scams – 22%; Investment Scams – 6%; and Romance Scams – 3%.

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Despite tough economy, credit card debt drops by 9 percent

In 2020, millions of Americans filed for unemployment, while millions more shifted from commuting to an office daily to working from home full-time as a result of the pandemic. Stay-at-home orders across the country means that people are dining out, shopping and traveling less. And as a result, many have seen significant changes to their daily spending. And these changes are having a positive impact on their credit usage.

Experian's latest data shows a record drop in credit card balances in 2020, after almost a decade of consistent growth. For eight consecutive years, consumer credit card debt (not just statement balances) grew to hit a record high of $829 million in 2019, right before the onset of the pandemic.

But in the past year, balances decreased by 9%: total U.S. outstanding credit card debt is now around $756 billion, the lowest point since 2017. At least part of this reduction in credit card debt might be attributed to relief from the CARES Act, including the suspension of student loan payments and the one-time $1,200 stimulus check. Though Congress continues to negotiate for further relief, these stimulus measures may have provided some Americans wiggle room to get a handle on their high-interest credit card debt.

Aside from the fact this occurred during an economic recession, the decrease is notable because it marks the first drop in any type of debt since 2013. Until 2020, all debts—including mortgage, auto, personal loan, student loan and credit card—had been increasing year over year since 2014.

While people still opened new credit card accounts in 2020, it was at a much lower rate. Consumers in the U.S. opened 12 million new credit card accounts this year, Experian data found, compared to 21 million new credit accounts added in 2019. In past years, growth in new accounts typically coincide with rising debt balances, the Experian report states. But this is the first time in the 14-year history of this analysis that the company has recorded a lower debt burden alongside an increase in accounts. This implies that new accounts are being used to pay off debt (such as with 0% APR balance transfer cards) or that customers are using new cards responsibly while paying off old debt on cards they already have.

Despite the tough economic conditions, many Americans have not been relying on credit to make ends meet. Consumers have seen their average credit card balance decrease by $879, a 14% drop from 2019. Average individual credit card debt has not decreased year over year since 2011.

Lower credit card balances contributed to the lowest average credit utilization rate of we've seen in at least 10 years, at 25% (compared to 29% in 2019). There have been fewer late and missed payments for credit card accounts in 2020, too. The percentage of delinquent accounts across 30-, 60- and 90-days-past-due periods have all decreased.

Credit utilization is the second most important factor in credit score calculations and is a measure of how much available credit a consumer is using on their credit card accounts at a given time. Those who can reduce their utilization could see higher credit scores—and thus typically better rates and terms when applying for credit. Given that average credit limits shrank for many consumers this year, the fact that credit utilization is at a record low speaks to the transformative impact of paying down debt. Along with the decrease in credit utilization, the average U.S. consumer credit score also rose to a record high of 710 in Q3 2020. That's an increase of seven points since 2019.

It was the first time in five years that there hasn't been a year-over-year increase. The last time Experian reported a reduction in delinquency rates was 2014. By making payments on-time, cardholders protect both their credit score and overall financial health.

This year has certainly been a challenge for most American families, but a change in spending habits might not be a bad thing. The pandemic has allowed many people to rethink their finances, and the end of the year is a good time to reflect on how you might apply these positive changes going forward into 2021 and beyond.

U.S. consumer spending accelerated to start 2021

Retail sales, excluding autos, rose 5.3 percent month-over-month (MoM) in January, a 6.1 percent increase over last year's level. Sales rose across all major category groups with department stores, electronics and furniture stores posting the strongest gains relative to December. Control group sales,* which feed into the calculation of GDP, rose 6 percent suggesting a robust start to real consumer spending for Q1. A sharp downward revision to December control group sales implies a likely downward revision to the published Q4 real spending estimate.

Disposable income growth in December rose 4.7 percent from a year ago, supported by unemployment insurance, pandemic unemployment compensation and supplemental unemployment benefits. Government social benefits, which capture unemployment insurance benefits, rose 20.8 percent year-over-year (YoY). Payouts for unemployment insurance rose 14.3 percent in December after falling for five consecutive months.

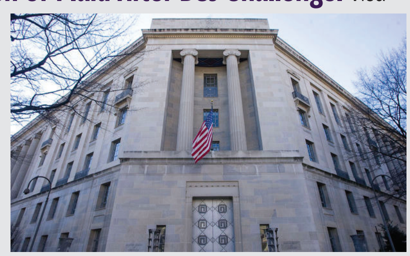
Consumer prices rose 1.4 percent YoY in January, signifying an acceleration of inflation. Prices for retail gasoline, shelter and medical care services all rose month-over-month, creating upward pressure on consumer prices. The Consumer Confidence Index improved in January to 89.3, up from 87.1 in December. Respondents with household income of $15k-$25k were the most encouraged in January, while those with income of $100k-$125k were the most discouraged.

"The solid retail sales for January suggest that the December stimulus package had a higher multiplier effect on consumer spending once restrictions were lifted across a wider part of the country," said Michael Brown, Principal U.S. Economist. "The data suggests a solid start to 2021."

Visa News

Debit spending uplifted Visa's fiscal Q1 2021. The card network's overall payments volume grew 5% year over year (YoY) in its US and international markets, reaching a value of $2.47 trillion in its fiscal Q1 2021 (ended December 31, 2020). Visa's debit growth helped offset declines in credit volume—a trend that's been taking place throughout the pandemic, according to Visa chairman and CEO Al Kelly. In its fiscal Q1 2021, Visa posted a 17% annual spike in debit payments volume. Although this is a slight deceleration compared with its previous quarter, when volume grew 20% YoY, growth is notable considering that factors such as high unemployment during its latest quarter likely impacted consumers' access to funds. Meanwhile, Visa's credit payments volume deflated in the quarter—likely driven down by pandemic-induced fear of debt accrual. Credit payments volume slipped 6% YoY on a constant currency basis during Visa's fiscal Q1 2021.

Visa Abandons Acquisition of Plaid After DOJ Challenge. Visa has abandoned its $5.3 billion planned acquisition of financial-technology firm Plaid Inc. amid a Justice Department antitrust lawsuit that challenged the deal. The DOJ sued to block the deal in November, alleging the acquisition would allow Visa to unlawfully maintain a monopoly in the online debit-card market. Plaid, the government argued, was a nascent but important competitive threat to Visa, and eliminating that threat would lead to higher prices, less innovation and higher entry barriers for online debit services. Visa initially vowed to fight the government, and a trial was scheduled for June in a California federal court. Visa and Plaid mutually agreed to end the deal. Al Kelly, Visa's chairman and chief executive, said that he believed the companies would eventually have won a legal battle because Plaid's services complemented Visa's.



Visa Back to Business Study – 2021 Outlook. As a society, we are still in the midst of enduring changes caused by the Covid-19 pandemic. Throughout 2020, as consumer habits changed drastically around buying and paying for things, experts were wondering just how permanent many of the changes were. According to a new study, Covid will have a lasting impact on the way consumers shop and pay and how businesses meet those

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Future of Fraud Forecast: fraud trends to anticipate in 2021

With the growing threat of fraud fuelled by the digital acceleration that took place in 2020, the 2021 Future of Fraud Forecast reveals five emerging fraud threats facing businesses.

The rapid increase in digital use created a perfect storm for fraudsters to quickly find new ways to steal funds, capitalising on consumers' lack of familiarity with digital platforms and the resource constraints faced by many businesses, according to Experian.

In fact, from January 2020 to early January 2021, the Federal Trade Commission released that consumers reported over 275,000 complaints resulting in more than $210 million in COVID-19-related fraud loss. Because of this, it's critical for businesses to anticipate potential new fraud schemes to prevent losses and protect customers.

To help businesses prepare for fraudulent activity in 2021, Future of Fraud Forecast highlights five fraud threats businesses should be aware of this year:

Putting a Face to Frankenstein IDs: Synthetic identity fraud – when a fraudster uses a combination of real and fake information to create an entirely new identity – is currently the fastest growing type of financial crime. The progressive uptick in synthetic identity fraud is likely due to multiple factors, including data breaches, dark web data access and the competitive lending landscape. As methods for fraud detection continue to mature, Experian expects fraudsters to use fake faces for biometric verification. These "Frankenstein faces" will use AI to combine facial characteristics from different people to form a new identity, creating a challenge for businesses relying on facial recognition technology as a significant part of their fraud prevention strategy.

"Too Good to Be True" COVID Solutions: With the distribution of vaccines underway and wider availability of rapid COVID-19 testing, Experian expects that fraudsters will continue to find opportunities to capitalize on anxious and vulnerable consumers and businesses. Everyone needs to be vigilant against fraudsters using the promise of at-home test kits, vaccines and treatments as means for sophisticated phishing attacks, telemarketing fraud and social engineering schemes.

Stimulus Fraud Activity, Round Two: For Americans suddenly out of work or struggling with the financial fallout from the pandemic, 2020's government-issued stimulus funds were a welcome relief, but also an easy target for fraudsters to commit scams. Experian predicts fraudsters will take advantage of additional stimulus funding by using stolen data from consumers to intercept stimulus or unemployment payments.

Say 'Hello' to Constant Automated Attacks: Once the stimulus fraud attacks run their course, Experian predicts hackers will increasingly turn to automated methods, including script creation (using fraudulent information to automate account creation) and credential stuffing (using stolen data from a breach to take over a user's other accounts) to make cyberattacks and account takeovers easier and more scalable than ever before. With billions of records exposed in the U.S. due to data breaches annually, this type of fraud will prosper in 2021 and beyond until the industry moves away from its reliance on usernames and passwords.

Survival of the Fittest for Small Businesses: As a result of COVID-19, businesses were left with no choice but to quickly shift to digital to meet the needs of consumers, and some were more prepared than others. In 2020, consumers may have been willing to give businesses time to adjust to the new normal, but in 2021 their expectations will be higher. Experian predicts businesses with lackluster fraud prevention tools and insufficient online security technology will suffer large financial losses in 2021 and beyond.

"Fraud is complex and our predictions show that businesses and consumers need to be vigilant in 2021 as fraudsters become more sophisticated," says Kathleen Peters, Chief Innovation Officer at Experian Decision Analytics in North America.

Consumers are demanding account management tools

Account management tools are a basic but essential building block of a strong mobile banking experience, as they give users control and peace of mind when using banking apps. That's especially important given widespread reliance on mobile channels: 79.5% of mobile banking users overall and a whopping 92.8% of neobank account holders surveyed in Insider Intelligence's US Mobile Banking Competitive Edge survey said that mobile is the primary way they access their bank account. Incumbents and neobanks thus need to meet customers where they are, and provide a full range of account management features in-app.

Here are the three most in-demand account management features among US respondents that banks can offer to boost convenience and functionality in their mobile apps.

Allowing customers to activate a new credit or debit card via mobile boosts convenience by sparing them a visit to the website or a call to customer service. Activating a new card is the final stage of customer onboarding—and enabling new customers to do so in-app removes friction and makes for a more positive first impression of the bank. Forty-one percent of respondents call the feature "extremely valuable," making it the most in-demand capability in the Account Management category. And all four of the largest US neobanks by users offer it, versus only 64% of the top 25 US incumbent financial institutions (FIs) by assets.

Offering the option of a temporary virtual card that can be used immediately enables instant spending. New customers can begin spending with their account as soon as they sign up, instead of having to wait for a physical card in the mail. And for existing customers with a lost or stolen card, a virtual card ensures service continuity. At a time when postal services in the US are overwhelmed, these benefits are magnified. The feature is the second-most in-demand of the category, considered "extremely valuable" by nearly 36% of respondents. Varo is the only leading neobank to not offer the feature—but challengers still have an edge over incumbents, as only 28% of surveyed FIs offer it.

The option to change an online banking password in-app gives customers greater control of their account's security. Making password preferences more accessible in-app could ease barriers to consumers playing a more active role in securing their accounts. And with the pandemic driving up financial fraud, customers will likely seek out features that give them peace of mind now more than ever. Thirty-five percent of respondents call it "extremely valuable." Varo is once again the only neobank not to offer the feature, putting the top four neobanks slightly behind the 80% of FIs that support it.

Industry News

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Fraud attempts increase 250 percent. Identity Verification provider IDnow has published the latest figures on changes in fraud methods in its Cyber Security Report 2020. The company sees a strong increase of 250% in fraud attempts since the beginning of 2020. Between March and June, the report identified new developments in identity fraud: cases of similarity fraud increased by 231% during this period, fake-ID fraud rose by 180%, and social engineering attacks by 75%. In social engineering, fraudsters use, for example, applications for government aid programs or, in the context of increased unemployment, false job advertisements as a lure.

Biometrics to authenticate over $3 trillion in mobile payments by 2025. A new study from Juniper Research has found that biometrics will authenticate over $3 trillion of payment transactions in 2025, from just $404 billion in 2020. The report found that biometrics, including fingerprint, iris, voice and facial recognition are becoming critical to offering compelling app experiences, The extraordinary growth of over 650% will be fuelled by increased use of OEM Pays, such as Apple Pay, for both remote and in-store payments, as these applications have already embraced biometric authentication methods.

Hyundai's new luxury SUV to feature in-car payments. Hyundai Motor's luxury car brand Genesis has announced the release GV70, a sport utility vehicle, featuring an in-car digital payment system that uses fingerprints for the authentication of drivers. The carmaker revealed a plan to commercialize an infotainment system that allows users to make payments and use membership cards at gas stations without leaving their cars. Hyundai said its future cars would have a fingerprint sensor for authentication. Genesis said that Carpay is the first in-vehicle digital payment system to use fingerprints to authenticate drivers.

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With cybercrime on the rise, Consumers are losing faith in anti-fraud measures

A study from digital identity experts iProov shows that consumers in both the US and UK believe the threat of cybercrime is rising even as their ability to spot fraudulent items has decreased. More damagingly for the payments industry, British and American consumers also feel current measures to combat online fraud are not effective. These findings are confirmed in a separate study from Lexis Nexis Risk Solutions, which shows cybercrime and fraud attacks by "bots" (automated fraud attacks) at account opening rising across EMEA and North America in the first half of 2020.

iProov's study says 88 percent of consumers in the US and UK think that cybercrime threats are growing, and 72 percent think securing identity online is now more important than ever, with 46 percent concerned that cyber-crime could affect someone they know.
Despite these concerns, very few are familiar with the fast-rising phenomenon of deepfakes, in which videos, images (such as government ID) or audio recordings that have been distorted to incorrectly represent an individual.

Deepfakes are created using artificial neural networks, which means that they can be easily produced to look authentic and convincing. Although deepfakes have been used for social sharing and entertainment, they have also been employed in hoaxes, revenge porn, and increasingly, fraud and impersonation relating to digital identity. Recent allegations of deepfaking during the run-up to the 2020 US election led Facebook to commit to a ban on all use of deepfakes, even for entertainment purposes, in January 2020.

Although 81 percent of consumers recognise that biometrics are the next wave of protection in payments and financial services, 52 percent understand that fake ID could be used to set up accounts in their name, and 46 percent are concerned that fake ID will be used to steal their money or that of someone they know. iProov argue that more sophisticated biometric methods such as secure facial scanning and recognition are required if anti-fraud measures are to continue to be successful.

Although human-initiated fraud attacks are declining across developed economies, a study from LexisNexis has confirmed the consumer concerns in iProov's study about automated online attacks. According to LexisNexis, desktop transactions conducted from EMEA had a higher attack rate than the global average and automated bot attack volume grew by 45 percent between 2019 and 2020.

The UK originates the highest volume of human-initiated cyberattacks in EMEA, with Germany and France second and third in the region. The UK is also the second largest contributor to global bot attacks behind the US, with one UK banking fraud network attack accounting for more than $17 million in fraud exposure across 10 financial institutions.

As passwords and One-Time Passcodes (OTP) become increasingly at risk of compromise, our industry is turning to biometrics as the next great hope for online authentication. As the two studies reviewed above reveal, however, consumer "herd" instincts are once more proving correct, with automated attacks on accounts, especially at account creation, up by almost half in the last year.

More sophisticated biometric solutions may be the answer – but these will matter little if they are not the subject of strong encryption. Additionally, strong biometrics need to be offered to the market at a sensible price point if they are to be adopted – as well as being readily interoperable with existing banking and payments systems.

A final issue with the widespread adoption of biometrics is the time authentication takes with these systems. Last year, we heard that step-up authentication using 3DS v2 could take as long as six seconds; the authentication of dynamic imaging and other biometrics needs to be much quicker than that if consumers are to adopt it willingly.

Ecommerce powered the US retail space in 2020

Ecommerce stole the spotlight in 2020 as consumers adopted online shopping amid the pandemic. Total ecommerce sales in 2020 jumped 32.4% year over year (YoY), reaching a whopping $791.7 billion, according to he US Census Bureau. Ecommerce sales accounted for 14% of total retail sales last year—marking an increase from the 11% it made up in 2019. The coronavirus pandemic was a key growth factor, as more consumers turned to online channels to complete their purchases in order to avoid in-store environments, especially amid early lockdown measures as well as during the peak holiday shopping season.

Retailers like Amazon and Walmart cashed in big during the 2020 ecommerce boom and likely plan to leverage this surge as a growth tool into 2021. Despite some hiccups along the way, Amazon was a clear winner in 2020: The etail giant ended the year with $66.45 billion in online store sales for Q4. Consumers may have flocked to Amazon because of its vast online presence in various sectors, including online grocery, as well as its fast delivery capabilities. Going forward, the etailer is likely banking on the ecommerce surge to continue into 2021, with the firm recently ramping up its air cargo capabilities to enhance delivery services for its customers. Meanwhile, Walmart was also a clear ecommerce winner throughout 2020. The firm wrapped up its final quarter of 2020 with 79% YoY growth in online sales—likely boosted by its in-store network, which it has been using to boost fulfillment efforts. More recently, Walmart said it plans to invest heavily in building up an automated ecommerce fulfillment network—perhaps indicative of its belief that online shopping will continue to swell.

Ecommerce doesn't seem to be going away anytime soon—and online shopping will likely have lasting impacts on the overall retail sector, helping boost digital payments along the way. Retailers will likely ramp up their digital offerings as consumer shopping habits continue to lean in favor of ecommerce. An estimated 40% of consumers say they plan to shop in-store either the same amount or less after being vaccinated, according to data from Wednesday by First Insight as cited by CNBC. This spells bad news for brick-and-mortar retailers, considering that most consumers have curbed in-store shopping during the pandemic. And it might cause even more businesses to maintain or ramp up their online presence as ecommerce continues to build momentum.

Visa News

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demands. And, as a result, fraud prevention will be an important addition. According to research from Visa, small businesses, many of which had resisted selling online, moved to e-commerce when they were facing months-long closures. The Visa Back to Business Study – 2021 Outlook found, in the summer of 2020, only 27 percent of SMBs were engaged in digital selling. By December, that share had risen to 43 percent. And, of those who had embraced digital commerce, 87 percent said they would continue.

Visa plans for blockchain-based future. During Visa's fiscal Q1 2021 earnings call, CEO Al Kelly described Visa's plan to treat the crypto market as two segments: traditional cryptocurrencies like Bitcoin and fiat-based assets like stablecoins and central bank digital currencies (CBDCs). In dealing with traditional crypto, Visa plans to enable customers to use its cards to purchase and cash out of crypto investments, but does not see the assets being used for payments. Kelly detailed Visa's case for being the largest financial services brand in the industry via its partnerships with 35 platforms and wallets. "In this space, we see ways that we can add differentiated value to the ecosystem," said Kelly. "And we believe that we are uniquely positioned to help make cryptocurrencies more safe, useful and applicable for payments through our global presence, our partnership approach and our trusted brand." These statements signify that Visa will continue to heavily invest in crypto and blockchain, which will aid digital currencies in becoming more ingrained in the payments space and help Visa keep a competitive edge.

Al Kelly

Visa Unveils New Credit Card Benefit with NortonLifeLock. Visa announced the availability of a new benefit for its Visa consumer credit cardholders with Visa Infinite, Visa Signature or Visa Traditional cards. They can now enroll and take advantage of a complimentary offer and discounts on products and services from NortonLifeLock. Cardholders can take advantage of complimentary Dark Web Monitoring, One-Bureau Credit Monitoring Alerts, Stolen Wallet Assist, and Restoration Assist features. Cardholders can use the LifeLock Identity app to help manage their account and alerts. Accountholders will also have access to special offers on more robust identity theft offerings that include restoration features such as the LifeLock Million Dollar Protection™ Package.

Industry News

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Digital banking is expected to reach 80 percent by 2025. The pandemic is expected to accelerate consumer banking behaviors and greatly increase digital banking penetration. New and existing customers have now had the opportunity for several months to try out and form habits around mobile banking apps. The longer the pandemic persists, the more consumers will make digital banking a habit. This could lead banks to permanently close branches, so as to focus more resources on digital channels. But regulatory bodies will ultimately determine the extent to which banks can radically reduce their physical footprint: The acting head of the Office of the Comptroller of the Currency warned banks in July not to use the pandemic as reasoning to accelerate branch closures.

FTC Received Record Fraud Reports. The Federal Trade Commission received more than 2.1 million fraud reports from consumers in 2020, according to newly released data, with imposter scams remaining the most common type of fraud. Online shopping was the second-most common fraud category reported by consumers, elevated by a surge of reports in the early days of the COVID-19 pandemic. Internet services; prizes, sweepstakes, and lotteries; and telephone and mobile services rounded out the top five fraud categories. Consumers reported losing more than $3.3 billion to fraud in 2020, up from $1.8 billion in 2019. Nearly $1.2 billion of losses reported last year were due to imposter scams, while online shopping accounted for about $246 million in reported losses from consumers.

Global plastic cards market lose $3 billion amid COVID-19 disruption. The 2020 Global Card Market and Personalization and Fulfilment Statistics Reports revealed the plastics card market lost a total of $3 billion worldwide loss. The global card manufacturing market is valued at $16.8 billion and the personalization and fulfilment services market is valued at $7.2 billion, making the overall global card industry a $24 billion market. The 10.8% decrease from $27 billion in 2019 to $24 billion in 2020 includes revenue from cards manufactured as well as cards personalised and fulfilled around the globe, according to the reports. The number of cards manufactured globally decreased 19.7% from 37.1 billion cards in 2019 to 29.8 billion cards in 2020. The number of cards personalized and fulfilled decreased 19.1% from 25.4 billion in 2019 to 24.9 billion in 2020.

Overdraft fee income drops

Overdraft charges collected by US banks bounced back in the second half of 2020 after plummeting at the onset of the pandemic, as reported by S&P Global Market Intelligence. Accounting for 64% of all service charges on consumer deposits, they soared 64% from Q2 2020 lows to $2.3 billion in Q4. This represents a significant improvement for banks, but total overdraft fees remain 24% lower than where they stood in Q4 2019, and industry headwinds make it unclear if they will ever return to their pre-pandemic levels.

Many U.S. financial institutions suspended overdraft charges at the beginning of the pandemic, and stimulative government relief efforts exacerbated the loss of fee income across the industry. Among other relief initiatives, banks temporarily suspended service charges on consumer deposit accounts, including overdraft fees. The government also stepped in to help—providing stimulus checks and putting a moratorium on evictions, forbearance, and utility payments.

The cumulative effect of these relief efforts likely cushioned consumers' checking accounts and prevented them from overextending beyond their account balance. But it lost its potency as the pandemic continued to ebb and flow, banks lifted their temporary restrictions, and the impact of government interventions wore off—leading to the rebound in overdraft fees toward the end of the year.

Large and small financial institutions alike need to reckon with the fact that fees are unlikely to rebound to pre-pandemic levels. Here's a closer look at how each group will be affected by the change.

Larger FIs are less dependent on income from service charges, and could use this shift as an opportunity to encourage customers to engage with their personal finance management (PFM) tools. Several banks already actively discourage overdraft fees and provide consumers with small-dollar loan products as a more affordable alternative.

Income from service charges like overdrafts is crucial to smaller FIs' business models. Given their reliance on the practice, it is unlikely that these banks would have been able to suspend overdraft fees like their bigger counterparts—meaning the substantial drawdowns in service charges may have been driven by a better-funded customer base.

Letter from the CEO

Why Buy Now, Pay Later (BNPL) is taking off as consumers seek shopping alternatives during the pandemic – could this emerging payment option be a direct threat to credit card usage?

The fast-growing buy now, pay later (BNPL) installment-credit option for online and in-store payments could reach $1 trillion in U.S. volume by 2025, or between 10 and 15 times the current level, according to a report by CBInsights. Companies like Klarna, Afterpay, Quadpay, and Affirm have seen an increase in interest and use during the pandemic, and they're upping digital advertising efforts to capitalize on the momentum.

Cyndie Martini
President/CEO

The popularity of BNPL has grown especially during the pandemic as consumers increasingly turn to e-commerce and seek out ways to stretch strapped budgets. While credit card issuers have offered point-of-sale financing for years, the new, non-traditional approach is proving more attractive. The BNPL players have acquired customers and merchants over the past few years by prioritizing changing customer preferences, flexible financing options, and cheaper fees or interest—areas where traditional banks, credit card issuers, and lenders fall short.

A recent Ascent survey of more than 1,800 U.S. consumers and found more than one-third have used a BNPL service. The age group most likely to have used one of these services includes most consumers ages 35 to 44, with those over 54 were least likely to have tried one.

Most employ these services when buying something not within their budget or to keep from dealing with credit card interest, the survey found. Notably, just 22% of those polled understand all terms and conditions of BNPL, which can impose late fees or high interest rates if payments aren't made according to the terms. About 14% of those who used BNPL did so because their credit cards were maxed out, while 14% said they can't get approved for a credit card. The survey found that 47% of users choose BNPL to avoid credit card interest, while 31% simply enjoy the flexibility offered by delaying payment for a purchase. Most consumers (85%) that have used buy now, pay later services plan to continue doing so in the future.

BNPL essentially revives the old concept of layaway plans and gives it a modern gloss, with the exception that consumers get to receive the goods immediately, paying for them in equal installments over a relatively short time span. The method's rapid growth is not without a response from the networks Visa and Mastercard, as both now offer their own BNPL solutions. Last year, Visa launched its installment-payment APIs. The Visa API for issuers allows for defined plan attributes such as duration of installment loan, participating merchant and cards, and interest and fees.

At MAP we recognize that for every transaction that BNPL players facilitate, our credit union issuers are losing transactions and interchange income. We are actively working to create and facilitate solutions to grow your payments portfolio even as some transaction may shift away from traditional credit cards to online purchases. Through flexible adoption methods and extensive expertise in payments, we are helping our clients embrace new payments solutions for the future of their institutions. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0698, ext 1610 or email me at cyndie.martini@maprocessing.com.

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