MEMBER ACCESS PROCESSING

Payments Report

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A new reality for Credit Cards

COVID-19 has upended the credit card industry's rewards structure. Today, nearly 225 million credit cards offer hospitality, retail, and travel points and rewards that may not see value or redemption for years according to Mercator Advisory Group. For credit unions that rely on rewards to attract and retain members, its time to consider the adjusting their programs to the new economic realities.

"Credit rewards are a great example of what organizations can adjust within their portfolios to adapt to the changing economy" said Brian Riley, Director of Credit Advisory Service, at Mercator. "With the ongoing pandemic, travel rewards have lost their appeal as cardholders cancel trips and delay travel plans."

Research from Deloitte shows that the credit card market, while still profitable, is facing significant headwinds. Deloitte has warned credit card issuers they need to do more to encourage credit card use if credit products are to have a long term future, especially with younger consumers. Deloitte also predicts significant gains for digital payments at the expense of card products – although credit cards will be hit much harder than debit products, at least in the US.

Hardest hit during the pandemic will be premium travel rewards credit cards that offer benefits such as airport lounge access and free-night certificates. During normal travel

See "New Reality" on page 3

MAP's Annual Conference has been moved Online

Register Online at www.uConference20.com

State of the Economy with Bill Hampel
August 20 - 11 AM

True Alignment with Edgar Papke
August 27 - 11 AM

Peer-to-Peer Perspectives, Products and Strategies
September 3 - 11 AM

Product Roadmap Update
September 10 - 11 AM

Protecting the health and safety of our clients and guests is our most important priority at Member Access Processing. Therefore, in response to rising COVID-19 cases in Washington state, MAP has moved our Annual Conference online.

In an online environment, we are excited to welcome client and guest credit unions to our 20th Annual Payments and User's Conference. We have scheduled sessions on consecutive Thursdays, beginning August 20 and continuing through September 10 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 20** and will include our traditional welcome kickoff followed by a keynote presentation from **Bill Hampel on the state of the economy.** Following a long and productive career as Chief Economist and Chief Policy Officer for the Credit Union National Association (CUNA) in Washington DC, Bill Hampel is now an economic consultant specializing in explaining trends in the economy and financial institutions to business leaders.

Bill Hampel

The second session of the conference is schedule for **Thursday, August 27 featuring Edgar Papke and his keynote presentation on True Alignment.** Based on his book "True Alignment," Edgar shares his groundbreaking approach to how organizations and teams can better align to achieve greater levels of customer satisfaction and business performance. He provides his unique insights into how to constructively confront the conflicts of misalignment and connects the aspects of human motivation that are at the core of the customer experience and culture. Edgar is an author, speaker and globally recognized expert in business alignment, leadership and organizational culture.

Edgar Papke

The third session will be on **Thursday, September 3 and will focus on Peer-to-Peer Perspectives, Products and Strategies.** Based on the Peer-to-Peer Sessions introduced by DPS in 2019, MAP will facilitate a fast-paced, attendee driven and interactive speed networking session where clients share directly their stories around key aspects of their payments business. In these sessions, clients will progress through a series of four peer-to-peer roundtables on topics including fraud strategies, API utilization, portfolio growth and optimization campaigns and the efforts and results tied to bringing credit in-house or to the core.

The final session of MAP's Annual Conference online will be on **Thursday, September 10 and feature an update to the Product Roadmap**. The MAP Team will provide an update of MAP/Visa and Third-Party product developments impacting clients during the next 12 to 24 months.

New Reality

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times, these perks may justify paying annual fees of $450 or more, but, now grounded travelers are struggling to see the value.

In response, credit unions need to revisit their value propositions and rework their approaches to meet members' changing needs and expectations as they are more motivated to move to cash and other reward options.

No doubt members are still expecting generous rewards, but they want rewards that are more than points for spend on a card. They want to be rewarded for their relationship with the credit union. They want to feel special and know that they are valued by your institution.

For some credit unions, this could be a tipping point. The chance to introduce a next-gen loyalty program. Loyalty at a credit union should be about emotional engagement—creating new touchpoints that engage members outside of the buying cycle. Credit unions can show that they care about their members and want to them to learn more about the cooperative. This means making rewards available for every member based on their points or status, such as priority credit services, zero-fee services, welcome gifts for new members, bonus points for different types of engagement, etc. Doing so builds goodwill and lowers attrition.

Loyalty programs are multifunctional tools that can drive multiple KPIs for credit union's services. With the right mindset and fitting loyalty technology, advancing in digitalization and standing out from the competition should no longer be a difficult task.

With more than 225 million credit cards targeted at hospitality, retail, and travel, credit unions can capture that market of disaffected consumers whose travel cards seem far less valuable. The time has never been better for credit union to help their members switch. Even moving a fraction of travel-type cards to a credit union's card could equate to ten of thousands in new revenue.

Upheaval in the market is the perfect opportunity for credit unions. As the saying goes, "Never let a crisis go to waste." While other credit card issuers have been challenged by the pandemic quarantine and economic downturn, credit union have the opportunities to introduce rewards programs that will grow their credit card portfolios.

Industry News

ATMs: No fee for me. Three out of four Americans will do anything to avoid an ATM surcharge according to Mercator Advisory Group's report, ATMs: No Fee for Me. The report found that 1 in 4 US consumers doesn't pay ATM charges because their financial institution reimburses them, while 75% of respondents claim they would do "anything" to avoid an ATM surcharge. The survey found that 61% of US consumers "actively seek out ATMs that are surcharge-free and an astonishing 39% of US consumers claim they "have never paid an ATM surcharge." About a third (32%) of respondents said are "willing to pay ATM surcharges in order to use a convenient machine," with those 55 years and older being the least likely to use ATMs other than their own financial institutions'.

$11.7 billion charged in Overdraft Fees in 2019. Larger financial institutions in the US (defined in this case as those with more than $1 billion in assets) charged customers a total of $11.68 billion in overdraft fees last year, according to data from the Center for Responsible Lending. Vulnerable customers were hit the hardest according to the report. Just 9% of account holders paid for a whopping 84% of those overdraft fees, and those customers tended to have low balances already, averaging less than $350. The Center for Responsible Lending opined that banks should stop overdraft fees for the duration of the pandemic.

Consumers say shift to Online Shopping will stick. According to PYMNTS' latest survey, The Great Reopening: Doubling Down Online, 35.7 percent of U.S. consumers are now buying retail goods online, a 20 percent increase over the previous month. The share of consumers ordering from restaurants online has also increased, reaching 21.3 percent. The report reveals that consumers are still primarily staying in to keep from contracting COVID-19, with 40.2 percent citing this as their reason for considering merchants' digital commerce payments offerings when deciding where to shop. Convenience is a secondary concern, with only 21.9 percent of consumers who look for merchants with digital features saying it is because digital commerce is more convenient.

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Visa's Back to Business study shows how businesses respond to the pandemic

As small and micro businesses (SMBs) worldwide continue to endure the financial impact of COVID-19, one thing is clear: rethinking the checkout or point-of-sale (POS) experience is essential for survival on Main Street.

Recently, Visa released the Visa Back to Business study assessing this dramatic shift to digital commerce in response to the pandemic, driven largely by changing consumer expectations for a safe and touchless payment moment. According to the market study of both consumers and SMBs, nearly eight-in-10 consumers worldwide (78%) have changed how they pay in order to reduce contact and more than two-thirds of SMBs (67%) have tried a new approach – whether launching an eCommerce site or changing POS technology – to keep their business on track.

"Consumers are putting COVID-19 safety measures at the top of their shopping lists and rewarding businesses that do the same," said Suzan Kereere, Visa's global head of merchant sales and acquiring.

Additional findings from the Visa Back to Business study include:

Safety first means touchless: In each market surveyed, contactless payments have become a driving differentiator: nearly two-thirds (63%) of consumers would switch to a new business that installed contactless payment options. For close to half of global consumers (46%), using contactless payment methods is among the most important safety measures for stores to follow. Nearly half (48%) would not shop at a store that only offers payment methods that require contact with a cashier or a shared device.

SMB optimism vs. consumer realities: Despite the unpredictable nature of the pandemic, 75% of SMBs are optimistic about the future. Additionally, 71% of global SMB owners say they have received support from their local communities, with the most coming in the form of business referrals (33%) and favorable reviews (31%). An area for improvement: where consumers shop, as just 9% of consumers say they shop exclusively at locally owned businesses, whereas 15% shop exclusively at larger retailers, with a large mix of combined approaches falling in between these two extremes.

New normal means new habits: Nearly four in five (78%) consumers have made changes to the way they pay, including shopping online when possible (49%), using contactless payments (48%) and not using cash as much (46%). A majority (70%) of consumers have used a new shopping or payment method for the first time, including 26% who have used tap to pay for in-store purchases, shopping for groceries or household items online (34%), curbside restaurant pick-up (28%) and buying online then picking up in store (25%).

Long-term outlook and top concerns: Globally, SMB owners estimate at least six to 10 more challenging months before their business is fully operational. Their greatest immediate concerns include revenue declines (52%), attracting new customers (46%) and having to reduce wages or salaries (22%).

Pivoting to a digital-first mindset: More than a quarter of SMBs (28%) have tried targeted advertising on social media or sold products or services online (27%). Another 20% have adopted contactless payments. One-third (33%) of SMBs report they have accepted less, or stopped accepting, cash since COVID-19. Millennial SMB owners (41%) are significantly more likely to have accepted less or stopped accepting cash, compared to Gen X (31%) and Boomers (21%).

On guard against fraud: More than half (53%) of SMBs are likely to purchase a fraud management solution to help protect their business due to the shift to digital commerce.

Pivoting with new approaches: In the United Arab Emirates (UAE), 44% of SMBs – compared to 20% globally – have enabled contactless payments for the first time since the start of COVID-19. Nearly 94% of UAE SMBs have pivoted to keep their business on track, compared to 67% globally. SMBs in Brazil (84%) and Hong Kong (87%) also are trying new approaches in large numbers, including selling online (50% in Brazil compared to 27% globally).

Swipe? Then wipe: Two-thirds (67%) of consumers say they are taking some measure to keep their payment cards clean, with 33% saying they disinfect them. An overwhelming majority of UAE (89%) and Brazilian (87%) consumers are taking some measures to keep their card clean, whereas Singaporean (50%), German (53%), Canadian (60%) and Hong Kong (65%) consumers fell below the global average.

"Historically, we see behavior change at the point of sale as a gradual shift over time, said Kereere. "But, COVID-19 has created an immediate need for safer, more efficient shopping experiences both on and offline and consumers are responding by rapidly migrating to digital commerce. We want small businesses to know that Visa is here to help them navigate these new consumer needs and expectations, which will make their businesses stronger now and in the long run."

The Visa Back to Business study is the latest in a series of Visa initiatives to provide SMBs with the tools and resources they need to rebuild, or newly build, stronger businesses. More information on the programs and solutions Visa has made available to SMBs – ranging from its commitment to digitally-enable 50 million SMBs around the world and the IFundWomen grant program for U.S-based Black women-owned small businesses – are available on the Visa Small Business Hub and the Visa Small Business COVID-19 relief site.

Visa News

Visa is helping 50 million small businesses. Visa is offering a range of services to 50 million small businesses to help them grow, build their online footprints, and promote neighborhood support. The company also formed its Visa Economic Empowerment Institute aimed at societal issues like closing racial and gender gaps, as well as solving problems created by the COVID-19 pandemic. Visa has built localized online resource centers, which are currently operating in more than 20 countries, to offer tools and information on starting and growing a digital-first business. In the US, it will build on its IFundWomen partnership to give grants and digital training to US-based black women-owned small businesses. In Europe, the company will increase the number of digital payment acceptance devices within shops by more than 50%.

Visa and Facebook join venture for P2P Payments on WhatsApp. Visa is working with Facebook so that consumers can fully use the new payments feature on WhatsApp. The program is starting in Brazil. Users of WhatsApp, a messaging service owned by Facebook, can send and receive money and also make purchases from small businesses, Visa said. WhatsApp users will use Visa Direct, the company's push payments technology, and Visa Cloud Tokenization, Visa's new security capability that launches as well with payments on WhatsApp. Visa said its global transactions on Visa Direct has increased by 70 percent since the COVID-19 pandemic took hold.

Visa's payments volume dropped in third quarter due to pandemic. The card network's payments volume fell 10% year-over-year (YoY) on a constant currency basis in its fiscal Q3 2020 (ended June 30, 2020), per an earnings release on July 28, 2020. This performance is a far cry from the 9% annual increase in payments volume it posted in the comparable period a year ago. But Visa's payments volume may return to positive growth soon because key portions of its business are showing signs of recovery as economies reopen. Visa's total US payments volume returned to positive annual growth in June and from July 1-21 thanks to strong positive growth from debit and card-not-present (CNP) payment volumes, in addition to improving performances from its credit card and card-present businesses.

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US Secret Service Forms Cyber Fraud Task Force

The Secret Service Electronic Crimes Task Force is now part of the larger Cyber Fraud Task Force.

The U.S. Secret Service is combining its electronic and financial crimes units into a single, unified task force that will focus on investigating cyber-enabled financial crimes, such as business email compromise schemes and ransomware attacks.

The newly formed Secret Service Cyber Fraud Task Force will combine agents and resources from the Electronic Crimes Task Forces and Financial Crimes Task Forces. This new task force will then focus on investigating and prosecuting cyber-related crimes.

Michael D'Ambrosio, the assistant director of the Secret Service, says that since the start of the COVID-19 pandemic, the U.S. has witnessed a spike in cyber-related crimes and scams. The new Cyber Fraud Task Force is a way to counter these types of schemes as well as the growing threat that comes from financially motivated cybercrime.

"The creation of the new Cyber Fraud Task Force will offer a specialized cadre of agents and analysts, trained in the latest analytical techniques and equipped with the most cutting-edge technologies," D'Ambrosio says. "As the nation continues to grapple with the wave of cybercrime associated with the COVID-19 pandemic, the CFTF will lead the effort to hold accountable all those who seek to exploit this perilous moment for their own illicit gain."

Tom Kellermann, the head of cybersecurity strategy at VMware who formerly served as a cybersecurity adviser to President Barack Obama, supports the idea of the Secret Service becoming more involved in the investigation of financially motivated cybercrimes, and moving the service back to its original home within the Treasury Department.

"This is momentous step forward," Kellermann told Information Security Media Group. "The U.S. Secret Service should migrate back to Treasury so as to better fulfill her primary mission. The agency has been woefully underfunded and under-resourced for years. Within the Treasury, they will have the vantage, authority and horsepower they need to protect the financial sector from the historic cybercrime wave."

In June, Kellermann and other cybersecurity experts testified before a House committee about the growing threat to U.S. financial institutions from a new array of attacks from cybercriminals and nation-state hackers as a result of the COVID-19 pandemic.

This not only includes ransomware attacks and BEC scams, but issues ranging from cryptojacking to the theft of intellectual property

Since May, the Secret Service has been investigating wide-scale fraud involving the theft of millions of dollars in federal unemployment funds that were earmarked for American citizens who were laid off during the COVID-19 crisis. The fraudsters used Social Security numbers stolen during various data breaches to steal victims' identities, according to The New York Times.

Tim Wade, the technical director for the CTO team at security firm Vectra, believes that the increase in cyber-related financial crimes shows that the physical and digital worlds have merged and that agencies such as the Secret Service need to respond with new ideas.

"Too often, the difficulties of law enforcement activities are met with misguided cries to erase personal protections like strong encryption standards. We should all applaud when, instead, the solution proposed to overcome these difficulties is to raise effectiveness of law enforcement by modernizing methods and resources to reflect our present operating reality," Wade, a former Air Force officer, tells ISMG.

After two years of study, the merging of the Secret Service's Electronic Crimes Task Forces and Financial Crimes Task Forces into a single unit started in March before the formal announcement of the new Cyber Fraud Task Force this week.

Under the new structure, the Secret Service now has 42 Cyber Fraud Task Force locations within the U.S. as well as two international locations in London and Rome. In the coming years, the Secret Service plans to further extend the task force to include 160 domestic and international offices.

FedNow will begin pilots in 2021 with a launch in 2024

While the Covid-19 pandemic has raised the issue of speeding stimulus payments and other relief to consumers and businesses, The Federal Reserve system is staying with its planned 2023 or 2024 launch date for its FedNow real-time payment service, officials said Thursday in an update that comes almost exactly one year since the central bank announced the service.

"We look to be on track for 2023 or 2024 but I expect over the coming year we will be able to get a little more precise about when we'll be able to deliver the service," said Kansas City Fed president Esther George, who spoke during a Web presentation that included Fed governor Lael Brainard and Kenneth Montgomery, the Boston Fed executive who has been heading up the FedNow effort for the past year.

FedNow, which represents the central bank's entry into a business that has been served so far by private-sector players such as The Clearing House Payments Co., is "designing a pilot program as we speak," Montgomery said. The goal is to recruit participants later this year for pilots that could launch early in 2021, he added.

From the start, she said, the new service will support fraud tools with parameters set by banks; a liquidity management tool to enable banks to ensure they have sufficient funds to support instant settlement; and interoperability, allowing links to other faster-payments services using the ISO 20022 electronic data interchange standard. "We are committed to interoperability to ensure nationwide reach," Brainard said. "We can't do it on our own."

While the launch may be three or four years off, financial institutions should be drawing up plans now for how they can "serve their customers," George said. "Given how fundamentally different this product is going to be, it's not too early to start thinking about it now," she added. "What will it mean for accounting, operations, staffing? It will involve hard work to ensure this platform serves the country for many years to come."

Industry News

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Consumer Confidence points to slow retail Holiday Season.

As reported by the Conference Board, the overall Consumer Confidence index came in at 92.6 in July, down from a 98.3 measurement for June. Consumers are feeling less optimistic about what lies ahead – chiefly in terms of the economy and job prospects. That muted outlook may translate into reduced spending. The board reported that the percentage of consumers expecting business conditions will improve over the next six months declined from 42.4 percent to 31.6 percent. The percentage of individuals anticipating fewer jobs available in the near term increased from 14.4 percent to 20.3 percent. The percentage of those who expect jobs to be available in the months ahead slipped from 38.4 percent to 30.6 percent. The attitude toward jobs darkened a bit as those expecting fewer jobs in the months ahead increased from 14.4 percent to 20.3 percent, according to the Conference Board.

Credit Card Debt Down. Revolving debt is down. In an industry that earns more than a third of its income from interest payments, decreasing debt is not usually a good thing. However, with high unemployment, it is a good event. Barron's summarized the current condition by stating that reason credit card debt has shrunk so rapidly is that Americans have cut their spending even faster than they have lost their jobs. The 10.5% drop in the space of 11 weeks is the steepest decline in American credit card balances on record. Credit card debt fell by 22% during the Great Recession, but it took more than a year.

Fed warns of serious losses at US Banks. The US Federal Reserve warned in its semiannual report on financial stability that US banks could be set for massive losses due to the wide-reaching financial strain imposed by the coronavirus pandemic. The Fed' Financial Stability Report report summarizes the Federal Reserve Board's framework for assessing the resilience of the U.S. financial system and presents the Board's current assessment The Fed noted that if financial strain makes lenders and borrowers unable to generate the money they had before the

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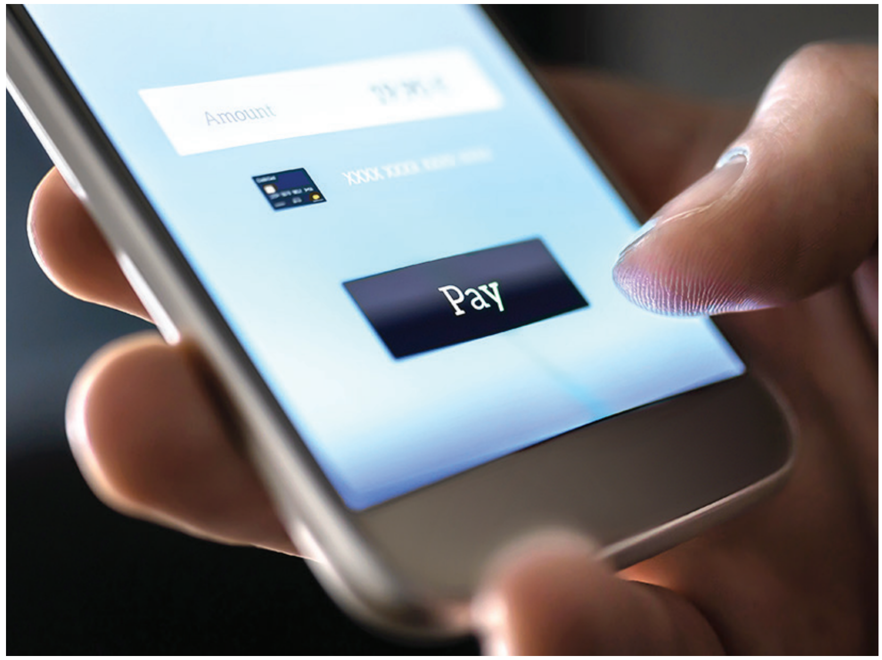
Consumers are struggling to adopt Digital Payments



With a growing portion of consumers having now fallen victim to card fraud, anxiety about the security of our digital accounts is spiking, according to a new survey by Marqeta, the first global modern card issuing platform. The new survey talked to 4,000 consumers across the United States and the United Kingdom about consumer attitudes toward card fraud in an increasingly digital economy. Even as the bottom line cost of fraud to financial institutions declines worldwide, consumers still report being victimized in growing numbers.

According to Marqeta's new survey, card fraud has had a pervasive, repeat impact on a large number of cardholders, an issue of importance with the digital economy providing a crucial lifeline to the many millions of people contending with the COVID-19 pandemic. The survey shows that 46 percent of US consumers surveyed had fallen victim to card fraud in the past, with 20 percent of consumers hit inside the last 12 months. A sizable portion of US consumers had been repeated prey for fraudsters: 16 percent had been impacted twice, while 10 percent were hit three (or more) times.

These results are higher than a survey conducted last year by the Mercator Advisory Group, which found that 29% of U.S. consumers reported a card lost, stolen, or fraudulent charges in 2019 — and are all the more worrisome given the ready availability of digital wallets and other technologies that minimize fraud.

The rise in the personal experience of fraud in an era of enhanced digital security is leaving a wake of confusion and frustration. Three out of five respondents (63%) said they don't accept fraud as inevitable.

To a degree, this is good news for the tech industry, which has developed technologies like digital wallets that make it much more difficult for fraudsters to obtain personal payment information. But the survey also revealed the industry's conundrum — fear of fraud is preventing people from adopting the very solutions that could decrease their risk. Eighty percent of respondents to Marqeta's survey thought, incorrectly, that a physical card is safer than a mobile wallet. At the same time, over half (54%) said the risk of fraud made them less likely to try newer payment technology, like mobile wallets. A lot of people are turning away from new technology altogether when dealing with fraud: 57% of consumers said they called a customer helpline when dealing with fraud, while just 16% said they used their bank app.

69 percent of consumers surveyed by Marqeta said that the stress of card fraud wasn't a fair trade-off for the conveniences of the digital economy, but more than half still admit they could do a better job at protecting their information.

Respondents held banks and financial institutions responsible for predicting fraud, with 70% of respondents surveyed saying their bank should be able to more accurately predict fraud, but only 54% saying their bank had ever actually proactively alerted them to fraud.

Most consumers are committed to the seamless conveniences of the digital economy, and they believe that fraud doesn't have to be an integral part of their experience online. Despite limited knowledge about how to avoid fraud, the vast majority of consumers are willing to alter their behavior to try and avoid becoming a victim.

A large majority (87%), was willing to adjust their expectation of immediacy and allow slower transactions and/or extra steps for authentication if it meant their transaction was more secure. Seventy-five percent of consumers said that they would be willing to manually enter their payment information repeatedly, instead of having it stored by a merchant, which they viewed as less secure. Seventy-seven percent would even be willing to change who they shopped with based on whether or not they stored customer card information.

As consumers become more digital and the high and growing rates of fraud continue to rise, many consumers are hopeful that fraud won't hit home. The majority of consumers (63%) said they didn't think it was inevitable that they would be a victim of fraud just by participating in the digital economy, and 59% did not accept that fraud was just a natural part of the cost of having a digital economy. Only a minority group of consumers, 31%, who love the convenience of new digital payment methods thought that the risk of fraud was a fair trade-off for those conveniences.

But the tendency for people to make themselves an easy target for fraudsters is balanced by a willingness to take responsibility. A slight majority of respondents (51% of U.S. consumers and 57% of U.K. consumers) said they were more responsible than the banks for protecting themselves, and 52% said that they could be better at safeguarding their card information. By arming these consumers with better information, the tech industry can help these consumers help themselves.

The fear of fraud is holding consumers back from understanding the benefits of new payment technologies, which is throttling adoption. When hit by card fraud, anxious consumers are turning away from technology for and toward comfort of talking to a person. There's a massive education gap that all financial services providers need to tackle head on, about the risks consumers face, how they're working to address them, and the technology that can play a real role in this process.

Consumers need to know about the incremental benefits of the new technology. Modern card issuing infrastructures empower credit union to build in payment experiences that surprise and delight their members, which can go a long way toward easing member worry, building a brand, and growing a solid member base in the process.

Visa News

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Visa files patent for digital currency. Visa has filed a patent application to develop a digital currency, potentially using Ethereum as the blockchain. According to Visa, representatives sought a patent for a digital currency recorded on a blockchain and controlled by a central entity computer. The application details two records: One of which indicates 'the digital currency for an amount associated with the denomination which has been created for a public key associated with a digital wallet'. The other record notes the "removal of the physical currency from circulation in a fiat currency system." For the second, the application describes a centralized process to maintain the value of the stablecoin, in which "every time a dollar worth of digital fiat currency is generated, the central entity ensures that a corresponding physical dollar bill is removed from circulation."

Visa invests in GoodData. Global analytics company GoodData has revealed an investment and strategic partnership with the digital payments company Visa. The investment further bolsters Visa's commitment to providing access to aggregated data and analytics that help Visa clients and partners understand the impact and effectiveness of the decisions they are making. For GoodData, the new investment amplifies its position as an all-in-one data platform enabling companies to add new insight services to existing offerings, develop entirely new business models, and better partner with their business networks. Moreover, Visa's investment will allow GoodData to facilitate their focus on interactive self-service analytics, user interfaces, and data visualizations. It will also expand their customer support for managing complex data governance, compliance, cybersecurity, and privacy matters.

Visa and Ondot partner to provide tokenization. Ondot Systems has announced its collaboration with Visa Token Service, enabling the company to begin tokenizing credential-on-file digital payments on behalf of their clients. By teaming up with Visa, Ondot is able to provide tokenization services through the company's Card App interface in order to support the use of Visa cards through e-wallets. Loading cards into digital wallets or push provisioning and using the cards during a purchase within seconds of receiving the card can help encourage card-holders to make a particular card their preferred form of payment. Ondot's Card App offers card issuers the ability to provide cardholders with instant signup, e-wallet provisioning, spending in-sights, safety controls and easy self-service capabilities.

Industry News

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crisis, it could create a string of problems for banks, despite the fact that financial institutions entered the crisis confident in their ability to weather it. It also said that asset prices could be subject to declines, and that defaults on leveraged loans are likely to continue increasing as the pandemic wears on. Several major US banks are taking steps to mitigate risks in the face of the pandemic, but time will tell if that will be enough to offset the crisis' long-term effects. Banks have set aside billions to help them weather the storm. The question will be if their reserve funds will be enough to protect them in the long term if the economic downturn triggered by the pandemic is protracted, resulting in high volumes of loan defaults and lasting damage to banks' bottom lines.

Over half of millennials now trust Bitcoin over big banks.

Millennial trust in Bitcoin has close to doubled since 2017 relative to their trust in big banks. More than half of millennials surveyed by The Tokenist now place more trust in the cryptocurrency than they do in traditional banking institutions, according to a recent survey carried out by the token industry news site across 17 countries. By contrast, respondents over 65 years old remain highly skeptical of Bitcoin, with the vast majority saying they trust big banks more in both 2017 (92%) and 2020 (93%). It is important to note that the consumer sample, as comprised of Tokenist readers, is likely skewed toward cryptocurrency support.

The US EMV Chip Card Count Surpasses 1 Billion. Four years after the EMV chip card standard became the law of the land for U.S. payments, the number of credit and debit cards with an EMV chip now exceeds 1 billion, and 63% of U.S. card-present transactions in 2019 involved an EMV card being read by an EMV-capable terminal, up from 53.5% in 2018 according to EMVCo, the standards body owned by the global card networks. The U.S. EMV credit and debit card count was 1.07 billion as of 2019's fourth quarter, an increase of 232 million, or nearly 28%, from 842 million in late 2018. Globally, the number of EMV chip cards is closing in on 10 billion—9.89 billion in 2019, for 63.8% of all cards issued. And 80.1% of card-present transactions last year used EMV technology, EMVCo said.

Pulse Debit Study: Pandemic driving payments adoption

Card-not-present debit transactions surged 21% year-over-year in 2019, according to a new study commissioned by Discover Financial Services' PULSE debit network and conducted by Oliver Wyman. The 2020 Debit Issuer Study found that one card-not-present transaction type – account-to-account (A2A) transfers using debit – is the fastest growing category of debit, doubling year-over-year and accounting for 40% of total debit growth.

Approximately 25% of non-interest income for community FIs now comes from debit interchange. Historically low interest rates, combined with debit's resilience, makes non-interest income from their debit programs more important than ever.

These increases reflect growth in consumer use of debit to shop online, and to fund purchases and person-to-person transfers using apps such as PayPal, Venmo and Zelle. In addition, more business-to-consumer payments are being delivered via debit, including insurance payouts and payments to gig-economy workers such as drivers for ride-share services.

While the growth rate for card-present transactions was a more modest 2%, these transactions still represent 73% of all debit transactions.

"Debit is being used more often by more consumers, and in a greater variety of ways than ever before," said Jennifer Schroeder, executive vice president of product management with PULSE. "This year's Debit Issuer Study shows that, even before the COVID-19 pandemic, debit use was growing in digital-commerce channels. This growth was a key driving force behind the record 77.4 billion debit transactions that were made in the U.S. in 2019, up a very healthy 6.5% year-over-year."

Letter from the CEO

COVID has accelerated changes in the payments industry to such a degree that there is no better time than the present to re-examine our traditional business practices and seek new ways to meet our members' rapidly changing needs and further respond to an altered competitive landscape.

Amidst the challenges we've endured the last five months one emerging theme is how COVID has accelerated existing trends. Here are few quick examples that show how different things are today. Visa, among others, estimate that two-thirds of transactions globally are now contactless, around three times more than a year ago. Within these contactless transactions, financial institutions are reporting mobile wallet transactions up 17 percent from a year ago – that's double the growth rate predicted for 2020. And of course, e-commerce has skyrocketed as people have been locked down, growing by 146 percent across the US and Canada alone in 2020.

Cyndie Martini
President/CEO

Of course, there have been challenges as transactions have gone digital. Fraudsters have seen opportunities, and fraud has migrated into the mobile channel. ACI Worldwide tells us that mobile fraud attempts were up by 13 percent between March and April this year. As mentioned in our cover story, the credit card market is facing significant headwinds. In addition to the move away from travel rewards during the pandemic, younger consumers are showing a persistent preference for debit cards over credit cards. For instance, 42 percent of millennials who use Apple Pay use debit cards, compared with only 23 percent of Gen X survey respondents.

Among all the changes facing credit unions, there are unique opportunities for credit unions willing to embrace change quickly enough. We see our clients ready to take advantage the changes. We have guided our clients with the development of Impact Plans, giving them detailed ways to adopt new products, meet network mandates, and increase card revenue for their institutions.

As the changes brought about by COVID settle down and become permanent, forward-looking credit unions are going to adapt both rapidly and effectively to the new environment. When it comes to payments, the best way to make change happen quickly – possibly the only effective way – is to work with an experienced card processing partner who can assess exactly what you need and deliver those requirements on time and on budget.

Today, we have learned much about the impacts of COVID on payments, and we've built what we believe are the right solutions and processes to respond effectively for our clients. We are here to help you succeed during this unprecedented time, and we are committed to a proactive response to the COVID situation and helping our clients understand the impacts and issues as they may arise.

Looking ahead, we welcome your comments and your interest in a rewarding partnership with MAP. The are many benefits to being a MAP client, but it is in times like these that our clients feel confident we have prepared them for the opportunities as well as the challenges. 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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