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Waterfront Credit Union Migrates from Positive Balance File to Online Processing Interface

Waterfront Credit Union made the transition from Positive Balance File (PBF) to online processing to deliver better service to its members, improve its card fraud combating capabilities and equip staff with better tools and business processes in card services operations.

“We wanted to optimize the services we provide in this area to our members, and we also felt that there were more areas of our membership that we could serve with state of the art online card processing and fraud prevention programs,” said Bill Holguin, Waterfront’s CEO.

The new online processing solution provides real-time card balances that eliminate situations where members have transactions denied because card activity batch updates are out-of-sync with what the actual card balances are. “We have already seen a significant reduction in phone traffic concerning questions on balances,” said Holguin.

Holguin also said that Waterfront was now able to serve areas of its membership that it could not serve before. “We can offer debit

cards to more members because our real-time card information now allows us to better manage the cards of members who are higher risk,” said Holguin. “Before we had real-time information on card balances, we had to manage this risk by not issuing the members cards at all.”

The new online card processing interface also brings Waterfront the benefit of an industrial-strength card fraud fighting system like Falcon. “The information we get from the Falcon system has helped us combat fraud, and our employees now have abundant information at their fingertips for both hot carding and card problem resolution,” said Holguin.

Equally important, the transition to an online card processing environment was totally transparent to members.

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Beyond Business Checking:

How Credit Unions can Strengthen Their Bonds with Business Accounts and Retain Their Business



Business accounts are growing in number and

balances in credit union account bases. These businesses might be retailers that are Internet-based, mail order telephone, over-the-counter or service-oriented.

Regardless of how a business conducts sales, taking credit cards makes it easy for customers to buy products and pay for services. If a credit union wants to keep or grow business accounts, it will have to provide access to the business services that merchants need. At the same time, credit unions must find a way to deliver these services without necessarily having to build their own internal merchant services operations.

Why Outsource?

In order to support merchant servicing internally, a CU must provide technical expertise and the operational infrastructure in clearing and settling card transactions to support merchant servicing internally. These services include:

- Credit card draft capture;
- Settlement;
- Reporting;
- Service fees;
- Reporting and statement generation;
- Exception (chargeback) processing;

- POS terminal support; and
- Risk management.

Since many credit unions want to offer merchant services but do not have the expertise, outsourcing is an economical way to offer merchant services.

The Member Access Pacific Solution

Recognizing the importance of the merchant market to its credit union members, Member Access Pacific has negotiated a business partnership with Total Merchant Concepts (TMC) of Vancouver, Washington. TMC has been providing merchant services to credit unions and community banks for over ten years, and is endorsed by the Oregon Credit Union League as a Preferred Provider.

“Member Access Pacific is pleased to add Total Merchant Concepts as a business partner,” said Cyndie Martini, President and CEO of Member Access Pacific. “Since its inception, TMC has delivered services in a fashion consistent with the credit union philosophy, basing its business on service and relationships. In partnering with TMC, MAP will enhance its portfolio of services and solutions by adding a “best of breed” provider of merchant services that has a credit union service philosophy.”

News Capsules

► **King County Chapter of Credit Unions' Annual Meeting and Tradeshow is**

October 26. The King County Chapter of Credit Unions is holding its 2006 Annual Meeting and Trade Show, headlined “The Power of Partnerships.” The event begins at 5 p.m. on October 26 at the Harbor Club in Seattle, 801 Second Avenue, 13th Floor, Norton Building. Reservations are \$50 per person for an event that features four, four-minute presentations by business partners between four courses of Greek appetizers and wine. To attend, please contact Dori Alpert at 866-598-0698 x7114 or dori.alpert@mapacific.com.

NWCUA Annual Letter



2005 was a year of increased growth and expansion for the Northwest Credit Union Alliance (NWCUA) as the alliance provided over 242,179 surcharge free ATM transactions to credit union cardholders at over 275 Washington state locations.

The NWCUA closed out 2005 to announce another great year of transaction growth. NWCUA credit unions praised the value and benefit of expanding the low-cost, no-surcharge ATM solution now 24 Members strong. Now stepping into its fourth year, the NWCUA has grown to serve regional credit unions and cardholders with a no-surcharge ATM alliance tailored to Northwest Member specifications. “We recently added SHARE Credit Union and Numerica Credit Union. NWCUA ATMs now extend well into Eastern Washington, and the alliance offers surcharge free access at over 314 ATMs throughout Washington State” said Grace Semingsen, VP Operations, BECU, and founding NWCUA Executive Committee Member. Grace continued, “BECU is proud to support this non-profit coalition dedicated to serving credit unions regardless of size or processor affiliation. NWCUA value, benefits and access far exceed the “token” dues to participate.”

NWCUA growth continues at a steady pace. As of August 2006, NWCUA volumes exceeded 20,000 transactions per month. Credit unions appreciate the “insurance policy” benefits and approach the NWCUA

broadcasts to its new and existing members. Membership provides many institutions peace of mind regarding unforeseeable surcharge changes that could occur and negatively impact their members. “The freedom to select your ATM processor while maintaining a competitive, economic, surcharge free alliance is also a tremendous benefit and value of NWCUA participation,” said Jim Fish, VP Operations, Alaska USA FCU and 1st Vice Chairperson of the NWCUA Executive Committee. Jim added, “The NWCUA helps our members save money by providing a stable, no-surcharge ATM network solution that is affordable and service driven.”

The NWCUA and its participants are dedicated to the cooperative strengthening of the credit union infrastructure in Washington State. “Supplying our region and members with economical, surcharge free ATM access is the NWCUA’s primary focus” said William Hayes, President and CEO of Verity Credit Union, chairperson, and long standing NWCUA member since 2002. “The NWCUA is dedicated to providing a low cost, regional, surcharge-free environment for participating members and their cardholders,” said William. “Alliance participation affords credit unions the freedom to select their ATM processor based on price and performance while maintaining a strong, no surcharge network defined by the credit unions of our region.”

NWCUA Members look forward to meeting with local credit unions to further alliance growth and development. For many credit unions of smaller asset size, surcharge-free ATM access is a critical component of their continued growth and viability. “NWCUA membership provides deposit and surcharge free ATM access other ATM solutions priced outside of our reach, said Demaris Krummel, President and CEO of Inland Empire Trades Credit Union. Demaris added, “NWCUA participation requires minimal involvement. Cardholder benefits and cost savings to participate made it an excellent choice for us. The NWCUA has a wide variety of locations, many of which are deposit taking. And, the cost of membership is significantly less than joining a national ATM network.”

Member Access Pacific 2006 Users Conference Highlights

Member Access CEO Cyndie Martini spoke about the increased competitiveness in the card marketplace, and on MAP's positioning to assist its members with the success of their programs. Cyndie also mentioned that Member Access Pacific would be making its own changes over the coming months, and that some of the items under consideration were company name and branding.

Jill Geier, Sales Director for Visa USA, talked about the power of the Visa brand, which is the most widely used card brand in the U.S. Ms. Geier added that cash and check usage continue to be major markets that credit unions can target for debit card growth, and that more and more consumers and businesses were becoming comfortable with small-ticket, card-based transactions. Other Visa products that offered excellent market penetration opportunities included gift cards, reloadable cards and payroll cards. Ms. Geier also mentioned that Visa has changed the composition of



its Board to involve more members from outside industries. The move improves the diversity of skills on the Board, and will bring additional perspectives to decision-making. Visa is also consolidating its debit processing service platforms on VisaNet in October, 2006. A client implementation guide is available on Visa DPS online, and all client implementations must be completed by September 30, 2007.

Stuart Chontos-Gilchrist, Principal of E3 Technology, Inc., a security audit and compliance firm, discussed the topic of payment card industry compliance. Mr. Chontos-Gilchrist emphasized that security threats come from many sources, including credit card data and check transactions stolen from stores, and security breaches from internal sources. 50% of identity theft is related to credit cards, one in 50 consumers is a victim and the average cost to clean up the damage is \$1,000 per incident. To respond to these challenges, Visa, Mastercard and other card industry players have defined the Payment Card Industry Data Standard, which requires audits of merchants processing over 6,000,000 transactions per year. PCI covers areas like secure networks, protection of cardholder data, vulnerability management programs, network monitoring and information security policies. Credit unions are also likely to see some of these areas come up in their audits and exams.

Cheri Perry, President of Total Merchant Concepts, Inc., discussed the merchant market and value-added services that were available to it.

Vanessa Wolf, Business Development Manager at Diebold, talked about ATM security and solutions. The threats are very real for credit unions and their members, because of the risk of data or network compromise—and the risk of losing member trust. Steps that credit unions can take for a safer ATM environment include deterrence through video surveillance, remote monitoring, member education programs, adherence to government regulations and instituting an integrated security program that covers virtually every entry and touch point to an ATM.

Anthony LaMann, Vice President of Visa Global Network Services, discussed new technology initiatives at Visa.

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User Conference Highlights... Continued

Don Shafer, Chairman of BancVue, presented the value-added benefits of identifying profitable members through their card use histories and other MCIF information—ultimately linking this information to incentives like free checking accounts that pay high interest and that refund ATM fees. Shafer projected end results of more profitable members and stronger member retention.

Member Access Pacific hosted attendees in a private box at the Mariners game, and the Mariners won!

Waterfront Credit Union Migrates... Continued

“The end to end project takes 120 days, because there is thorough testing and certification of all transactions before the credit union goes live with the online interface—but the impact to credit union members and staff is virtually nil,” said Mike Murphy, Member Access Pacific’s Director of Implementation. “The credit union employees continue to use the same system that they used with their batch processing environment, except that it now functions in an online, real-time mode.”

MAP performs all project management and implementation for online processing. It meets with the credit union, Visa and the credit union’s data processor to develop the project plan, and then sees to it that the plan is executed through a successful implementation. “We work with a single

point of contact at the credit union,” said Mike Murphy. “We see to it that everything is thoroughly tested so that all we have to do is to “flip the switch” and online processing is there.”

Waterfront’s Bill Holguin agreed. “Member Access Pacific did a good job of staying on top of the project. It eliminated all of my worries....MAP is one of our top vendors. They were a critical ingredient in making this project an overwhelming success for us and our members.”

For more information on the online Visa card processing interface, contact Mike Murphy at 866-598-0698 x7112.

MAP and Visa News

- ▶ **Visa Promotions.** Visa has teamed with Disney on the Magical Gatherings™ program, which gives credit union members a chance to win a vacation at Walt Disney World Resort. The Magical Gatherings™ promotion will run until the end of October, and turnkey marketing materials are readily available from Visa.

Visa has financial and educational materials available for the Hispanic community. The materials discuss reloadable, prepaid cards; check cards and credit cards—and can be customized with your logo and contact information.

For more information on the above two programs, contact Herb Tajalle at 866-598-0698 x7116.

- ▶ **Visa Extras.** Visa has inked a multi-year agreement with Maritz Loyalty Marketing as its new Visa Extras partner. Maritz is a leader in providing full service marketing solutions with superior awards and fulfillments. The new program takes effect September 30, 2006.



Member Access Pacific Participates in BizKids\$ Junior Achievement Program Sponsored by PBS

Member Access Pacific was part of a national community of credit unions, service providers and individuals around the United States that came together to support the production of a PBS television series entitled BizKid\$, and to combine the lessons from this series with Junior Achievement efforts in Financial Literacy for kids.

The producers of BizKid\$ also produce Bill Nye, the Science Guy. They have earned 26 Emmy awards for their achievements in children's educational television.

The goal of BizKid\$ is to teach kids about entrepreneurship and financial literacy through humor and real life success stories and financial challenges. The show will also feature a 30-second sponsorship plug at the beginning and end of each program that highlights credit unions and demonstrates the "credit union difference."

Like others in the credit union and public education sectors, Member Access Pacific is committed to educating youngsters in sound financial management practices. One BizKid\$ episode teaches kids about personal finance, with practical applications of balancing a personal budget. A second episode teaches youngsters about commerce, and how individual efforts affect relationships with other businesses.

In today's environment, more teenagers file for bankruptcy than graduate from college. The ongoing goal of BizKid\$ supporters will be to continually fund-raise to support ongoing programming and educational outreach targeted toward young Americans who are just starting to learn about the world of finance.

Member Access Pacific Offers Members New BancVue Rewards Checking Program

BancVue In a business partnership with BancVue, provider

of Rewards Checking, Member Access Pacific is bringing clients an innovative approach to reward their members with high interest and ATM refunds that goes hand in hand with debit card usage. "Member relationships are multi-faceted, and must deliver value to both credit unions and their members in many areas, including debit cards and checking accounts," said Cyndie Martini, President and CEO of Member Access Pacific.

The focus on checking accounts is critical.

"Over the last year, the fastest-growing website for increase in hits in the United States belongs to HSBC, a major bank" said Don Shafer, Chairman of BancVue. "This is a bank that currently offers 5.05% interest on a savings account. ING Direct, Immigrant Bank and CitiBank are also following suit. At the same time, current data indicates that over half of the credit unions in the United States are closing more checking accounts than they are opening."

Shafer says that what credit unions need is a stronger checking account product that can give credit unions more profitable members, when combined with card activity and other factors.

Shafer says that the average productivity of credit unions' traditional free checking programs has been:

Free Checking customers maintain an average account balance of \$1,200;

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BancVue Rewards Checking Program... Continued

They only make about six debit card transactions per month;

Fewer than 35% actually use Direct Deposit;

About 1% sign up to receive an e-statement;

Only about 25% use online banking service

These free checking members only stay with their credit unions for an average of 5 years, generating an average of \$215 per member account in annual profit.

The results of what Rewards Checking has accomplished illustrate how credit unions can compete with the larger banks in a highly competitive market.

RC customers have average balances of around \$8,500;

They use their debit cards 20 – 30 times monthly;

80% of Reward Checking customers use Direct Deposit;

Almost 80% receive e-statements

More than 80% use online banking .

By targeting areas of membership with higher account balances, higher transaction activity and higher use of technology, credit unions can improve their per account profits to nearly \$455 per member annually, based on BancVue's empirical results. BancVue research also reveals that these rewards checking members stay with the credit union for an average of nine years, which is 70% longer than the retention rate of traditional free checking programs.

In a nutshell, here's how the BancVue program works in combination with Member Access Pacific debit processing:

The program is built around a free checking product that offers two rewards; an attractive interest rate comparable to CD rates and refunds of all ATM fees.

The member receives the rewards when they meet certain requirements.

Monthly debit card transactions are tracked for each account as one determining factor of member qualification for rewards checking;

Other criteria for the member to receive the rewards may be utilizing direct deposit or other ACH, using online banking, making online bill payments and signing up for e-statements.

Institutions find that they can pay the higher interest rates on checking accounts through the savings they recognize from fewer paper checks and statements to process, the lower costs of electronic (versus teller-based) transactions, and the increase in interchange fees from the higher debit card usage.

“On the consumer side, we have found that refunds of ATM fees are a huge perceived benefit,” said BancVue's, Don Shafer. “22% of consumers are willing to change their financial institution for free access to ATMs.”

With the BancVue program, each credit union has the flexibility to design its own rewards checking product. BancVue works with the credit union in program design, implementation and performance review.

“Our partnership with BancVue brings our debit card processing services full circle because we now have an end to end solution for our clients that helps them in their overall relationships with their members,” said Member Access Pacific's Cyndie Martini.

BancVue's Don Shafer agrees. “We wanted to partner with Member Access Pacific because they're working with credit unions on member debit card solutions, and our clients have experienced an average increase of 100% or more in debit card interchange fees within the first twelve months of offering Reward Checking. Member Access Pacific's premier debit card processing and client services fit well with our strategic commitment to member value.”

For more information on BancVue's Rewards Checking, contact Herb Tajalle at 866-598-0698 x7116.

Member Access Pacific Makes it Easy to be Free with MoneyPass



Since the advent of ATM surcharging in the mid-1990s, the number of transactions per ATM across the United States has declined. Surcharging alone has not caused transaction volumes to shrink. The proliferation of ATMs deployed – more than 400,000 nationwide – has also been a contributing factor.

Consumers are well aware of the convenience ATMs afford them in providing ready access to their money around the clock. However, consumers are also extremely sensitive to how much it is costing them to have this convenience. It comes as no surprise that they are increasingly seeking ways to avoid this cost.

Mid-sized and smaller financial institutions in particular, need expanded surcharge-free ATM access for their cardholders in order to remain competitive. ATM access without surcharges is arguably the number one

consumer differentiator among financial institutions of all sizes—and that's where the MoneyPass surcharge-free network comes into play.

Member Access Pacific is now offering its members access to the MoneyPass network. This enables your credit union to offer cardholders surcharge-free access to over 10,000 ATMs located in 48 states. These locations are convenient, accessible and near where your cardholders live, work and travel, unlike some other surcharge-free networks that might provide more ATMs, but not necessarily in the right locations. MoneyPass is one of the fastest growing surcharge-free networks, providing additional ATM coverage for your credit union quickly and cost effectively.

Participation in MoneyPass utilizes a flexible “pay as you go” pricing structure that eliminates high, fixed fees. Additional benefits for your credit union can include:

- Lower deployment costs as you effectively compete with the ATM coverage of larger financial institutions;
- Increased revenues from higher transaction volumes and interchange, as well as the ability to continue assessing foreign ATM fees;
- Improved member retention and satisfaction while being able to attract more cardholders with a convenient and extensive surcharge-free network; and
- Convenient locations, including many retail locations, and significant growth opportunities as more members join the MoneyPass network.

In addition, we'll provide all of the support necessary for you to recognize the full value of participating in the MoneyPass network. MoneyPass marketing and advertising tools enable you to promote MoneyPass to your members, generate awareness to drive other cardholders to your ATMs and increase interchange income opportunities. A convenient web locator is available and can be linked to from your existing web site, allowing cardholders to find the MoneyPass ATMs most accessible to them.

Letter from the CEO



Cyndie Martini, CEO
Member Access Pacific

Over the coming months, Member Access Pacific will begin the revitalization of our brand. We enthusiastically look forward to

commencing the process first quarter of 2007. In step with our new look, plans also include improvements to MAP's website, offering participants greater product information, data, forms and increased industry related links. However, one thing will not change:

Member Access Pacific staff and its associates remain committed to the success of our clients and their card processing solutions.

At our User Conferences, in our daily work and in our Website and newsletters, we will continue to actively communicate with you, our clients—and share firsthand the latest industry trends and competitive new products and services that deliver value to your members and your institutions.

Today's card processing environment is complex and constantly changing. It is challenging enough for credit unions to

develop new product lines and business partners without also having to become an industry expert. For many of our credit unions, maintaining a competitive edge in this marketplace also means treading into new and un-charted territory.

One of our corporate strengths in serving you is a clear, fundamental understanding of the service needs and organizational structure of credit unions and the credit union industry at large. Strong competitive positioning of your EFT products and member services requires continual research and development of innovative products and support systems that engage and effect usage and loyalty. Member Access Pacific's strategies and business affiliations continue to focus on providing more ways your members are able to transact business with your institution. We do this in conjunction with on-going in-house and/or web training so your staff is knowledgeable and confident in the delivery and management of the card and ATM products you provide.

Now and in the coming months, MAP will expand its product offerings in key areas such as business services and merchant processing, prepaid card solutions such as a re-loadable travel and student card products, and two new options of reward loyalty programs. All of this is part of our central mission, "to provide our clients with unmatched card processing solutions and service."

A special thank you to the following speakers and sponsoring business partners of MAP's 3rd Annual Users Conference: Visa USA, Credit Union 24, Total Merchant Concepts, E-3 Technology, KeyBank "No-Surcharge" ATM Program, Diebold, Allied Solutions, Washington Credit Union League, Transworld Data, and BancVue.

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