Going Digital

Strategies for Providing Digital Services

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The worldwide web has permeated into most aspects of our commercial and personal lives. We now communicate online, shop online, and entertain ourselves online. Banking and other financial transactions are also increasingly conducted online. This guide provides a general background on these important service channels.

I. Do Credit Union Members Want Digital Services?

Increasingly, the answer is yes. Below is a small sample of the research on the increasing use of digital banking:

- According to a recent editorial, 70 percent of likely bank account applicants would prefer to submit a digital application.[1] The same report states that in 2014, the number of applications for credit, auto loans and mortgages submitted through mobile and tablet apps increased by 60 percent.
- A 2013 Federal Reserve payments study tracked payment trends from 2009–2012. Compared with 2009, in 2012, the use of checks declined 9.2 percent, credit card use rose 6.8 percent, debit card use rose 7.7 percent and prepaid cards rose a dramatic 33.9 percent.[2]
- In 2015, roughly 30 percent of adults in the U.S. used a mobile banking service weekly, while just 24 percent visited a physical branch as often. That's the first time in the history of the survey that mobile users (smartphones and tablets) outpaced branch users.[3]
- In 2015, one in ten consumers used mobile banking for the first time, or roughly 25 million people.[4]
- Between 2010 and 2015, the number of users that accessed accounts on a smartphone doubled, while the number of people who used a tablet jumped nearly 10 times.[5]
- Branches have been on the decline in recent years, driven both by changing consumer preferences and their high maintenance expenses. In 2015, 1,614 branches closed bringing the U.S. total down to 92,997,[6] from their peak of 99,550 in 2009.[7]

Given these statistics, we should stop referring to digital services as the wave of the future. The wave has already flooded us.

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1 Greg Council, "Why CUs Can't Afford Not to Speed Up, Streamline Lending Process," *Credit Union Journal,* October 23,2015, Accessed May 24, 2016, http://www.cujournal.com/news/opinions/why-cus-cant-afford-not-to-speed-up-streamline-lending-process-1025153-1.html

2 The Federal Reserve System, "2013 Federal Reserve Payments Study", December 19, 2013, Accessed May 24, 2016, https://www.frbservices.org/files/communications/pdf/research/2013_payments_study_summary.pdf

3 Telis Demos, "For the First Time More are Mobile Banking Than Going to a Branch," *The Wall Street Journal*, January 12, 2016, Accessed May 24, 2016, http://blogs.wsj.com/moneybeat/2016/01/12/for-the-first-time-more-are-mobile-banking-than-going-to-abranch/

4 Ibid

5 Ibid

6 Ibid

7 Saabira Chaudhuri and Emily Glazer, "Bank Branches in U.S. Decline to Lowest Level Since 2005," *The Wall Street Journal*, September 29, 2014, Accessed May 24, 2016, http://www.wsj.com/articles/bank-branches-in-u-s-decline-to-lowest-levelsince-2005-1412026235

II. What's In It for the Members?

Members want digital services because of the perceived advantages including:

- **Convenience** – Digital access means 24 hours a day, seven days a week, 365 days a year. And younger consumers increasingly expect service availability whenever it is convenient for them—not when your branch is open.
- **Ease of Access** – A well-designed website can make it easier to get a wide variety of information and services in one visit: rates, loan applications, transfers, account opening, check orders and financial planning, as well as others. That used to require going to different departments or personnel at a physical branch.
- **Mobility** – A well-designed system can provide access anywhere, even if you are away from home.
- **Speed** – In nearly all cases, digital services are faster than traditional methods. Especially if the alternative involves going to a branch and waiting in line. Even services that don't normally require a branch visit, like paying a bill, can be faster.
- **Lower Cost** – Depending on the credit union's fee structure, using digital services can save members money. For example, electronic bill pay typically saves members check costs and postage. And e-statements can avoid paper-statement fees.

- **Environmentally Friendly** – Because digital banking cuts down on paper and trips to branches, it is considered an environmentally friendly alternative.

A 2014 survey of millennials by Statista, an internet statistics portal asked, "What advantages or benefits of online or mobile banking are most appealing to you?" These were the results:[8]

- More convenient—76 percent
- Saves me time—75 percent
- Can bank at any time—75 percent
- Is faster—67 percent
- Can bank anywhere—63 percent
- Easy to manage my finances—61 percent
- Secure—38 percent
- Multiple transactions at same time—33 percent

Of course, members and credit unions must be aware of the potential disadvantages:

- **Reputation Risk** – As with any new delivery channel or service, poorly designed or implemented digital services can cause member frustration and harm your reputation. As adoption of digital services increases, members will not only judge your offerings in comparison to your legacy paper-based channels, but also the digital offerings of your competitors. Millennials are not just use to getting things done digitally, they expect the digital experience to be intuitive, quick and hassle-free. How will your digital offerings stack-up? If there are problems, is your credit union's support system able to cope with them at any hour of the day?

- **Moving Away from Personal Service** – Digital channels are by their nature less personal, and personal service is a key differentiator for most credit unions. As the use of digital channels increases, will this advantage begin to erode?

- **High Costs** – Introducing digital channels can be costly. Per transaction, costs are usually lower through digital channels, but this will not translate into lower operating costs unless enough users migrate to the new channels. And, as we will see later, credit unions frequently can't charge fees for the new services.

8 Statista, "What Advantages or Benefits of Online or Mobile Banking are Most Appealing to You?", February 2014, http://www.statista.com/statistics/293278/benefits-online-mobile-banking-us-millenials/

III. What's In It for Credit Unions?

The millennial generation (defined here as 18–34 year olds) are 75 million strong, digital natives and the most educated generation in America. They are also the largest generation alive today. They represent an enormous opportunity for credit unions. However, credit union's performance in attracting millennials is not encouraging.[9]

- The average age of a credit union member has increased to 48.5 years.
- Only 35 percent of credit union members are in their peak borrowing years (ages 25–44), down from 51 percent in 1989.
- Just 7 percent of members fall into the 18–24 age range, down from 9 percent in 2013

How long can small credit unions continue to serve members if they don't offer the services most valued by the next generation of Americans?

A. Digital Services Attract New and Younger Members – This sentiment is so commonly uttered in credit unions that it is almost a proverb. A variety of research also supports this concept:

1. According to the American Consumer Satisfaction Index, 88 percent of millennials do their banking online.[10] And, when asked what the most important thing was about choosing a financial institution, digital products were the first two items on the list:[11]

9 "Who Are Your Members?" *Credit Union Magazine*, July 28, 2014, Accessed May 25, 2016, http://news.cuna.org/articles/39389-who-are-your-members

10 Morely Winograd and Dr. Michael Hais, "How Millennials Could Upend Wall Street and Corporate America," The Brookings Institute Governance Studies, May 2014.

11 Marc-Andre' Pigeon and Ben Rodgers, "Marketing Niches – Social and Demographic Opportunities," Filene Research Institute 2012

a. ATM network (they keep 52 percent of savings in cash, more than twice any other age group)

b. Online offerings or experience

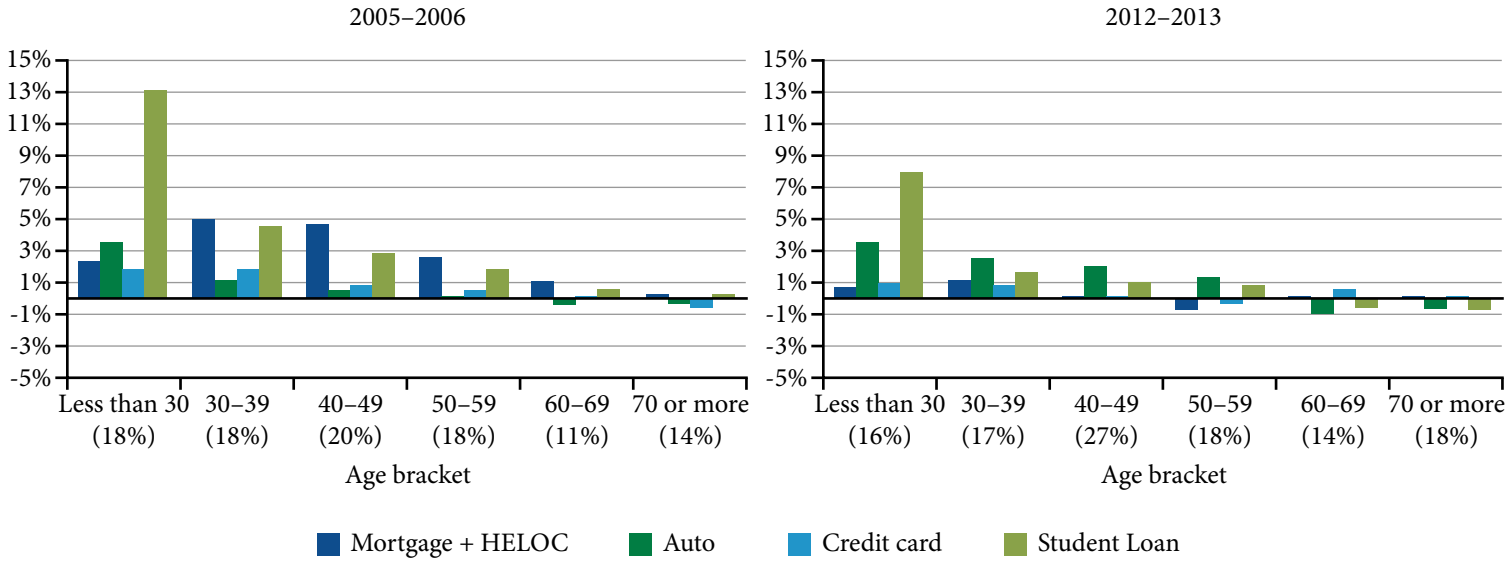
2. And a recent Pew Research study found:[12]

- Fifty-one percent of U.S. adults bank online
- Thirty-two percent of U.S. adults bank using their mobile phones
- Both types of digital banking are on the rise
- Online banking decreases with age and increases with income and educational attainment. Mobile banking is even more heavily influenced by age, but not as much by income or educational attainment; and
- Adults between the ages of 18–34 years old are driving the growth in both online and mobile banking.

B. **Younger Members are Your Best Borrowing Prospects** – This is another credit union truism that is supported by research:

1. Millennials account for 37 percent of all funded auto loans and are projected to account for 40 percent by 2020. They are spending more time researching online, visiting fewer dealerships and wanting even more of the process to happen online, including financing. About 92 percent bank online and half rely on their smartphones during the buying process.[13]

Change in Debt by Borrower Age



Sources: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.
Notes: Numbers in paranthesis denote relative frequencies. HELOC is home equity line of credit

12 Susannah Fox, "51% of U.S. Adults Bank Online," Pew Research, August 8, 2013

13 Jim Landy, "Are Credit Unions Missing the Millennial Moment," *Credit Union Times*, January 8, 2016, accessed May 26, 2016 http://www.cutimes.com/2016/01/08/are-credit-unions-missing-the-millennial-moment?slreturn=1464268536

2. Looking at the increases in consumer debt in four categories over two one-year periods (2005–2006 and 2012–2013) shows growth in the under 30 age-segment dominates, and by the time borrowers reach 50 growth is very low or even negative.

C. **Costs are Lower with Digital Services** – Per transaction costs are lower for digital transactions:

- A transaction that typically costs $4.25 at a branch costs $2.40 through a call center and only $0.20 online.[14]
- Another study showed average transaction costs in the U.S. including labor and IT as:[15]
  - Call Center—$4.04
  - Branch—$4.00
  - ATM—$0.61
  - Mobile—$0.19
  - Voice Response—$0.17
  - Online—$0.09

Research also shows that mobile customers are more profitable:[16]

- Members who use mobile banking bring in 36 percent more revenue than branch-only members, and are less than half as likely to leave their credit unions.
- Within three months of adopting mobile banking, the average number of monthly point-of-sales transactions for credit union members rose by 19 percent, their ATM transactions increased 25 percent and their bill-pay transactions increased 13 percent.
- The attrition rate for members of large credit unions who used mobile banking was just 4.9 percent compared to 13.4 percent for members who weren't enrolled. Among medium and small credit unions, the attrition rates were even lower—2.8 percent for mobile bankers.
- The study also found 53 percent of mobile banking users were under the age of 55. Although mobile bankers can be found in every generation, usage skews younger with millennials and Generation X leading the way.[17]

Do these lower variable costs translate into improved performance? To measure the impact, we looked at Call Report data for all 2,063 federally insured credit unions with assets between $10 million and $50 million at the end of 2014. We chose this asset size because this is where the tipping points are for a variety of common

14 Gerard du Toit, Maureen Burns, Beth Johnson, and Peter Sidebottom, "Customer Loyalty in Retail Banking," Bain and Company, December 4, 2012, accessed May 25, 2016, http://www.bain.com/publications/articles/customer-loyalty-in-retail-banking-2012.aspx

15 PWC, "Rebooting the Branch," fs viewpoint, December 2012, accessed May 25, 2016, https://www.pwc.com/us/en/financial-services/publications/viewpoints/assets/pwc-reinventing-banking-branch-network.pdf

16 Fiserve, "Mobile Banking Adoption: Where is the Revenue for Financial institutions?", 2016, accessed May 25, 2016, https://www.fiserv.com/resources/mobile-banking-adoption-roi-white-paper.aspx

17 Ibid

digital services. We classified the credit unions into four groups, based on the number of the following eleven common digital services they offered:

1. Transactional website
2. Online bank
3. Audio response
4. Mobile banking
5. Bill payment
6. e-Statements
7. Online member application
8. New loan
9. New share account
10. Remote deposit capture
11. ATM and debit card program

The classifications were as follows:

Classification	Number of Digital Services	Number of Credit Unions	Percentage of Credit Unions
None	0	127	6%
Somewhat	1 to 6	974	47%
Above average	6 to 10	928	45%
Highly	11	34	2%
Total		2,063	100%

We then compared key performance and efficiency ratios as of December 31, 2014, and year-over-year growth ratios for the period of, 2010–2014 for the four classification groups.

	Return on Average Assets	Operating Expenses / Average. Assets	Fee & Other Operating Income / Average. Assets	Loans/ Shares	Assets per Employee (in millions)
None	0.42%	1.96%	0.11%	44.58%	$5.1
Somewhat	0.20%	3.31%	0.81%	52.93%	$3.3
Above average	0.25%	4.08%	1.27%	61.48%	$2.9
Highly	0.21%	4.79%	1.87%	69.04%	$3.5

Despite the lower transaction costs of digital services, these efficiencies have not translated into better financial performance in terms of return on average assets, operating expenses or labor efficiencies for credit unions between $10 million and $50 million in assets. And although, many of the digital services are offered free to members, digital credit unions appear to be off-setting digital costs with increased fees and other operating income. Therefore, the digital services can be viewed as loss leaders.

One clear advantage for the more digital credit unions is a higher loan to share ratio. This implies that the more digital credit unions are attracting more members in their prime borrowing years.

But it appears that adoption of digital services is a clear advantage when it comes to growth. As the forecasters predicted, the millennial generation may be hesitant to do business with credit unions lacking modern digital service delivery. Digital services appear to offer clear advantages in terms of maintaining and growing loans, shares and membership.

	Loans	Shares	Members
None	-0.66%	8.21%	-3.48%
Somewhat	5.50%	12.25%	-2.39%
Above average	7.18%	11.32%	-1.94%
Highly	14.04%	12.63%	0.61%

The economies of scale for larger credit unions are well documented. A comparison of the same efficiency measures between two peer groups, as of December 31, 2015, bears this out:

Assets	ROAA	Operating Expenses / Average Assets	Fee & Other Operating Income / Average Assets	Loans / Shares	Assets/FTE Employees (in millions)
$10–$50 million	0.31%	3.43%	0.99%	57.59%	$3.2
More than $150 million	0.86%	3.05%	1.36%	79.80%	$4.8

And larger credit unions tend to offer more digital services than smaller ones. The next graph shows the percentage of credit unions in five asset-size categories that offer various digital services. The category at which a service is offered by 50 percent or more of credit unions in that asset class is highlighted. This can be used as a good estimate of when credit unions actually begin to offer various digital services in terms of asset size from the earliest service offered to the last offered.

Assets	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $150 million	Greater than $150 million	Total
Account Balance Inquiry	34.1	91.9	99.3	99.4	99.9	77.0
ATM/Debit Card Program	31.9	91.1	98.9	99.4	99.7	75.9
View Account History	30.4	90.5	99.3	99.7	99.7	75.4
Home Banking Via Internet Website	29.7	89.8	99.0	99.4	99.7	74.9
Share Account Transfers	30.0	88.6	98.6	98.9	99.6	74.4
Automatic Teller Machine (ATM)	27.3	86.9	98.9	99.4	99.6	73.1
Loan Payments	23.9	80.3	96.6	98.3	99.0	69.5
Download Account History	21.2	75.5	91.8	95.6	97.8	66.1
e-Statements	20.3	75.1	94.0	96.4	99.3	66.3
Bill Payment	10.3	68.3	96.3	97.2	99.3	61.3
Share Draft Orders	15.7	68.0	88.7	90.1	93.0	60.4
Audio Response/Phone Based	13.2	62.1	89.9	93.9	97.9	59.0
Mobile Banking	4.4	41.2	77.0	85.4	95.7	47.0
New Loan	8.0	43.9	72.7	80.1	91.7	47.3
Member Application	6.8	29.6	43.3	55.2	74.5	34.1
Remote Deposit Capture	1.1	11.7	27.0	42.8	71.9	23.3
New Share Account	2.3	13.9	28.0	40.3	66.5	23.4
External Account Transfers	3.2	11.2	23.8	34.0	56.6	20.1
Electronic Signature Authentications/Certification	0.7	6.5	16.6	23.5	42.7	13.7
Mobile Payments	0.7	8.7	23.9	29.8	38.1	14.8
Account Aggregation	2.8	10.1	12.5	18.5	26.8	11.8
Internet Access Services	6.1	19.8	20.0	20.2	24.3	16.5
Kiosk	0.1	2.1	4.5	7.7	23.5	6.1
Merchant Processing Services	0.7	1.9	4.6	10.8	16.9	5.2
Merchandise Purchase	2.9	6.9	7.7	4.1	7.0	5.6
Electronic Cash	2.5	4.2	3.7	3.3	6.3	3.9

IV. Strategies for Offering Digital Services

A. Despite lower variable transaction costs, implementing digital channels does not appear to result in immediate cost savings to the credit union. These credit unions may be failing to migrate enough existing members to the digital channels to offset the increased fixed costs in the short term. This suggests that a credit union needs to consider several strategies when launching digital services:

- Offer incentives to migrate existing members to the new channels or disincentives (for example fees for paper statement) to stay in the old channels. Migrating current members from high-cost to low-cost channels will have the greatest short-term effect.
- Set the desired defaults at an account's opening (for example, require an "opt-in" to receive paper statements).
- Train staff to help members make the switch. Staff must become promoters of the new channels.
- Where appropriate, reduce resources committed to the old channels. Otherwise, the savings will never be realized.

B. These considerations need to be explored during the due diligence process. Also, ask questions like:

- How many new members will this service bring in?
- How many existing members will migrate to the new services and at what rate?
- Will staff be capable of taking on the sales role for the new product?
- Will the new service pay for itself or be a loss leader? If a loss leader, where will the additional revenue come from? How do these projections fit into the overall budget?
- If the new service generates growth, how will capital be managed? Can the credit union afford reduced earnings during the time it takes to grow and achieve economies of scale?
- Are we willing to reduce staffing or branch infrastructure to offset costs?
- While branch activity should decline, call center activity sometimes increases as phone support is necessary for even self-service channels. Consider the cost of this service and whether or not it will be handled in-house or by a vendor.

- Will the product just mimic the old, paper-driven processes or will it truly make the process faster, easier and more efficient? Younger Americans expect not just digital services, but low effort, intuitive and fast digital services. A clunky internet or mobile application will drive disengagement. So don't just compare your own before (paper or branch driven) and after (digital) service experiences. New members will be judging your digital offerings by the competition's digital offerings.

C. A recent survey by the Federal Reserve showed that a common reason for not adopting mobile banking was concern about the security of the technology. [18] In the survey, 62 percent of non-users cited this as the reason they did not use the technology. Forty-four percent of respondents rated the safety of personal information using this technology as somewhat unsafe and very unsafe. The takeaway: Promote your digital channel's security measures heavily, especially the security on your mobile platforms.

In sum, implementing digital services may not result in immediate financial returns, but positioning your credit union as a low-cost, low-fee, non-digital institution is unlikely to generate the level of growth needed for its continued success.

Future growth may require implementing digital delivery channels, which in turn requires a more fee-driven operating model.

18 The Board of Governors of The Federal Reserve System, "Consumer and Mobile Financial Services 2015," March 2015, accessed May 25, 2016

V. Digital-Service Migration Strategy

There are some obvious technological bottle-necks that require offering services in a particular order. For example, it is unlikely that you can offer bill pay before internet banking, or offer e-statements before you have a website.

Other than these problems, you should review the credit union digital services chart shown earlier, which shows the peer-group asset size that digital services are typically offered at.

Another resource is the following chart. It shows the results of a survey asking consumers what their preferred delivery channel is for a variety of banking services. It is arranged in order of those services most desired. You may want to start migrating services to digital self-service starting from top to bottom.

Or, if you believe your members preferences deviate from these broad averages, you could conduct your own survey to assist with prioritizing your digital-service product migration.

Banking Service	Traditional or Branch	Phone	ATM	Online	Mobile
Check balances	13%	10%	5%	54%	18%
Transfer funds	23%	7%	4%	55%	11%
Bill payments	32%	7%	2%	49%	10%
Withdraw funds	38%	2%	45%	12%	3%
Make bank payments	41%	7%	3%	41%	8%
Manage investments	44%	8%	2%	39%	7%
Solve problems	55%	25%	2%	14%	4%
Make deposits	56%	2%	20%	14%	8%
Statements**	62%	1%	0%	37%	0%
Apply for loans	67%	8%	2%	19%	4%
Open accounts	70%	9%	2%	16%	3%

BAI Consumer Digital Banking Survey April 2015
** The BAI survey did not include this service. These results are from a 2013 Gallup Poll.

VI. Digital Products for Specific Purposes

A. **The Services Expected in the Modern Marketplace** – Given the public's increasing preference for digital access, and the fact that it is skewed towards younger people, all of the digital services could be considered defensive. But if you are just starting to make the digital move, consider those services with the highest preference for digital delivery first (check balance, transfer funds and bill pay online or on a mobile device). Then consider those that have the greatest appeal to millennials (ATM and internet and mobile access).

B. **Gateway Services** – Also called "sticky" services, these are the services that tend to bind members to the credit union. Mortgages and share drafts have long been considered gateway services. Mobile banking can be added to that list.

Recent research found that the attrition rate for members using mobile banking dropped from 13.4 to 4.9 percent at large credit unions, and fell even further to 2.8 percent at small- and medium-sized credit unions.

In addition to retaining members, the research found that those financial institutions offering mobile banking experienced increased average product holdings per member. Mobile users used an average of 2.3 products from their primary financial institution, compared with 1.3 products from financial institutions that didn't offer mobile banking.[19]

19 Fiserve, "Mobile Banking Adoption: Where is the Revenue for Financial institutions?" 2016, accessed May 25, 2016, https://www.fiserv.com/resources/mobile-banking-adoption-roi-white-paper.aspx

C. **Services to Increase Loans** – According to the previously cited BAI survey, online and mobile are the preferred channels for 23 percent of consumers looking for loans. With more consumers looking for lending products online, credit unions need an automated loan application to be competitive in reaching these members. And remember: Young members expect fast service when they want it. Anything you can do to automate the loan process to make it more accessible (online and mobile loan applications, after-hours decision making) and faster (automated decision making, e-signatures, among others) will help.

   And as previously discussed, millennial members prefer more digital services (especially ATMs and internet and mobile banking) and are at the same time, the fastest growing segment of borrowers. If millennials are not joining the credit union for your non-lending services, how will you compete for their loans?

D. **Services to Increase Shares** – An online membership application and deposit taking ability would be crucial for those members highly adverse to visiting branches. However, the BAI survey showed membership application as the service with the highest preference to being performed in branch, so it may not be a priority when choosing which services to add first.

   Similarly, branch was the preferred channel for 56 percent of those surveyed for making deposits. The same general statement about loans and millennials could also be applied to shares. This very large demographic segment of the American population especially values ATM, internet and mobile access. Without these services, you are less likely to attract this population as members.

E. **Services to Improve Return on Average Assets** – As previously discussed, digital services do not appear to boost ROAA in the short term. Most of them are loss leaders—their costs cannot be directly offset by the fees they generate. The path to improved return on average assets through digital services appears to be using digital services to grow and then realizing the economies of scale to improve ROAA, while shifting to a more fee-driven business model.

However, a credit union may see an immediate improvement in return on average assets through the following:

- e-Statements – As long as it leads to a direct reduction in mailing costs
- Loan applications (online, mobile and automated decision-making and closing) – To the extent it will increase loan volume

Conclusion

The next generation of credit union members will be less concerned with your branch network and more concerned with your online and mobile offerings. These will be the new face of the credit union. Without them, the next generation of members may not even know you exist. However, the migration to digital services should not be expected to generate immediate returns. Rather it is a long-term strategy for survival, growth and relevance.

Appendix 1 – List of Common Digital Services

Below is a partial list of common digital services with brief descriptions.

1. **Account Aggregation** – A service to present account information from many different websites in one place. For example, a member's brokerage, bank and credit union accounts presented all on the credit union website.

2. **Account Balance Inquiry and Account History** – Service that allows members to check account balances and history through the internet, telephone or mobile device.

3. **Audio Response** – Members use a phone to access various financial services.

4. **Automatic Teller Machine (ATM)** – A machine that can perform some of the more common transactions historically performed by tellers like deposits and withdrawals. The first ATM was introduced in 1969, but they only came into widespread use in the 1980s.

5. **Bill Payment** – A service that allows members to pay their bills from their share draft accounts electronically online or through a mobile device.

6. **Debit and Credit Cards** – Plastic cards that allow members to access their credit union share accounts (debit) or a line of credit (credit). The first recognizably modern credit card was introduced in 1958, followed by debit cards in 1966.

7. **Download Account History** – The ability to download account histories to various personal management software, such as Mint and Quicken.

8. **Electronic Cash** – Services to transfer monetary values ("electronic cash") that can be stored on a variety of media including a personal computer, plastic card or other device.

9. **Electronic Signature Authorization and Certification** – Service to verify, identify and certify related electronic signatures. The U.S. Code defines an electronic signature for the purpose of US law as, "an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record." [20] This capability can prevent a member from having to make a special trip to the credit union just to sign documents.

10. **Email and Text Alerts** – An automated system to contact your members by text, email or both in various circumstances, such as low account-balance warnings, deposit receipts, debit or credit card use and overdrafts, among others.

11. **E-Statements** – The ability of members to receive their account statements through email or the internet, rather than regular mail.

12. **External Account Transfers** – A service that allows members to transfer funds from their credit union accounts to accounts outside the credit union electronically through the internet or mobile device.

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20 "Public Law 106-229 : June 30, 2000 : Electronic Signatures in Global and National Commerce Act," accessed July 22, 2016.

13. **Online Banking** – Varying types of websites as described below.

    1. **Informational** – This type displays general information such as loan and share rates, printable forms, credit union contact information and privacy notice, among others.

    2. **Interactive** – Members can complete and submit online membership, loan applications or both, apply for new share accounts, transmit requests for information such as share balances, loan balances, account statements and disclosure statements, as well as informational capabilities.

    3. **Transactional** – Members can initiate or perform transactions such as paying bills, making loan payments, transferring money (between one or more credit union accounts or between the credit union and third parties) as well as interactive and informational capabilities.

14. **Internet Access Services** – Providing members with access to the internet.

15. **Kiosk** – Machines that provide basic ATM services, plus enable members to perform some transactions commonly performed by a live teller.

16. **Merchant Processing** – Providing point-of-sale transaction equipment, such as debit and credit card terminals and processing services to business customers. This service can be provided in-house or through a third party.

17. **Mobile Banking** – Members use a smartphone or tablet to access account services similar to those available with online banking.

18. **Mobile or Online Loan Application** – Service that allows members to submit loan applications electronically without having to print, mail or physically deliver the application.

19. **Mobile or Online Membership & Share Applications** – A service that allows people to join the credit union and fund their share account without having to print, mail or physically bring paperwork to the branch.

20. **Mobile Payments and Digital Wallets (Apple Pay, Google Wallet, Android Pay as well as other emerging mobile payment systems)** – Payments to another person or business, purchases of goods or services, charitable donations, or any other payments made using a mobile device. Transaction methods include point-of-sale terminal or near-field communication technology (short-range wireless that allows communication between devices when they're touched together, or brought within a few centimeters of each other), mobile applications, text messages or taking a photograph of a check and sending it as a payment (not deposit). The funds are withdrawn directly from a member's bank account, charged to their credit card or applied to their phone bill.

21. **Person-to-Person Payments (P2P)** – Services that allow individuals to exchange funds using a mobile device as an alternative to paper-based mechanisms like cash and checks.

22. **Prepaid Cards** – Plastic cards that function like debit or credit cards but are not linked to a deposit account or credit account. Members must add funds to the cards before they can be used.

23. **Remote Deposit Capture** – A service that allows a member to scan checks and transmit the scanned images to a credit union for deposit in their account.

24. **Share Account and Loan Payment Transfers** – A service that allows members to transfer funds between their credit union accounts electronically (through the internet, telephone or mobile device).

25. **Share Draft Orders** – The ability to order share drafts electronically.

26. **Social Media Marketing** – Advertising through Twitter, Facebook, LinkedIn, Yelp, Foursquare, Instagram, YouTube or other social media networks.

27. **Tokenized Payments** – Tokenization is a system that takes the primary account number, also known as PAN, and replaces it with a token, which is another number. Unlike encryption, the token is unique to a device—meaning it cannot be used on other devices. This increases the security of tokenized transactions.

28. **Website** – A set of related webpages about the credit union and accessible through the internet. It may be hosted by the credit union or a third-party vendor.

Appendix 2 – Other Resources

1. NCUA's Office of Small Credit Union Initiatives held two webinars related to digital services:

   - May 20, 2015, on Cyber Security
   - July 9, 2014, on Mobile Applications

   View the webinars on OSCUI's webpage at https://www.ncua.gov/services/Pages/small-credit-union-learning-center/services/videos-webinars.aspx.

2. NCUA also maintains a webpage dedicated to Cyber Security at https://www.ncua.gov/regulation-supervision/Pages/policy-compliance/resource-centers/cyber-security.aspx.

3. NCUA's Financial Literacy Resources webpage offers many digital and printed resources for credit unions to use when marketing and facilitating outreach to the communities and members they serve. Resources include: interactive financial learning tools, calculators, webinars, videos, brochures, information graphics, web articles and other online content at MyCreditUnion.gov. Below are links to a few of the digital and interactive resources found on the webpage:

   - **Webinar:** The Pathway to Financial Well-Being
   - **Interactive Information Graphic:** "What is a Credit Union?"
   - **Video: NCUA Consumer Report:** Understanding Payday Loans
   - **Interactive Learning Tool:** Hit the Road – A Financial Adventure

   Use these resources in your marketing efforts to digitally engage and educate current and potential members.

THE OFFICE OF
SMALL CREDIT UNION
INITIATIVES

NCUA
National Credit Union Administration

Going Digital

Strategies for Providing Digital Services

National Credit Union Administration
www.NCUA.gov
The Office of Small Credit Union Initiatives
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