

# What's My Card Portfolio Worth?

By Gary Raddon, Chairman, Raddon Financial Group



**H**old onto your card portfolio. It's that simple. Just ask any of the credit unions that sold their portfolios in recent years that are now getting back into the business. A properly managed card program can be one of your biggest revenue generators. It's worth keeping.

Why do the "big guys" want the portfolio? They want it because it still has the best return on assets of any loan products. According to research from Raddon Financial Group, even in today's competitive market of rising rates, cards still offer the highest ROA.

Credit union card portfolios are especially attractive to portfolio purchasers because:

- ◆ Generally, credit union cardholders are low-risk. Credit unions tend to be more conservative with their unsecured loans.
- ◆ Credit unions are an untapped market of existing and potential members. Credit unions usually have low penetration, activation, usage of their card program and the "big guys" see this as an opportunity to grow.
- ◆ They want to begin a relationship with your members so that, eventually, they can cross-sell other products to them.
- ◆ Of course, they want the interest, interchange and fee income from the cards.
- ◆ Finally, they need an alternate method to grow accounts. Direct mail isn't working for them anymore. Last year, 4 billion to 5 billion solicita-

tions were sent out with less than a 1 percent response rate.

Beyond the relationship aspect, members who have cards are more profitable than members who don't have cards. Each year, Raddon Financial Group conducts a study of credit union households. The findings from last year show that services, loan balances and deposit balances are all higher for households with a credit union credit card.

So, when you're thinking about your card program, be sure to take into consideration why your credit union began the card program in the first place.

- ◆ Provide financial services and products to your core credit union member base;
- ◆ Provide a high yield product and offer revenue to the credit union's bottom line;
- ◆ Expand member service and build relationships with your members; and
- ◆ Acquire new members and give staff the opportunity to cross sell other products.

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You know your members better than anyone. So, instead of asking if it's time to sell your portfolio, ask how you can make your card portfolio stronger? How can you better serve your members?

**1. Have a Plan.**

- ◆ Do the research. What do your members want? Rate? Reward? Affinity?
- ◆ What are the goals for your card program (increase penetration)? Remember, under promise and over deliver.
- ◆ What's the risk tolerance? What are your internal guidelines? Can they be changed?
- ◆ What are the resources you'll require? Don't forget to include staff time as well as marketing dollars.
- ◆ What are the action steps?
- ◆ How will you measure your success?

**2. Educate Everyone**

Educate the staff. If they don't understand the product, how can they help your members decide? Use a secret shopper to test your staff. Include information about your card program in your new employee orientation. Give your staff your credit union card! Make sure they can answer questions — give them a cheat sheet.

**3. Make Some Noise**

- ◆ Marketing your product. Make sure that the card program is visible! Check your lobby; would a

	Card Households	All Households
Services	3.56*	2.26
Loan Balances	\$13,882	\$8,267
Deposit Balances	\$16,542	\$11,317

*\*does not include the card*

new member walking in the door know that you have a card program?

- ◆ Newsletter. Do you offer your credit union's card in each member newsletter? Do you publish member stories? How about the member that got a call from the Falcon Group at Certegy/FIS? How about a member that saved enough points to go on the long-awaited cruise?
- ◆ Web site. Is information about your card easy to find on your Web site? Even better, is it on your home page? Are you using your site to encourage your members to use their credit union cards?
- ◆ Other places. On-hold messages, ATM signage, teller envelopes, counter mats, etc.

**4. Leverage Resources**

You're not in this alone. Be sure to take advantage of all the expertise, tools and information that's available from PCUA and CSCU. We're here to help you reach your goals. From marketing help to portfolio analysis, PCUA and CSCU are here to help, so check out the CSCU Web site, [www.cscu.net](http://www.cscu.net), or call your PCUA representative at 800-932-0661.

**5. Do Something. Do Something All the Time.**

You know that there are inherent risks in any type of lending. However, cards are your highest earning assets — card households have higher loan and deposit balances than households that don't have your card.

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