elan™
Credit Card

Credit Card Strategy in a Rising Rate Environment:

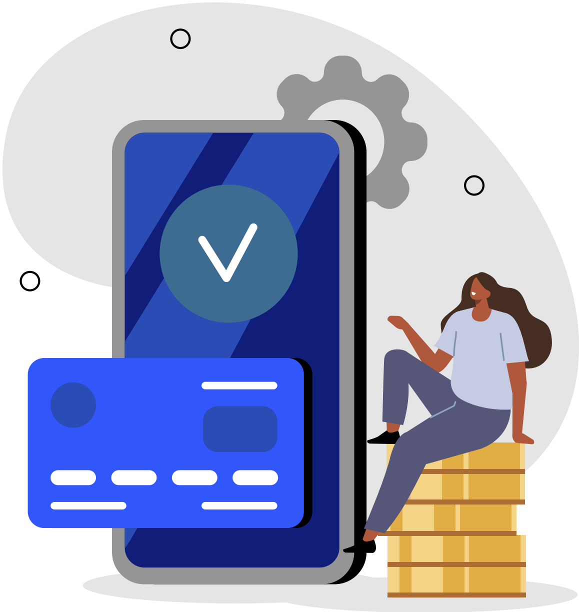
A Better Product with Less Risk and More Income

Executive Summary

The credit card market is an increasingly complex and challenging space for credit unions and community banks to operate. Rising consumer expectations around technology, product options, and rewards have made it tougher to compete with big players. Meanwhile, rising interest rates and forecasts of economic headwinds in 2023 and 2024 will likely lead to higher delinquencies and charge-off rates. While many financial institutions need to grow their card portfolios, doing so also comes with risk. Financial institutions now need a new card strategy that considers the balance of risk and profitability, technology, card assortment, and financial education.

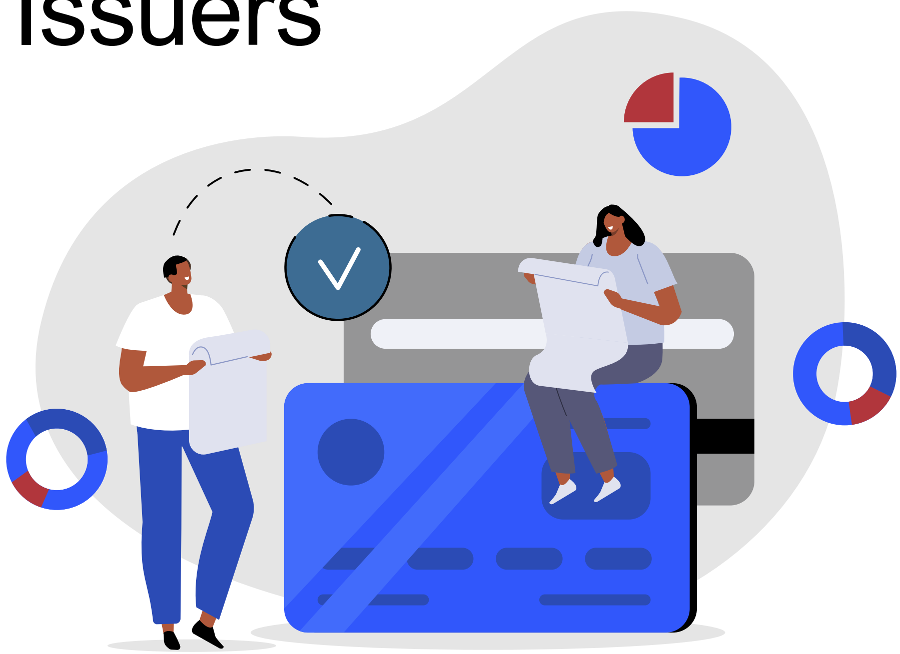
Introduction

Credit unions and community banks are finding the credit card industry an increasingly complex and competitive space. For decades, they used a strategy of issuing single low-rate cards to attract new members and customers and benefit existing ones. However, today's cardholders are increasingly sophisticated. They seek customized cards, robust reward programs, and a digital experience that many smaller financial institutions can't fully provide. Further complicating this low-rate card strategy is that rising interest rates and the prospect of deteriorating economic conditions in 2023 are forecast to lead to higher charge-off rates. The large bank failures that rocked the industry in the first quarter of 2023 have added to the air of uncertainty imposed by the prospect of a recession.



While managing credit card programs in-house may have worked in simpler times, credit unions and community banks now need a forward-thinking, modern credit card strategy that balances profitability and risk, adopts the latest technology, and delivers the customization that cardholders demand.

A Complex and Challenging Environment for Credit Card Issuers



Financial institutions are in a period of historically unprecedented disruption. Many are now adopting digital solutions to meet new customer deposit preferences, while also striving to evolve their card programs to keep pace and remain competitive. Coming off the heels of the Covid-19 pandemic, the economy is now facing high inflation, a tightening monetary policy, and the potential for a recession in 2023. This comes at a time when fintechs have created new levels of competition from inside and outside the industry.

While this is a challenging time for credit card issuers, there are opportunities within the disruption. Identifying these challenges can help financial institutions design a better card strategy that ultimately creates a better product with greater profitability and reduced risk

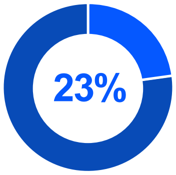
Economic Pressures Could Pinch Profitability

Recent surveys indicate consumers are becoming more financially stressed. In December 2022, the Federal Reserve noted that consumer credit, mainly credit cards, student loans, and auto loans, rose 6.9% over the same period in 2021, accelerating faster than incomes are growing.

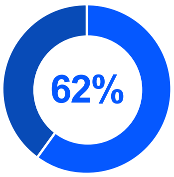
15% Credit card balances increased 15% in Q3 2022, the fastest growth rate in 20 years.[1]

While many consumers got a better handle on credit in 2021, the stimulus money that provided that financial buffer has now been exhausted. Meanwhile, the rising prices of consumer goods and historically high inflation rates have led many to look more towards short-term lending, with credit cards being the primary vehicle.

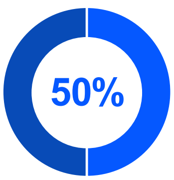
[1] Credit Card Balances Jump 15% as Americans Fall Deeper into Debt, CNBC.com, November 16, 2022. Read



In 2022, nearly a quarter of all consumers said they used a credit card to cover a significant emergency, and plastic remains a backstop for those without an emergency fund.[2] Just as rising prices push more consumers to credit cards, rising rates are compounding the problem, leaving cardholders with some of the highest interest rates in nearly 20 years.



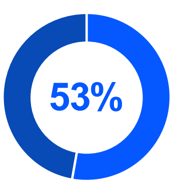
As even a mild recession can raise delinquencies, 2023 is ripe for trouble in the credit card space. More than 60% of credit card holders say they've taken some new action with a credit card in the past year because of inflation.



Half also say they plan to open a new card or use an existing card to pay for essentials in the next 12 months.[3]

Additionally, while consumers say they are less likely to apply for an auto loan, mortgage, or refinance in the next 12 months, they are more likely to apply for more credit cards.[4]

Banks and credit unions can look back to previous periods of economic stagnation and high inflation to envision what 2023 and beyond may hold. The primary impacts during this period will include rising net charge-offs, margin compression, and being tied to a static portfolio as the Federal Reserve Board (the Fed) continues rate adjustments. As of early 2023, consumer loan delinquencies were on the rise.[5]

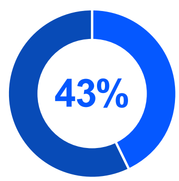


A TransUnion survey found that 53% of consumers said they would be looking for a new credit card in 2023. However, rising rates and inflation will continue to pressure consumers, and card balances among Millennials and Gen Z now exceed pre-pandemic levels.[6]

Card issuers will have to work diligently to remain profitable in this environment, said Mitch Pangretic, SVP, Director of Strategic Partnerships at Elan Credit Card. Issuers will have to carefully consider all the costs it takes to operate a card program, such as credit losses, fraud costs, and servicing expenses. With the challenges of a potential recession and ongoing inflation, many issuers are trying to focus on reducing costs rather than making the investments they need to stay competitive.

> The biggest concern we're hearing is around margin compression and liquidity. These institutions, particularly credit unions, fund their card loans from deposits. To keep depositors happy, they have to raise rates, which raises funding costs. There are going to be challenging years ahead from a profitability perspective.
>
> – **Mitch Pangretic**, SVP, Director of Strategic Partnerships at Elan Credit Card

Interest Rates at 40-Year Highs



Rising interest rates are already pressuring cardholders, but many still aren't fully aware of the implications they face. More than two in five consumers (43%) admit they don't know the interest rate they're paying on all of their personal credit cards.[7] As minimum payments rise and economic conditions worsen, charge-offs are likely to increase. TransUnion is forecasting delinquency rates of 2.6% on credit cards, up from 2.1% at the end of 2022.

> We expect card delinquency to increase in 2023 as consumers face liquidity shortages from the prolonged high inflation environment, slowing wage growth, and expected increases in unemployment.[8]
>
> – **TransUnion**, December 14, 2022

[2] Americans Are Using Credit Cards to Cover Financial Emergencies – How This Can Cost You Even More, Nasdaq.com, January 3, 2023. Read
[3] Consumer Credit Card Report 2022, Nerd Wallet, June 14, 2022. Read
[4] Credit Cards Defy Slowdown in Broader Credit Demand and Access, Federal Reserve, November 21, 2022. Read
[5] 2023 Consumer Loan Trends: High Demand, Rising Delinquencies, The Financial Brand, January 9, 2023. Read
[6] 2023 Consumer Loan Trends: High Demand, Rising Delinquencies, The Financial Brand, January 9, 2023. Read
[7] Consumer Credit Card Report 2022, Nerd Wallet, June 14, 2022. Read
[8] More Pronounced Changes Expected in Consumer Credit Market in 2023 Even as More Than Half of Americans Remain Optimistic About Their Financial Future, TransUnion, December 14, 2022. Read

This could prove to be a rude awakening for many credit unions and community banks. After years of positive economic fundamentals and low-interest rates, most have enjoyed a relatively long period of low charge-off rates, said John Toohig, Head of Whole Loan Trading and President of Raymond James Mortgage Company.

> Many have been sitting on this 100% unsecured asset and just letting it run because they've enjoyed low charge-offs, but everyone expects that number to rise, and things can get out of hand quickly.
>
> – **John Toohig**, Head of Whole Loan Trading and President of Raymond James Mortgage Company

And there is also the new current expected credit loss (CECL) accounting standard to keep in mind. CECL, the most sweeping change to financial institution accounting standards in a generation, requires financial institutions to make "life of loan" estimates of losses to be recorded for unimpaired loans at the time the loans are originated or purchased.

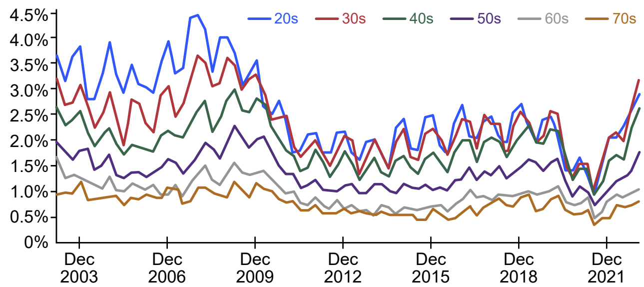
Toohig said that new CECL requirements for reserves could further complicate the environment for many financial institutions. While many banks and credit unions have been operating with charge-off rates averaging less than 2%, those rates rose as high as 10% in 2009 and 2010.[9] This means credit unions would not only have to deal with the higher charge-off rates but the rising reserves that would accompany it.

> At commercial banks, credit card delinquencies have risen each quarter since the third quarter of 2021, and charge-offs reached 2.44% in the fourth quarter of 2022, the highest level since the second quarter of 2021. Charge-offs are nevertheless low relative to historical levels.[10,11]
>
> – **Federal Reserve Board**, February 21, 2023

Still, credit card borrowers are missing their payments and transitioning to 90+ day delinquency at a rate higher than they had before the pandemic, said Craig Demoss, Fixed Income Trader at Raymond James Mortgage Company.

Delinquency Rate For Credit Card Borrowers Surpasses Pre-Pandemic Norms

Share of credit card borrows transitioning to 90 days past due by age group



Source: New York Fed Consumer Credit Panel/Equifax

Yet the fact that more borrowers are missing their payments, particularly when economic conditions appear strong overall, is somewhat of a puzzle. This is particularly concerning for younger borrowers who are disproportionately likely to hold federal student loans that are still in administrative forbearance. Some of these borrowers are struggling to pay their credit card and auto loans even though payments on their student loans are not currently required. "Once payments on those loans resume later this year under current plans, millions of younger borrowers will add another monthly payment to their debt obligations, potentially driving these delinquency rates even higher," added Demoss.

Growing Competition

Credit unions and community banks also face intense competition in the credit card market and struggle to compete with the rewards, benefits, and technology big players offer. "Over the past five years, a favorable economic environment led many to simply maintain their credit card programs rather than focus on growing them or improving their technologies. During this time, big players have taken advantage of scale and invested heavily in new technologies," said Demoss.

Research indicates consumers want personalization, tailored rewards programs, credit-building cards, and alternatives such as buy now, pay later, or BNPL.[12]

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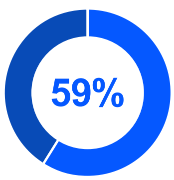
[9] National Credit Card Delinquency and Charge-Off Rates, WalletHub, December 12, 2022. Read
[10] Federal Reserve Board. Delinquency Rates at All Banks, Non-Seasonally Adjusted, updated February 21, 2023. Read
[11] Federal Reserve Board. Charge-Off Rates at All Banks, Non-Seasonally Adjusted, updated February 21, 2023. Read
[12] How Card Issuers Can Stay Top of Wallet Amid Fierce Competition, The Financial Brand, October 11, 2022. Read

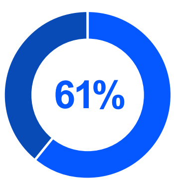
Cards are no longer just about putting plastic in a wallet but about the services and interactions cardholders receive through the process. For example, many top cards now have robust apps and mobile integration that can message consumers with alerts, purchase tracking, and other capabilities.

> These trends do not bode well for smaller institutions and are forcing credit unions and community banks to evolve to stay competitive. [Technology] creates a much stickier relationship but also takes a continuous investment to evolve.
>
> – **Mitch Pangretic**, SVP, Director of Strategic Partnerships at Elan Credit Card

As card issuers battle for consumers on rewards programs and cardmember experience, BNPL continues to rise as an alternative to credit cards.

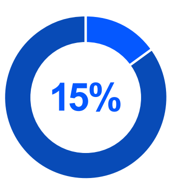


One recent survey found 59% of respondents were somewhat or very likely to use BNPL within the next six months.



While some consumers use BNPL because they lack access to credit cards, others choose it over cards to avoid finance charges. More than 60% said they chose BNPL because it let them know the total payment amount upfront without worrying about charges.[13]

This trend will likely continue as the lines blur between credit cards and BNPL. For example, BNPL apps Klarna and Affirm now offer physical credit cards, while credit card giant American Express now offers an app-based “Pay It/Plan It” service, which enables consumers to essentially create their installment plan on a card.[14]



As consumers seek more options, these alternatives to traditional credit card models could capture up to 15% of incremental profits by 2025, according to McKinsey.[15]

Card Options and the Digital Experience

While most card issuers have excelled in building strong cardmember relationships, customers are developing higher expectations. Having the best interest rate or cardmember experience is no longer good enough. Consumers seek more than just convenience in their cards. Many now want a strong focus on safety, flexible payment options, generous rewards programs and strong customer service.[16]

As consumers take a more cautious approach with spending, a recent study from J.D. Power shows they are now charging less on their primary cards and looking more to other channels, such as debit cards, BNPL, and cash. The study also stressed the importance for card issuers of boosting product value and support for growing numbers of financially stressed customers.[17]

> Financial institutions not only need a good card, but a solid strategy and program with multiple offerings that appeal to different people.
>
> – **David Brand**, Chief Lending Officer at Sharonview Federal Credit Union, headquartered in Indian Land, South Carolina

Brand notes that cards build and enhance the relationship and serve as a gateway to other products, such as deposit accounts, mortgages, auto loans, and home equity loans. “You want to be the first card in their wallet that they pull out. It keeps your brand top of mind, too, and a credit card is an important way to do that. It’s also a form of marketing,” he said.

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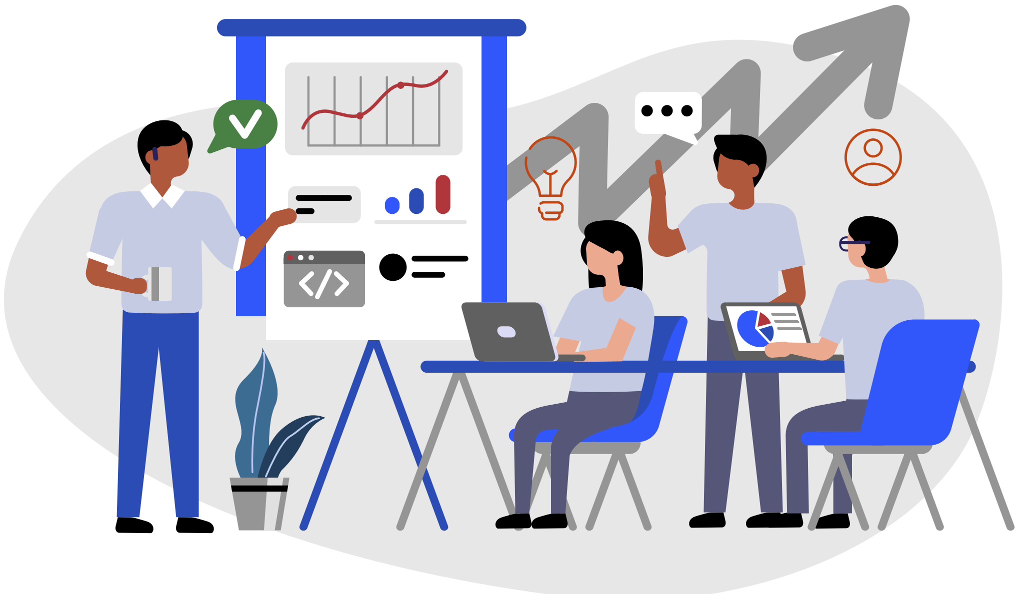
[13] Survey: Buy Now, Pay Later Is Popular With Online Shoppers, Forbes, December 8, 2022. Read
[14] The Lines Between Credit Cards and BNPL Are Blurring, The Financial Brand, November 9, 2022. Read
[15] Reinventing Credit Cards: Responses to New Lending Models in the US, McKinsey & Company, June 23, 2022. Read
[16] It Takes More Than Convenience to Acquire Credit Card Users, The Financial Brand, February 25, 2022. Read
[17] Credit Card Customer Satisfaction Surges, but Spending Wanes Amid Weakening Economy and Growth of Alternative Payment, J.D. Power Finds, J.D. Power, August 18, 2022. Read

Rethinking the Credit Card Product Strategy



Economic conditions and competitive challenges have created a complex environment for implementing a strong credit card strategy. Compared to other types of assets that offer more security with a more predictable income stream, credit cards can be risky to hold on a balance sheet in times like these.

Most economists agree we are heading into a recessionary environment that could notably impact consumers' ability to repay their credit card balances. This makes credit card strategy critical for credit unions and community banks that lack the buffer and scale of larger financial institutions. These organizations must now reevaluate their credit card strategy, including their product suite, profitability, risk, and technology.

While credit unions and community banks have often positioned their cards as a back seat to their brand, they now need a more targeted credit card strategy that focuses on their product, experience, and innovation.[18] Historically, the credit card strategy for these financial institutions has been to offer a low annual percentage rate (APR) that appeals to a mass audience. While this can attract account openings, it's not always the most profitable option. Many of these customers and members pay off their bills at the end of the month, making them transactors rather than revolvers. Others use these cards for low fixed-term lending, spending thousands, then paying it off as quickly as possible to minimize interest. Many consumers now use their more sophisticated cards for everyday spending while reserving their low-rate cards as cheap, temporary loans.

"For many, that strategy of low-rate, basic cards has backfired. It's not always profitable, and they're starting to figure out members and customers are becoming much more sophisticated," said Demoss.

Even when this basic strategy works initially, it typically leads card programs to plateau. While traditional levers like credit limit increases and 0% balance transfers can provide a short-term bump, they are not viable to drive long-term growth in a card program.

[18] 3 Keys to Building the Right Credit Card Product Strategy, The Financial Brand, April 28, 2022. Read

> [We] found it difficult to surpass and compete with bigger institutions' card programs without taking on more credit risk and potentially making the card program unprofitable.
>
> – **Tom Huston**, CFO of Centris Federal Credit Union, headquartered in Omaha, Nebraska

Key Considerations in Credit Card Strategy

In this complex environment, credit card issuers should consider several components when developing their strategy:

1. Balancing Profitability and Risk

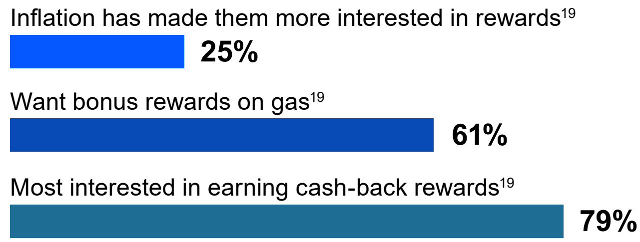
A successful credit card strategy hinges on finding the right balance of profitability and risk. As credit unions and community banks increasingly risk losing market share to bigger players and alternatives like BNPL, they need to grow their card business with a more competitive product. However, a better product can also lead to greater issuance, which leaves more unsecured short-term debt on the balance sheet. Many financial institutions find themselves in a predicament as they search for the balance of program growth and reduced risk of charge-offs.

> There can be a lot of risk in the period we're entering. The economic environment can go south and charge-offs could rise. Financial institutions are seeking ways to grow their card programs without adding to the risk.
>
> – **Craig Demoss**, Fixed Income Trader at Raymond James Mortgage Company

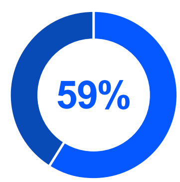
Centris Federal Credit Union has always carefully weighed growth with additional risk, said Huston. The financial institution has previously experienced the result of additional credit exposure by increasing credit limits and offering balance transfers. "Pre-pandemic, we were starting to see some elevated credit losses from the credit card program. Nothing crazy, but over the past couple of years, we've also been waiting for the other shoe to drop with credit experience."

2. Offering Tailored Products

It's critical for credit unions and community banks to identify a range of products that appeal to consumers' needs. While consumers enjoy low-rate cards, they also want tailored options that fit their lifestyle.



Consumers also seek other benefits from their cards, including using them as a means to build their credit score. Secured cards typically have lower spending limits and enable consumers to build their credit while offering some financial institutions a higher profit margin.[20] This can be an especially valuable market given the growth in younger consumers seeking their first credit card.



One survey found Gen Z borrowers made up nearly 60% of new-to-credit consumers and that most of these borrowers perform equally to or better than established borrowers.[21]

Given the wide range of needs across a customer base, financial institutions should consider a robust suite of products to stay competitive and build deeper relationships to appeal to their base. A well-targeted segment can help them compete with bigger players and with BNPL. Despite the headlines about competition, card issuers still have several advantages in the space, including years of well-established relationships with consumers who use credit cards daily. Smaller financial institutions can leverage the opportunity to offer valuable insights into their preferences. They can also position cards as part of a complementary suite of offerings alongside loans and deposits.

Credit cards remain the instrument of choice for consumers due to their simplicity and wide acceptance when making purchases. Providing a

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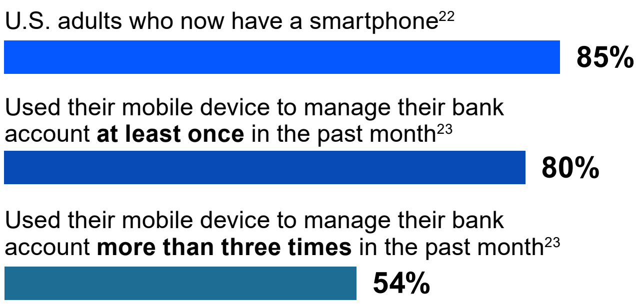
[19] 2022 Credit Card Rewards Survey, WalletHub, June 9, 2022. Read
[20] Why More Issuers See Profit in Secured Credit Cards, American Banker, February 21, 2020. Read
[21] 5.8 Million Consumers Opened a Credit Account for the First Time in 2021, New TransUnion Survey Finds, Business Insider, January 25, 2023. Read

card that not only provides ease of use and a broad suite of products but also offers economies of scale can give community financial institutions a leg up on their competition and a gateway to the borrower.

3. Technology and Mobile Capabilities

Many smaller financial institutions have struggled to keep pace with technology and innovation, specifically with the mobile experience.



These numbers are even higher for younger generations.[23]

Consumers expect the same mobile-first functionality with their card issuers as they have with their banks. They want do-it-yourself service such as the ability to check their balance, make payments, set travel notifications, and enroll in paperless statements. Other capabilities of a modern credit card app include the ability to manage alerts, search transactions, monitor for fraud, and lock and unlock cards. Finally, consumers expect to easily review and redeem awards with their mobile device.

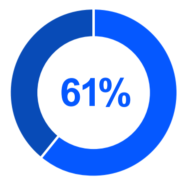
We live in a world flooded with information and that doesn't stop with a cardholder's credit card transactions.

> Many consumers are now expecting an alert every time they use their card, with information on what that card was used for. Others may want to know when they reach a certain threshold. Technology is key to deepening the customer relationship, enhancing security, and helping the cardholder use credit efficiently.
>
> – **Mitch Pangretic**, SVP, Director of Strategic Partnerships at Elan Credit Card

This technology can extend new benefits and opportunities for card issuers too. With access to purchasing information, the financial institution may be able to predict consumers' needs and promote specific products. "For example, if an institution sees a cardholder with frequent purchases at AutoZone or Advanced Auto Parts, they may be able to cross-sell them for an auto loan or other types of loans," Pangretic added.

4. Financial Education and Wellness

Card issuers and financial institutions have increased their use of financial wellness and education programs in recent years, and it's now more critical given economic pressures.



A report by Elan and PYMNTS found 61% of those living paycheck to paycheck said that access to tools to improve their credit score influenced their choice of a card. They need support with credit card best practices and education about managing debt and protecting their credit from cybersecurity threats. Some card issuers now offer internal programs or partner with fintechs to help cardholders foster good habits and better manage their credit.[24]

Many credit unions and community banks are already well positioned as trusted advisors to their members. Offering financial education tools to improve cardholders' financial well-being is an added benefit to the cardmember and can reduce the risk for card issuers by reducing late payments and charge-offs. These tools should include a cardholder's current credit score, factors that determine it, and tips on improving their rating. Other educational components include best practices for managing credit cards, how to build credit, and ideas for managing loans and budgeting savings. Finally, card issuers should be proactive in offering tips to protect financial information from cybersecurity threats and how to respond in case of a breach or attack.

"If you're educating your [members or customers] on the proper use of credit, they may be more likely to reach out to you when they run into trouble," said Pangretic. "They'll potentially prefer being proactive instead of having collectors reach out to them."

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[22] Mobile Fact Sheet, Pew Research Center, April 7, 2021. Read
[23] National Survey: 99% of Consumers Give High Marks to Their Bank's Online and Mobile Experience for Third Consecutive Year, American Bankers Association, November 20, 2022. Read
[24] Credit Cards That Will Teach You Financial Responsibility, Creditcards.com, April 14, 2021. Read

Creating a Better Product with Less Risk and More Income

In the coming year and beyond, it is imperative that credit unions and community banks refocus their credit card strategies to reduce risk and enhance the customer experience. Offering a better product suite with less risk and more income will help expand card programs while protecting against charge-offs and unsecured credit on the balance sheet.

To Insource or Outsource?

Financial institutions have two options: run the credit card program in-house (insourcing) or partner with a third-party (outsourcing). As both insourcing and outsourcing offer benefits and risks, financial institutions should consider the actual cost of a program, loss trends, future projects, impact on member and customer relationships, and resources needed.

While **insourcing** offers a high level of control and direct engagement with cardholders, it also has challenges. Self-issuers often need more human resources, including call center operators, experienced management to run the program, and technology personnel to expand digital capabilities and fraud protection. Even with good performance, self-issuers may not be able to address changing risk dynamics to modify their portfolios quickly enough to stay competitive. Evaluating available products and rewards is key to ensuring cardmember stickiness, with a focus on whether the programs provide the right product mix, offer the right rewards, and can compete against national issuers. Ensuring the program has adequate digital capabilities may be another consideration and requires a combination of tech talent and expertise.

Outsourcing a credit card program enables the credit union or community bank to transfer the management and risk of the credit card program. This allows the institution to tap into the expertise of a third party with the scale, experience, and leverage to produce a greater card program for cardmembers. However, depending on the partner, outsourcing can come with disadvantages, including higher costs, less control, and reduced front-line interaction with cardholders.

Finding a Partner

While many financial institutions believe outsourcing will lead to losing control of the customer or member experience, a quality partner can help mitigate those concerns. A successful partnership allows credit unions and community banks to leverage the partner's expertise, scale, and investment while transferring expenses and risk. This enables staff to focus more on member relationships.

Due diligence in vendor selection can go a long way in setting up a high-performing credit card partnership.

Sharonview Federal Credit Union had initial reservations about outsourcing its card program. It was concerned about losing control of the program, management of the call center, and how the change would be perceived by members. Concluding the benefits outweighed the risks, Sharonview transferred its credit card portfolio to Elan Credit Card in 2021, trusting the partnership could provide members with a better suite of products, fraud mitigation, and communication tools. In addition to improving Sharonview's consumer product line, the new partnership offered a product suite for businesses.

> Elan already had four different business credit cards available on the market. All we had to do was put our names on those cards. It might have taken a year to deploy if we'd been working in-house with a card processor. Instead, it was ready in two weeks.[26]
>
> – **David Brand**, Chief Lending Officer at Sharonview Federal Credit Union

Sharonview also created a new position, Director of Lending Partnerships, to serve as a liaison between the credit union teams and the vendors. "This helps us mitigate and manage our risks," said Brand. "We've got to ensure our relationships with fintech mirrors our risk appetite."[25]

The credit union underwent an onboarding process that involved transitioning the entire card program to Elan.

33,000	24,000	> $90 million
cards	accounts	balance

The sheer volume of the conversion and the players involved made it an arduous task, said Brand. "You're converting all the customers that have been with your card for years, and you've got to tell them you're not going to run it anymore. We envisioned there would be a little pain to get to the other side, but we know it would pay off in the long run," he said.

A Model for Outsourcing

Credit unions and community banks can find instant benefits in outsourcing their card program, such as growth in account openings and transactions. It can make a big difference for institutions that need more internal marketing resources to grow their program to its full potential, said Huston, the Centris Federal Credit Union CFO. Board members no longer even have to think about the card program and can watch it grow while they focus more on mortgage lending, deposits, and other services.

From a member service standpoint, Huston found outsourcing to Elan Credit Card worthwhile.

> We've been very happy with what's rolled out and [consider it] a vast improvement over what we previously offered. [Outsourcing] has been a win-win for our members and us. Having an enhanced suite of products and such marketing horsepower was something we couldn't economically sustain as an entity our size.
>
> – **Tom Huston**, CFO of Centris Federal Credit Union

[25] How & Why Credit Unions Should Partner with Fintech, Credit Union Times, September 14, 2022. Read

Additionally, being able to offload the credit card risk has been a significant benefit as the economy encounters uncertainty and headwinds. A partner can help find a more active and growing portfolio while also taking risk off the balance sheet. These arrangements typically white label the cards in the financial institution's name, so the customer or member gets the same experience they would have if their financial institution hadn't outsourced the program.

> Having a partner with economies of scale and expertise, and that's all they do, has helped in the past couple of years. With the growth in fraud [and forecast economic troubles], we'd be inadequately prepared.
>
> – **Tom Huston**, CFO of Centris Federal Credit Union

Sharonview also discovered many other benefits of outsourcing. In addition to the sheer amount of operations handled by their partner, the marketing capabilities of the partnership have been very successful. "We're getting new members on the card side of the house. And we're opening new accounts for members who might otherwise be disengaged with Sharonview," said Brand. He added that direct mail campaigns for Sharonview have shown a higher capture rate than email since it partnered with Elan Credit Card.

At Centris Federal Credit Union, transferring the risk of the card program has also delivered peace of mind to executives and board members. "We were able to de-risk that part of the balance sheet," said Huston.

Being able to offload a card program also enables executives to focus more on growth and member relationships, said Huston.

> For us, like many credit unions and community banks, credit cards have not historically been our area of expertise, and it's a difficult area to create a competitive advantage. It enabled us to redeploy capital and talent to loan and deposit products and things in which we do have a competitive advantage.
>
> – **Tom Huston**, CFO of Centris Federal Credit Union

Elan Credit Card Partnership Strategy

Elan Credit Card, a division of U.S. Bancorp, has offered credit card outsourcing solutions with a proven track record of success.

>50	~1,300	>250
years	financial institutions	credit unions

The partnership offers credit unions and community banks the opportunity to deepen relationships and expand growth without continued investment. Elan also takes a digital-first approach with a cardmember-centric model. This enables financial institutions to earn more income through efficiencies of scale, improve cash flow, and drive long-term cardmember relationships.

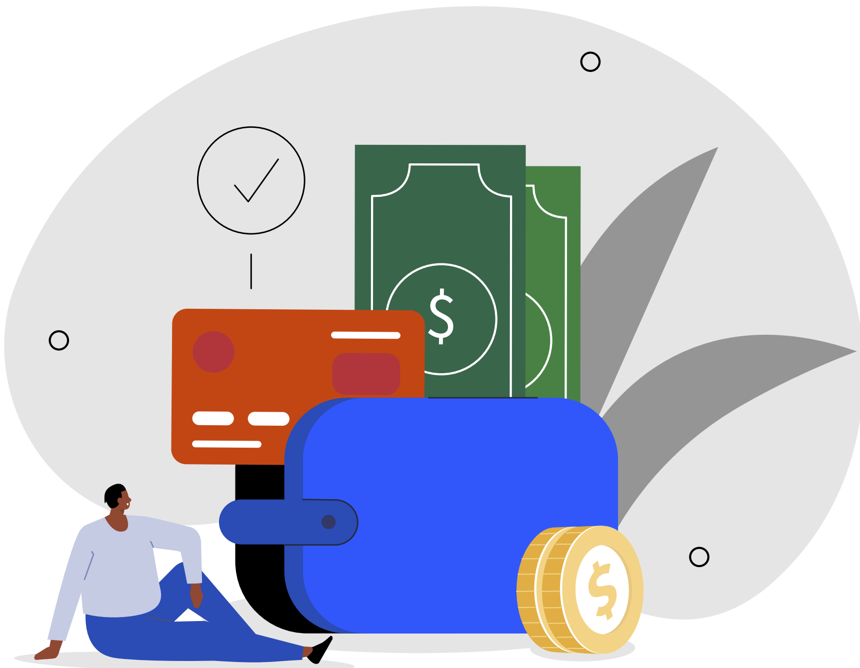
Elan supports all aspects of a credit card program, offering a one-stop solution that enables credit unions and community banks to quickly grow their card business and improve profitability while reducing risk.

- Digital technology
- Product development
- Marketing
- Employee training
- Cardmember servicing
- Risk management
- Expense management

Partners have access to the exclusive Client Resource Center (CRC) which serves as the primary channel for credit card program details, resources, tools, and account growth opportunities. Daily reporting and API build-out services to migrate real-time account information to CRMs are also available. Elan's high-growth marketing strategy and streamlined underwriting process yields higher approval rates across the risk spectrum and delivers long-term results.

A range of consumer and business card product suites are available. This product variety helps serve consumers' varying needs, whether paying down balances, earning rewards, building credit, or managing a small business. This is backed by a strong digital experience that includes text-to-apply, cardholder DIY tools, text alerts, and digital wallet integration, enabling credit unions and community banks to offer strong capabilities without the investment.

Conclusion



As the credit card space grows more competitive and complex, credit unions and community banks will find it increasingly difficult to stay at the top of consumers' wallets. At a time when they should focus on growth and adding accounts, economic pressures and the potential for rising charge-off rates steepen the risk. While all card issuers will face headwinds in this environment, many credit unions and community banks will be at a greater disadvantage because they often lack the resources to support a modern card strategy.

Gone are the days of offering one low-rate card. Consumers want innovative technology, robust rewards, and card options that meet their needs. To compete in this market, credit unions and community banks now need a credit card strategy that balances profitability and risk, which a focus on mobile technology and robust products. A partner can help these financial institutions design a competitive strategy and manage all aspects of the card value chain, from card design and marketing to customer service. This enables credit unions and community banks to outsource their entire card program and attain better products and higher profitability while offloading the risk.

Elan partners with credit unions and community banks through our outsourced credit card program, mortgage solutions, and all-in-one merchant processing platform, talech®. Our dedication to our partners, growth philosophy, and investment in technology has made us a leader in the industry since 1968. Our approach offers expertise while removing costs, reducing risks, and improving the cardmember experience. In a world of rapidly changing technology, increasing compliance burdens, and competing rewards programs, more have turned to Elan for innovative solutions for consumer and business accounts of all sizes. www.cupartnership.com

Founded in 1991, the Raymond James Whole Loan Trading Desk is proud to serve as your devoted loan portfolio management partner.

Bob James, the founder of Raymond James, once said, “We are in the people business, inside as well as out.” That’s a responsibility we don’t take lightly. We consider ourselves more than just a broker, instead applying a holistic approach and skillful problem solving to best support your loan portfolio analytics, research, trading, and liquidity needs.

One of our team’s highest priorities is embodying the client-first service for which Raymond James is known. We understand that having an experienced team is essential in helping ensure your success, and we work to provide sophisticated portfolio analytics while identifying the risks and rewards associated with your loan portfolio. Dedicated to comprehensive and personalized service, our team draws on our ample knowledge and robust resources to guide you in all stages of a transaction — from determining potential strategies and leading pricing discussions to helping with the underwriting of loans and working with your legal counsel to negotiate contracts and establish collateral. Please note, Raymond James is not affiliated with Elan Partners or any of the independent organizations listed above.