

**Join the
Conversation on
Social Media**

ITCU is on Facebook, Twitter, Google+, LinkedIn and Instagram. Follow us for the latest news, contests and other surprises!

STATEMENT CHANGES COMING

Our statements are getting a makeover in September, giving you a cleaner look with some additional features that will make your statements easier to read.

Please note that **eStatement** history prior to December 2017 will **not** be available after August 2018. If you need this information, you are encouraged to print or save your statements electronically before the end of August.

PRIVACY POLICY

We care about your privacy. Our privacy policy explains how we collect, use and safeguard your personal information. (Available on <https://www.itcu.org>.)

This credit union is federally insured by the National Credit Union Administration. Equal Housing Lender.

VOLUNTEER NOTICE

InTouch Credit Union depends on talented, non-paid volunteers to help govern the institution. If you would like to be considered for a volunteer role, please contact Barb Holman, at (214) 291-1776, or barb.holman@itcu.org, for a volunteer application and information packet.



Third Quarter 2018

ONEtoONE

Working for you and your financial well-being.

**Why all the Changes?
A Message from Kent Lugrand,
President/CEO**

Beginning in January 2017, InTouch Credit Union (ITCU) began a series of strategic changes scheduled for completion no later than June 2020. This article was written to give you a sneak peek “behind the curtain” to understand the reason for the changes and what they are likely to mean for you and ITCU. The most visible changes to date are installation of the branch Interactive Teller Machine (ITM) business model and the recent online banking (OLB) conversion; however, these are just two of many more to come.

Three key reasons for the changes, relevancy, value and innovative technology, in an ever-changing “disruptive payments” environment, are followed by a few FAQs and answers as a response to inquiring members.

Relevancy

Although we began as the federal credit union for EDS employees almost 45 years ago, and despite EDS no longer existing, ITCU initiated a series of credit union mergers over the last decade that increased membership to include members and families of the former First American Federal, Ensign Federal, Dr Pepper Employees Federal, Hospitality Federal and New Mount Zion Baptist Church credit unions, along with their sponsoring organizations including all subsidiaries and/or parent successors. As such, most members of ITCU are currently or formerly affiliated with one of following companies and/or entities:

- EDS/HP/HPE/DXC/Perspecta
- First American Financial
- Core Logic
- Caesars Entertainment
- Hilton Worldwide
- InterContinental Hotels Group
- Keurig Dr Pepper
- Service King
- Local business, community and religious organizations

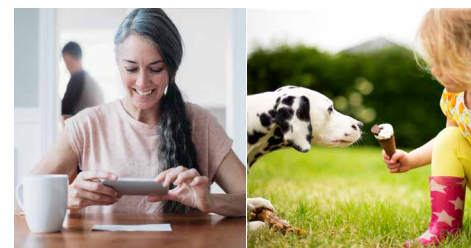
It goes without saying that careers with a single employer are extremely uncommon in today’s environment. Unfortunately, the advantages gained from career mobility changed the financial benefits companies offered resulting in a decline of employers providing financial education and credit union membership as a free company benefit. This change helped speed up the decline in the number of credit unions in the U.S. from over 12,500 when EDS chartered its credit union in 1974 to less than 5,600 today.

In addition to the above-mentioned members and organizations, ITCU’s new field of membership now represents virtually all residents in the geographic cities, counties and communities surrounding our branches in Michigan, Nevada, Texas and Virginia. That being said, ITCU is not solely a local credit union. Over 30% of the membership (about 29,000 members) live in 1 of the 46 states without access to an ITCU branch, or overseas. ITCU has members in all 50 states and 22 foreign countries, and to remain relevant, we have a responsibility to serve everyone with a fair and affordable level of care.

So, how do you measure relevancy? One of the best methods financial institutions use is “share of membership wallet.” For example, we are pleased to boast that ITCU has a record level of member loans currently totaling over \$750 million. However, this same membership base has over \$7 billion in loans with other financial institutions. ITCU’s share of wallet statistics for deposits (i.e., checking, savings, certificates, IRAs and other account types) and wealth management assets (i.e., stocks, bonds, mutual funds, insurance products, etc.) have roughly similar results. If ITCU is to fulfill its “reason for being,” and members “vote” on relevancy by where they choose to do their financial business, then our current share of wallet demands a new way forward.

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HOLIDAY CLOSURES

Labor Day – Monday, September 3rd

Value

For years one of ITCU's key promises included delivering in-person teller services as **the** way to increase our value to the membership. We adopted this position out of loyalty even though we could only deliver it to the 60% of members that actually visit an ITCU branch. However, one has to ask if in-person teller services were so valuable, why are so many members using other institutions for a large portion of their financial business? Being too important to render a guess, in late 2015, we began surveying members (in numerous ways) to find out what was important to them. Surprisingly, when given the binary choice between in-person teller services and better rates and fees, 83% of the membership consistently said, "show me the money." That overwhelming majority made it clear that the "financial value" delivered through ITCU was more important than "in-person" teller services. The results did not mean that "personalized service" was unimportant, only that "great prices" were substantially more important! The delivery changes required to resolve this situation meant that 5 out of 6 members (83%) would appreciate, like, or eventually accept the model change, but that 1 in 6 would not. Additionally, a deeper review discovered the amount of new business gained from the 5 of 6 majority would likely outweigh the business lost from the 1 of 6 minority.

Local ITCU members, on average, enter an ITCU branch once every six weeks, meaning the vast majority of their banking happens through direct deposit, OLB, mobile and electronic channels, leaving a small fraction of transactions performed by a very expensive "in-person" teller delivery model. With several trends indicating the traditional "in-person teller position" is following the path of switchboard operators, data entry positions and gas station attendants (except in New Jersey or Oregon where pumping your own gas is strictly prohibited by state law), the numbers indicate those jobs have become financially obsolete, as well. Industry newspapers are starting to report that banks, large and small, and credit unions are ordering ITMs for installation at branches all over the country, and the expense of the positions prove ITCU has not been delivering service across the membership in an even fashion. Therefore, and in this instance, ITCU is leading the way in our selected markets.

Since the installations began in 2017, the financial results have been remarkable. The change has freed up millions of branch expense dollars to increase dividend rates on checking, savings, money markets and certificates while lowering interest rates on loans. In the last 12 months, ITCU has approved and closed \$395 million in new loans, increased IRA and certificate balances by more than 84% to over \$131 million –the highest in our history–, and grew deposits in the first quarter of 2018 at an annualized rate of 14.23%, which is 10 times the average annual rate of 1.37% over the last four years. Yes, it is true that some individuals are closing their accounts; but even more (a net increase of over 3,600 members over the same period) are opening accounts due to our offering best-in-market rates. Members are voting with their assets, and the entire membership will reap the financial benefits produced by more efficient operations.

Technology

The origins of ITCU are steeped in technology advancement, although over the last 15 years we have been hesitant to adopt cutting-edge improvements. Payment systems have evolved at an exponential rate and ITCU plans to be at the forefront using these systems going forward to deliver security and value to members. According to the 2017



Federal Reserve Payments Study, the number of electronic, card and online transactions outnumbered the total number of paper checks by 10 times, and personal checks 20 times; and, processing paper checks is 10 times more expensive than electronic alternatives. In addition, non-traditional banking and fintech companies (e.g., PayPal®, SoFi®, Credit Karma®, Prosper®, ApplePay™, etc.) are rapidly developing new ways and methods to lure deposits and loans from members without some of the government restrictions or required guarantees placed on banks and credit unions. In order for ITCU to stay healthy, we must leverage operational efficiency with advances in technology to deliver "best in breed" products and generate even more value for members through "relationship pricing."

The ITM installations are just the beginning of a new set of best in breed systems ITCU plans to install and deliver no later than June 2020, including using technology to provide greater access and service outside of "normal banking hours." Mobile, tablet and online options will include the latest cybersecurity features designed for protection of personal information and ease of use, with speed and built-in verification components. For anyone interested in reading tea leaves about the "payments" future, the Federal Reserve successfully tested its real-time payments system last fall, making it only a matter of time before those systems are standardized. This means that payment transfers via most methods will be made and settled with the same speed as exchanging cash. It is no wonder the Federal Financial Institutions Examination Council (FFIEC) has required increased security standards for all electronic platforms, especially online banking. Without those upgraded standards, consumers will be substantially more at risk for fraud and theft in an instantaneous payments' world.

Lastly, these new systems will allow us to use data and technology to automate product pricing for greater rewards, discounts and value to members that use ITCU for more of their financial services, including insurance, mortgages and wealth management services. In essence, the more you use ITCU, the more value you will be eligible to receive through "relationship pricing" as opposed to those members that choose to use ITCU on a more limited basis. This new pricing model will likely cause some traditionally free services to no longer be free for some members, while other services will become free because a member's total relationship with ITCU meets certain thresholds. The pricing model will not be based on wealth as much as it will be focused on share of wallet.

In conclusion, by June 2020, ITCU membership will likely be one of the most sought after in the U.S.; however, like today, it will not be available to everyone, nor will it be designed to fully serve everyone. Some will desire to benefit from all that we have to offer, while others will want to be served differently based on historical banking models and personal preferences. In our view, our eyes should be on the future because the future is now!

Frequently Asked Questions about the ITMs and OLB conversion:

Q. Why did you get rid of tellers?

A. *We didn't; just touch the screen and you'll be face-to-face with one of our smiling professionals.*

Q. Why did you move the ITCU support offshore?

A. *We didn't; the ITM employees are stationed in Plano, TX and Las Vegas, NV.*

Q. Why is the wait so long for an ITM "in-person" Teller?

A. *The average wait time is less than 60 seconds, but you do have to wait in a virtual line for the next available ITM staff person just like in traditional banking when the lobby is full.*

Q. Why won't the ITM distribute small bills?

A. *It does, but you have to use it as an ITM, not an ATM. Swiping your debit card starts the ATM function with the transaction limits of a traditional ATM. Touching the screen and connecting to an employee via the ITM portal will give you greater access to bill types and other services.*

Q. Aren't you afraid of losing members?

A. *We don't like losing any members, but studies have shown new members gained after ITM installations and OLB conversions will dramatically outnumber those members lost, and that will financially benefit all members that remain with ITCU.*

Q. Don't you think the changes are just too dramatic?

A. *In general, no one likes change for change's sake, but ITCU was risking its independent future by not making serious changes in its business model. Blockbuster, Circuit City and Toys "R" Us are no longer relevant, nor in business, as those companies did not make the necessary changes to remain competitive and survive. Banking is continually evolving, and ITCU plans to be around permanently.*

Q. How do you know the ITM business model will work?

A. *ITCU is not the first bank or credit union to implement this model. It has been implemented by banks and credit unions over the last 10 years all over the country and around the world. The financial benefits delivered to the membership are finally reaching a "critical mass" to support the changes. The same questions and concerns were also made by those who did not see the rise in self-pumping gas stations, self-checkout grocery store aisles and the self-choice of online movie streaming. Those new service models forced many "out of business" that were unwilling to change.*

Q. Why did the OLB Conversion require that I re-establish my User ID and password?

A. *Cybersecurity enhancements were required to comply with FFIEC standards and membership asset protections in preparations for instantaneous payments. User IDs can no longer be account numbers and passwords must meet a minimum level of complexity.*

Q. Why are the hold "wait times" so long for the Member Care Call Center?

A. *Wait times were longer immediately after the OLB conversion, but the hold times are getting back to normal now that most members know how to properly access their accounts using the new OLB security protocols.*

Q. What about complaints against ITCU on social media?

A. *We recognize that some members will not like the business model change, but our responsibility lies with helping the most members we can. ITCU will never be able to satisfy all service delivery requests, especially those that violate regulations or the law, but we are trying to use the new business model to bring greater financial value and benefits to everyone.*

Q. Are all complaints on social media from ITCU members?

A. *No. A very large portion, but by no means all, of the complaints posted are from non-members using shared-branching. ITCU has a responsibility to make decisions that are in the best interest of ITCU members and will continue to limit our risk exposure to non-members as we try to best accommodate their requests within the guidelines of shared-branching rules.*

Q. Does the new business model work for small businesses?

A. *It depends on the needs of the small business. The new ITM business model is likely not the best alternative for businesses that are cash-based. However, the model should work well for businesses that conduct most of their transactions and payments via electronic and/or mobile means.*

Q. How come you don't offer check deposits by smartphone photo?

A. *We do. ITCU has offered this service since October 2016. Visit <https://www.itcu.org/mobilebanking> to learn more.*

