

From the [June-17, 2009](#) issue of Credit Union Times Magazine • [Subscribe!](#)

New CUNA White Paper Offers Strategy on Decoupled Debit

By [David Morrison](#) June 17, 2009 •

Most credit unions view so-called decoupled debit cards as the evil body snatchers of the financial world.

Seduced by offers of strong rewards programs, some credit union members abandon their credit union's debit card in favor of one that remains linked to their credit union checking accounts.

Members switching to a debit card issued by someone else blocks credit unions from gaining interchange income from any of those cards' transactions while leaving them with the expense of the ACH transactions.

The result, card experts have said, is a net loss for the credit union. Not only does the CU suffer the loss of interchange income, but it takes on additional expense incurred for the sake of another institution's profits. Credit unions, along with other smaller card issuers like community banks, have strongly rejected decoupled cards. But other institutions, particularly large issuers, have openly discussed launching decoupled debit card programs.

CUNA's Operations, Sales and Service Council took a different tack in its white paper, "The Decoupled Debit Dilemma," advising credit unions to view the possible advent of decoupled debit cards more as an opportunity than a threat.

"While decoupled debit may seem like a threat, it is actually an opportunity for credit unions. In understanding the wants and needs of consumers and merchants and the appeal of decoupled debit, a credit union can reengineer its debit card offerings to be a competitive alternative," wrote the white paper's author, Elizabeth Thompson.

"Credit unions should segment out those who use debit cards the most, and determine why, how and where they are being used. Debit-savvy users are one target demographic that decoupled debit will seek to exploit. Therefore, credit unions need to learn what motivates these consumers and get to them first."

Thompson's paper recommended analyzing which members use debit cards the most and what they want from the debit card relationship and exploring what it will take to be able to supply those things. She also recommended educating members about the disadvantages of decoupled debit cards.

To help counteract decoupled debit cards, the white paper suggested starting a debit rewards program or beefing up an existing program and targeting it toward high-frequency debit users. It also recommended including rewards for activating debit cards and tailoring rewards more toward the credit union's overall products.

"Consider basing rewards around more than just use of a debit product," Thompson wrote. "Instead use relationship rewards that reward the total number of products and services used. In some cases, this can be extended beyond just the one member and include multiple members

within a household.

This might make credit union members think twice about leaving the credit union and facing the risk of losing their relationship rewards."

□

--*dmorrison@cutimes.com*

[Show Comments](#)