

# Capitalizing on card brand agreements

## REVIEW OF CARD BRAND VENDOR CONTRACTS CAN HELP TO PAY FOR COSTLY UPGRADES

The task of re-evaluating credit and debit card agreements alone is a challenging task. If there's a need to reissue cards—and upgrade hardware—additional complexities come into play.



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This was the situation for Cross Valley Federal Credit Union of Wilkes Barre, Pennsylvania. With 23,000 members and 14 ATMs located across three counties, the expense of an overall upgrade to avoid potential card fraud liability was problematic. But Cross Valley CEO Traci Donahue and her team were committed to providing members with the most up-to-date, secure services and financial products possible.

### TIMELY PHONE CALL BRINGS A SOLUTION

Soon after joining Cross Valley's leadership team, Donahue received a call from JMFA about the benefits of conducting a review of the credit union's vendor contracts. In talking with Kelly Flynn, national sales director for JMFA Contract Optimizer, the mention of the potential savings and service improvements simply by doing a review and renegotiation of their existing credit and debit card brand contracts generated interest.

The idea piqued Donahue's interest because she wasn't aware that it was possible to negotiate better terms on existing card brand agreements. "When Kelly said there were some really great incentives, I knew right away this was something we should explore," Donahue explained.

Donahue's confidence in moving forward with such a review stemmed from a previous experience she had with JMFA. Prior to joining Cross Valley, she had worked with the company's experts on contract negotiations for services at another credit union. She knew that they had the contract knowledge and negotiating expertise to find out if getting a better deal was possible.

Then when Donahue became CEO at Cross Valley, she sent some contracts—that had been signed by her predecessor—to JMFA to be reviewed. But the contracts had been extended long-term so the timing wasn't right for trying to negotiate changes right away. While that was a bit disappointing, the fact that JMFA didn't charge for the contract review made a big impression on her.

After the JMFA team reviewed Cross Valley's existing card brand vendor contract, they advised Donahue that there were indeed some substantial benefits to switching card brands, based on the credit union's annual sales volume. Even though she had never considered a vendor change, she decided to proceed with the negotiations process.

She explained that the decision was simplified given the confidence she had gained in JMFA, along with an endorsement of the company's expertise by the Cross State Credit Union Association.

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### CONTRACT NEGOTIATIONS LEAD TO EXCITING SERVICE IMPROVEMENT OPPORTUNITIES

Upon completion of the card brand contract review—and discussions with existing and potential vendors—JMFA put together an analysis that outlined the possible contract costs and terms from each bid. While the initial price of reissuing all of the member cards was overwhelming, Donahue realized when reviewing the information with JMFA's team that the signing bonus and increase in interchange fees offered by a competing card brand vendor would allow the credit union to cover the mass card conversion.

To her surprise, it would also enable Cross Valley to complete some major improvements not possible with the deal offered by the existing brand. This included upgrading 14 ATMs to new EMV specifications and adding two new interactive ATMs—one of which would allow the credit union to maintain a strategic presence in a community where a branch had closed.

"After the branch closing, it was very important for us to continue to provide convenient services to our members in this area," Donahue said. "We couldn't have done that or the ATM upgrades without the new vendor agreement that JMFA negotiated."

Plus, there was a \$50 liability fee for unauthorized transactions with the existing vendor that the new brand did not charge. And internal reports that had been required previously would no longer be necessary with the new provider—which would help to improve the credit union's operational efficiency.

### REFLECTIONS ON THE IMPACT OF THE PROCESS

While Donahue was amazed at the outcome of the process, she also was mindful of how members might react to the change. "Some members were a little bit uncertain about our reissuing a new card because they were comfortable with the existing card brand," she explained. But after reviewing JMFA's research, she realized that one brand clearly stood out with more robust security features, higher interchange rates and a signing bonus that would allow Cross Valley to greatly improve its service.



## NEW CONTRACT LEADS TO UNEXPECTED UPGRADES:

- UPGRADED 14 ATMS
- ADDED 2 INTERACTIVE ATMS
- ABLE TO MAINTAIN STRATEGIC PRESENCE

"In the end, making the change was a win-win all around," she continued. "We needed to issue new cards anyway to upgrade to EMV technology. This gave us the opportunity to do that and provide our members with the option to sign up for free identity theft protection. In the end, it didn't really impact our members at all as the conversion went very smoothly."

### PARTNERING WITH AN EXPERT UNCOVERS VALUABLE INSIGHT AND SAVES TIME

Donahue appreciated the fact that JMFA's involvement allowed her staff to continue focusing on other operational and member service initiatives. "Working with JMFA's team was a great experience. They handled all of the vendor contacts and back-and-forth negotiations and provided our chief operating officer, chief compliance officer and with updates and new options that we would never have considered," she said.

"This project was my colleagues' first exposure to a contract negotiation. It gave both executives great insight into what the process involves and how to think through the different components of a contract review, without taking valuable time away from their other daily responsibilities. Plus, had we tried to do this on our own, we wouldn't have known the right questions to ask from our existing vendor, let alone who to contact at another company."

### PROFESSIONALISM AND GREAT SERVICE LEAD TO COMPLETE SATISFACTION

Throughout the process, Donahue was confident that JMFA's experts were focused entirely on finding the best way to help the credit union save money, tap into valuable incentives and uncover opportunities to improve its services. "They always talked to us in a way that we understood what was going on and answered every question to make sure we were comfortable with the outcome of the negotiations," she continued.

"As JMFA brought us into the conversation and explained the options that were available, we were just looking at each other and saying, 'Is this even real? What are the strings?' But you know what, there weren't

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any strings," Donahue said. "I realized that if I would have negotiated this contract on my own, the vendor would have given me a number and I would have said, 'Okay, that's what it is.' I don't know if I would have gone back and pressed them further like JMFA did time and time again."

With the project complete, Donahue is confident the vendor change has increased the credit union's level of member service. "We are now offering security and soundness that we would not be doing today if we hadn't followed JMFA's advice," she said.

"We wouldn't have been EMV-ready, our ATMs would be out of compliance, and I would not have had a solution for continuing to provide members with services after a branch closing. I believe this card brand conversion has resulted in a 100% improvement in our member service level. JMFA did us a great service and their team was a tremendous value to the credit union."

### SPEAKING FROM EXPERIENCE ON HOW TO GET GREAT RESULTS

What type of advice would Donahue give to another institution that is currently dealing with the ATM and credit/debit card EMV compliance issue or just looking for ways to save money and potentially gain valuable incentives in order to improve service?

"I would tell anyone to simply pick up the phone and call JMFA or drop them an email," she said. "It's not a difficult process, but it was the best thing to have happened for Cross Valley Federal Credit Union. You just tell JMFA the types of contracts you would like to have reviewed, they look through the list and tell you where they can help you ... and then they do all of the work."

"I can't understand why anyone wouldn't send their contracts to JMFA for review. There is absolutely nothing to lose," she continued. "The worst thing that an institution could hear was JMFA saying that they can't save them any money, and that they should stay where they are. But that's probably not going to happen. It's just so worth the call."

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