

The Payments Landscape

An Overview for Credit Union Board Members

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Today's payments ecosystem is fast, digital and rapidly evolving.

Credit unions are part of a vast network that powers everyday transactions, from a cup of coffee to a mortgage payment, for millions of members. **The major players across the payments landscape include:**



Member (Cardholder)

Uses a debit or credit card to make a purchase



Merchant

Accepts the card for payment



Acquirer

The merchant's bank or payment processor



Card Network

Routes the transaction (Visa, Mastercard, etc.)



Issuer (CUs)

The credit union that issued the card

Why do payments matter to credit unions?

Represent Source of Revenue



Generate Powerful Data



Drive Member Engagement and Loyalty



Keep Credit Unions Competitive



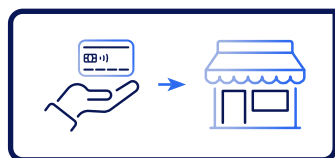
Payments are more than transactions. They are a strategic asset that fuels revenue, strengthens relationships and drives member-first innovation. Payment vehicles (cards, etc.) also provide a way for credit unions to communicate their mission to their members and their communities.

The Payments Process

Every time a member uses his or her credit union-issued debit or credit card, a behind-the-scenes process aimed at verifying, approving, processing and settling the payment safely and securely is put into motion in a matter of seconds. **Here's a closer look at what happens:**

1 A Purchase is Initiated

Member uses a debit or credit card to **make a purchase in-store or online.**



2 Info is Routed

The store's bank (the acquirer) **sends the transaction info** to the card network.



3 Credit Union Receives the Request

The card network sends the info to the credit union (the issuer) **to approve or decline the purchase.**



4 Payment is Approved

If funds or credit are available, the credit union **approves the transaction and sends approval back through the chain.**

5 Money Moves

Later, **money is transferred** from the credit union to the store's bank. The store pays a small fee (interchange) to cover the cost of this service.



6 Interchange Fee is Collected

A piece of that **fee (interchange)** goes to the **credit union** to help cover processing costs, fraud protection and cardholder services, among others.



What is Interchange?

When a member uses his or her debit or credit card to make a purchase, the store (merchant) pays a small fee to the credit union that issued the card. **This fee is called interchange.** Think of it as a “thank you” payment from the merchant for allowing the member to use a secure, convenient way to pay.



Why Interchange Matters

While interchange may be invisible to credit union members, it plays a critical role in keeping credit unions strong, secure and service-focused. Interchange provides important revenue for credit union operations and programs.



Supports Member Benefits



Funds Innovation and Growth



Keeps the Financial Services Industry Competitive

How Merchants Benefit



Increased Sales and Revenue

- Higher transaction volume
- Wider customer base
- Faster transactions



Improved Cash Flow and Efficiency

- Reduced handling cost
- Simplified accounting
- Reduced fraud

Payments Trends

Here are some of the top payments trends to watch:

- 01 Transactions are increasing:**
Contactless, mobile wallets and real-time payments are on the rise. Members expect fast, tap-to-pay options.
- 02 Competition is growing:**
Big banks and fintechs are investing heavily in frictionless, data-rich payment tools.
- 03 Expectations are rising:**
Members want convenient, seamless, secure and personalized experiences every time they pay.
- 04 Digital offerings are key:**
Best-in-class digital and mobile banking capabilities are becoming increasingly important when picking a financial institution or applying for a credit card, especially among younger generations.
- 05 Fraudsters are becoming more sophisticated:**
Fraud instances and methods by which fraud is carried out are on the rise, fueled by the ever-changing digital landscape.
- 06 Fintechs are transforming payments:**
Fintechs are reshaping financial services with innovative, nimble and user-friendly solutions that are transforming the way people bank and make purchases.

Ways Credit Unions are Fighting Payment Fraud



Implementation of Advanced Fraud Detection Technologies



Real-Time Monitoring and Alerts



Tokenization and Encryption



Two-Factor Authentication or Strong Customer Authentication



Collaboration and Data Sharing



Partnerships with Fintechs and Cybersecurity Firms



Member Education