

# GROWING CREDIT UNION MEMBERSHIP

via Lending and Omnichannel  
**Banking Innovation**



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■ January 2024

**2024 Credit Union Innovation Readiness Index**

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Growing Credit Union Membership via Lending and Omnichannel Banking Innovation was produced in collaboration with PSCU/Co-op Solutions, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

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# WHAT'S AT STAKE

**T**raditional for-profit financial institutions (FIs) dominate the financial services arena nationally and regionally. Yet, a particular segment of consumers turns to credit unions (CUs), which serve a community of members connected by location, work or education. These CU members value classic benefits associated with credit unions, such as lower fees and more access to loan products. Still, data reveals that they also show more interest in such products and services as seamless omnichannel banking, cash management tools and buy now, pay later (BNPL). In fact, like many digitally savvy consumers, CU members increasingly expect such advanced offerings and will switch to providers that are up to speed on the latest innovations.

CU members increasingly expect **omnichannel banking and BNPL** and will switch to providers offering them.

Research shows that roughly one in five CU members and one in five account holders who are not CU members switched their primary financial service providers in the last 12 months. What is driving this switching? The most influential factors involved convenience, including the lack of a local branch and insufficient or difficult online and mobile banking capabilities. CU members were the most likely to report these shortcomings, an indication that they want a streamlined physical and digital banking experience. Data suggests that CUs can also improve member retention and acquisition by innovating in personal loans and BNPL. In other words, ongoing innovation in products and services can help CUs stand out for their best qualities in a highly competitive marketplace.

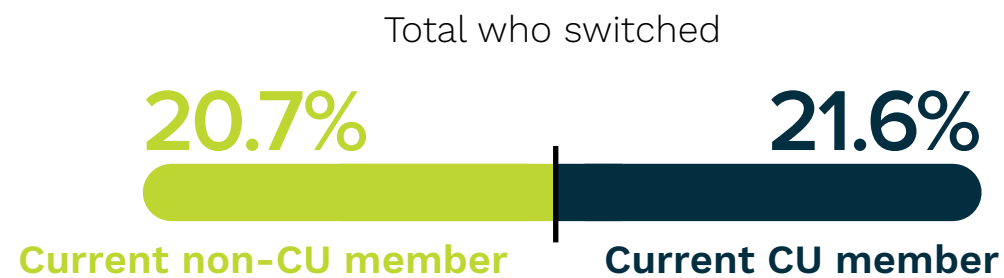
Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, a PYMNTS Intelligence and PSCU/Co-op Solutions collaboration, examines how innovation in seamless omnichannel banking and personalized lending can help CUs retain current members while attracting new ones. The report is based on a census-balanced survey of 4,525 U.S. consumers that investigated which products and features consumers want and expect from CUs; it was conducted between Nov. 2, 2023, and Dec. 6, 2023.

**This is what we learned.**

**FIGURE 1:**

**Consumers switching FIs**

Share of consumers who switched their primary FI in the past year, by current FI status



Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024

N = 821: Respondents who switched their primary FI in the last 12 months,

fielded Nov. 2, 2023 – Dec. 6, 2023

# KEY FINDINGS

## 01

### LOCAL AND DIGITAL

**For CUs, omnichannel banking — seamless brick-and-mortar interactions and mobile banking — is working to attract new members.**



# 12%

Share of CU members who say they switched to their current CU primarily because their previous FI did not have branches nearby

## 02

### RETENTION VIA INNOVATION

**While nearby branches may help bring new members, innovative products and features will be vital to retaining them.**



# 81%

Share of CU members who say they value innovation when selecting a financial services provider

# 03

## LENDING OPTIONS

**Offering more personalized lending products, such as personal loans and split-payment plans like BNPL, could improve member retention and acquisition.**



Share of CU members who want their CU to innovate BNPL in the next three years, compared to 9.3% of non-CU members

# 04

## GO WITH THE FLOW

**CU members want innovation in features that improve cash flow management and make transactions easier and faster.**



Share of CU members who want their FI to provide budgeting tools in the next three years, compared to 11% of non-CU members

# PYMNTS IN DEPTH

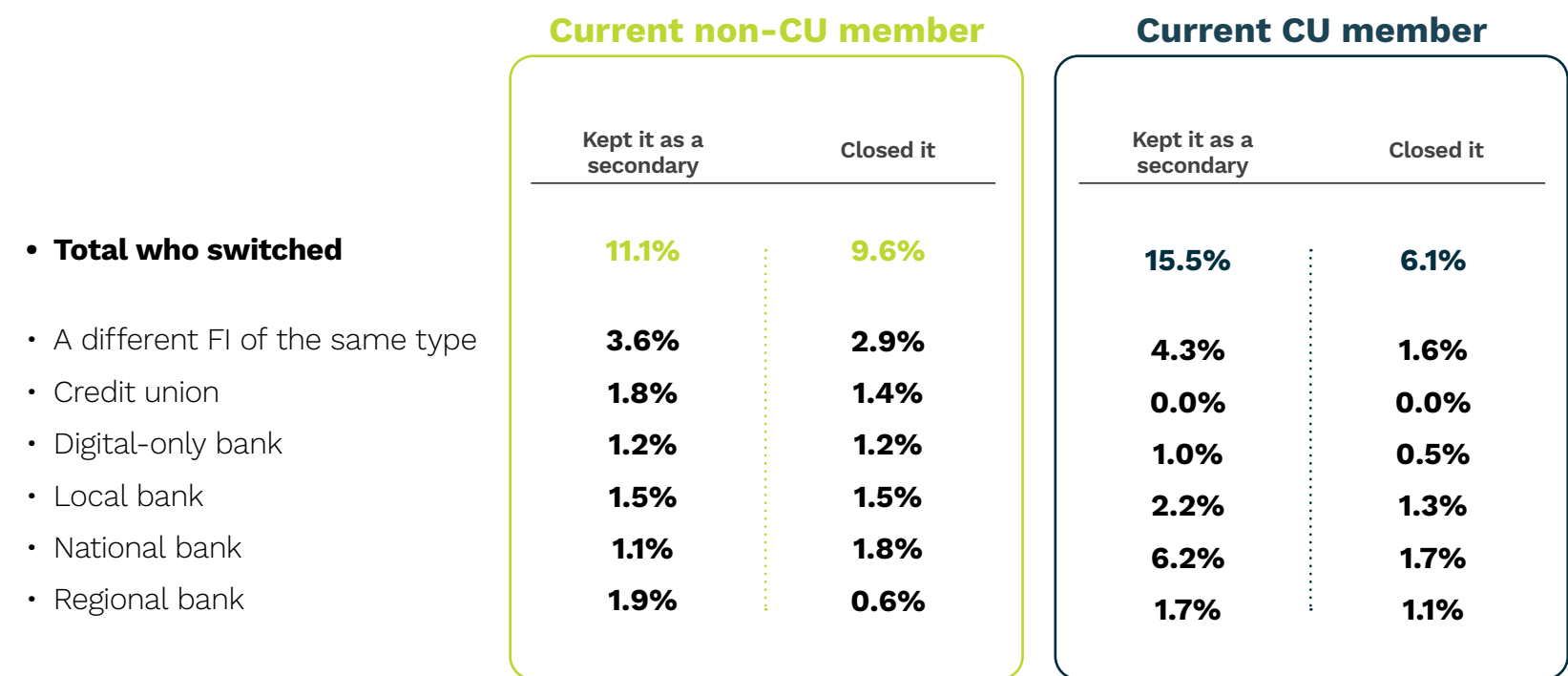
**Innovating financial products and services can give CUs a competitive edge, enabling them to reduce churn and grow membership among today's digital-savvy consumers.**

**For CUs, omnichannel banking — characterized by seamless brick-and-mortar interactions and mobile banking — is working to attract new members.**

Consumers have many options when selecting a financial services provider, yet data shows that CUs are an attractive alternative to traditional banks. New CU members are significantly more apt to have switched from other, non-CU FIs, while consumers who are members of a CU are more likely to switch to another CU than to join a different type of FI. Of all current CU members, 22% joined in the past year. Among these newer members, 73% were new CU members joining from a different type of FI, while 27% joined from another CU. Meanwhile, 21% of non-CU members joined a new FI in the past year, with 84% of this group coming from an FI other than a CU, meaning that just 16% of new non-CU accountholders switched from a CU. These shifts suggest that consumers are apt to change FIs if the bank or CU does not meet their financial services needs.

**FIGURE 2:**  
**Primary FI switching**

Share of consumers who switched their primary FI in select ways in the past year, by current and previous FI status



Data reveals that CU members are more motivated to switch to a different FI than non-CU members for select reasons that indicate they do not want CU membership to mean they have reduced access to banking services. Having nearby branches and excellent online and mobile banking apps drove CU members to switch to their current CU. At 12%, CU members were more likely to say they switched to their current CU primarily because their previous FI did not have branches nearby; the corresponding share was 4.7% among non-CU members. Also highlighting this sensitivity: 7.9% of CU members say they switched to their current CU primarily because their previous FI did not have sufficient online and mobile banking. In comparison, 5.6% of non-CU members switched for this reason. Such differences highlight areas where CUs must innovate to reduce member churn and attract new members.

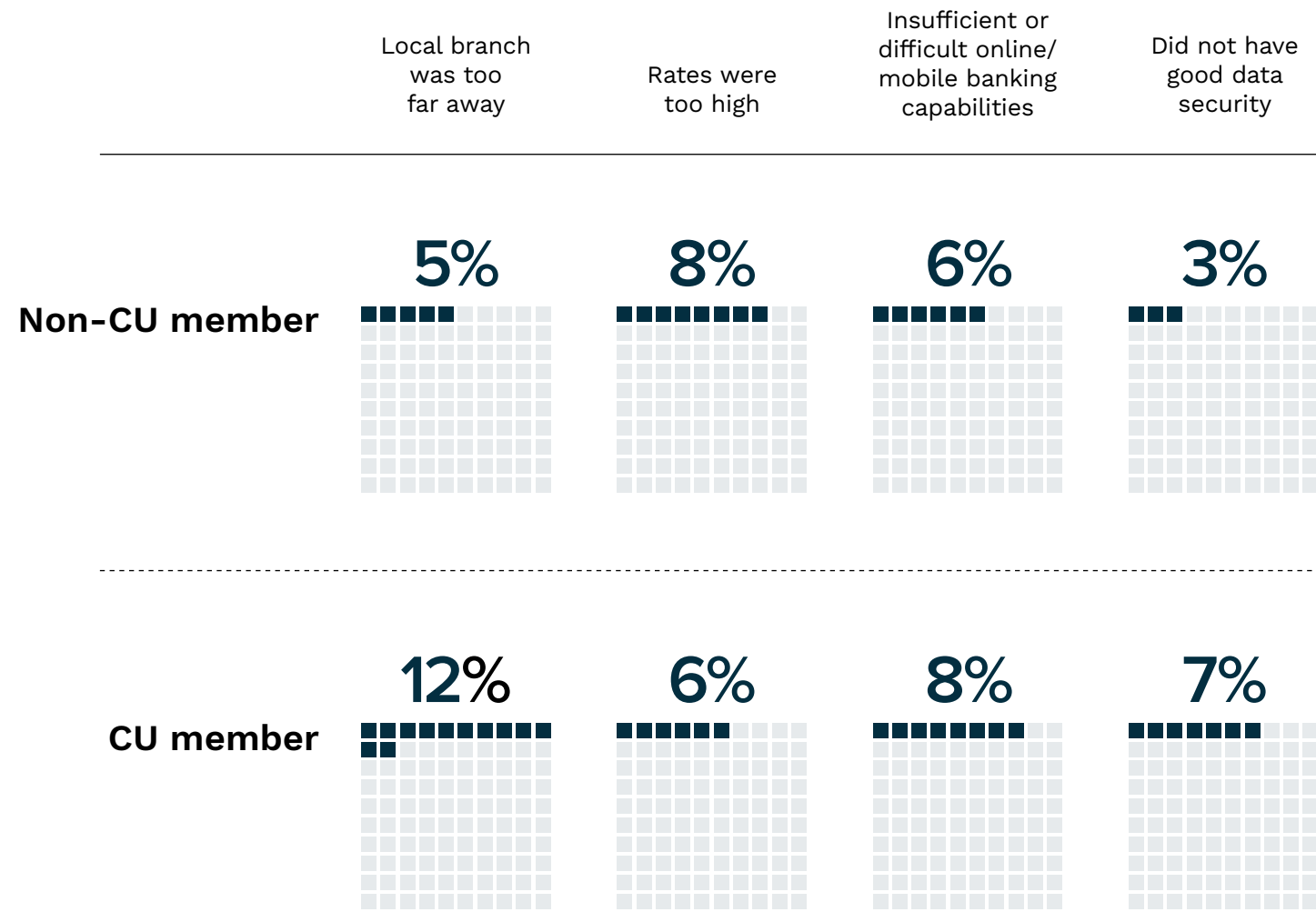
Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
N = 821: Respondents who switched their primary FI in the last 12 months, fielded Nov. 2, 2023 – Dec. 6, 2023

**FIGURE 3:**

**Top reasons to switch**

Share of consumers who cite select reasons as the most important for switching their primary FI, by current FI status



Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 821: Respondents who switched their primary FI in the last 12 months, fielded Nov. 2, 2023 – Dec. 6, 2023

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**Having nearby branches and excellent online and mobile banking apps were top reasons driving CU members to switch to their current CU.**

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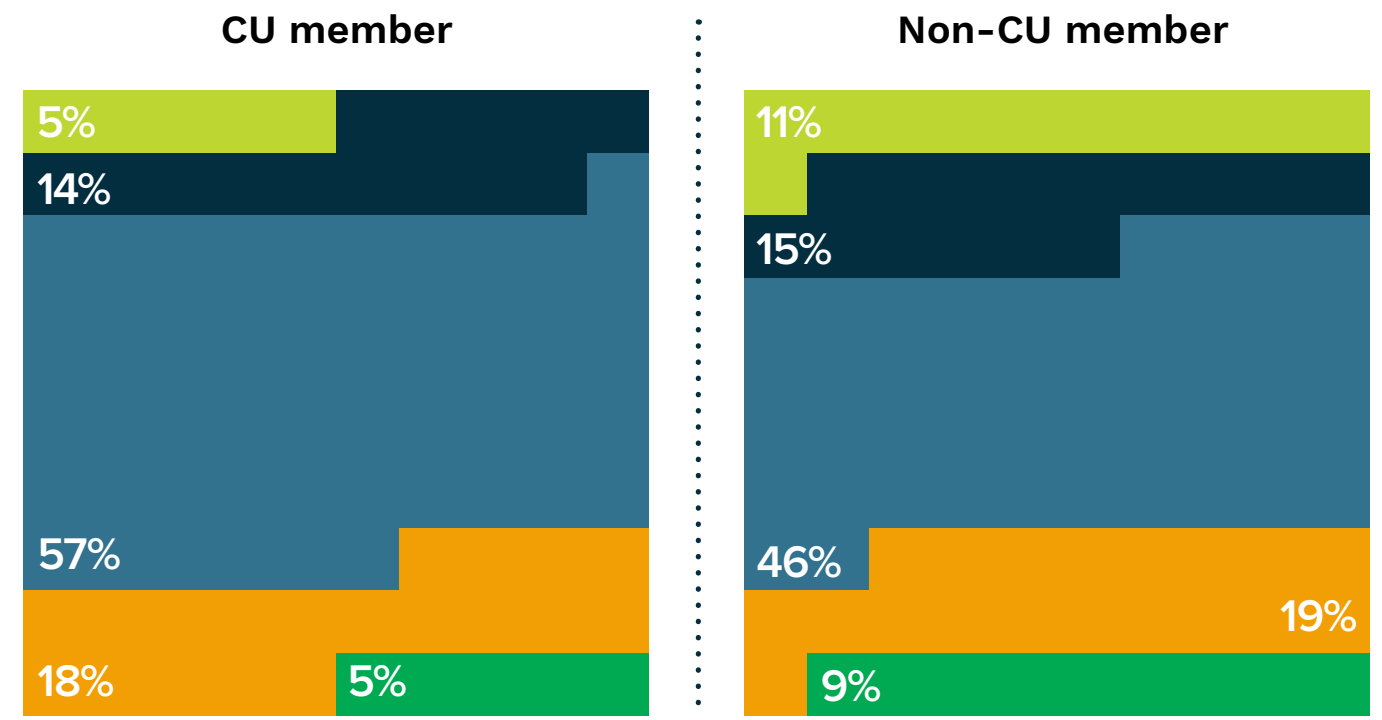
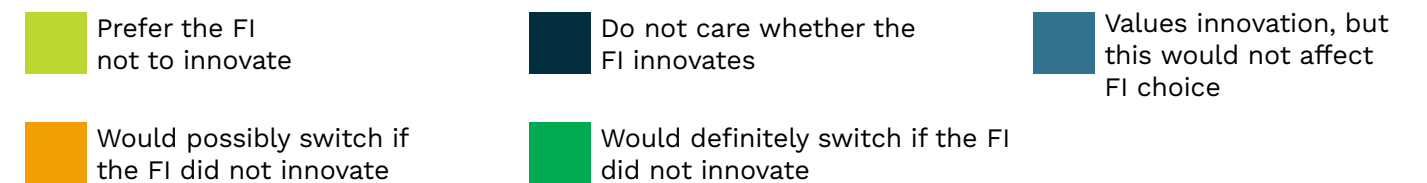
# While nearby branches may help bring new members, innovative products and features will be vital to retaining them.

With traditional for-profit banks having a reputation for being ahead of CUs when innovating digital banking and financial services, it may not be a surprise that CU members are more likely than non-CU members to say they value innovation. While 81% of CU members value innovation when selecting a financial services provider, just 74% of non-CU members say the same. CU members expect their FIs to keep up with traditional banks in providing innovative, easier-to-use and more personalized products and services.

**FIGURE 4:**

### Attitudes toward innovation

Share of consumers who cite select attitudes toward FI innovation, by current FI status

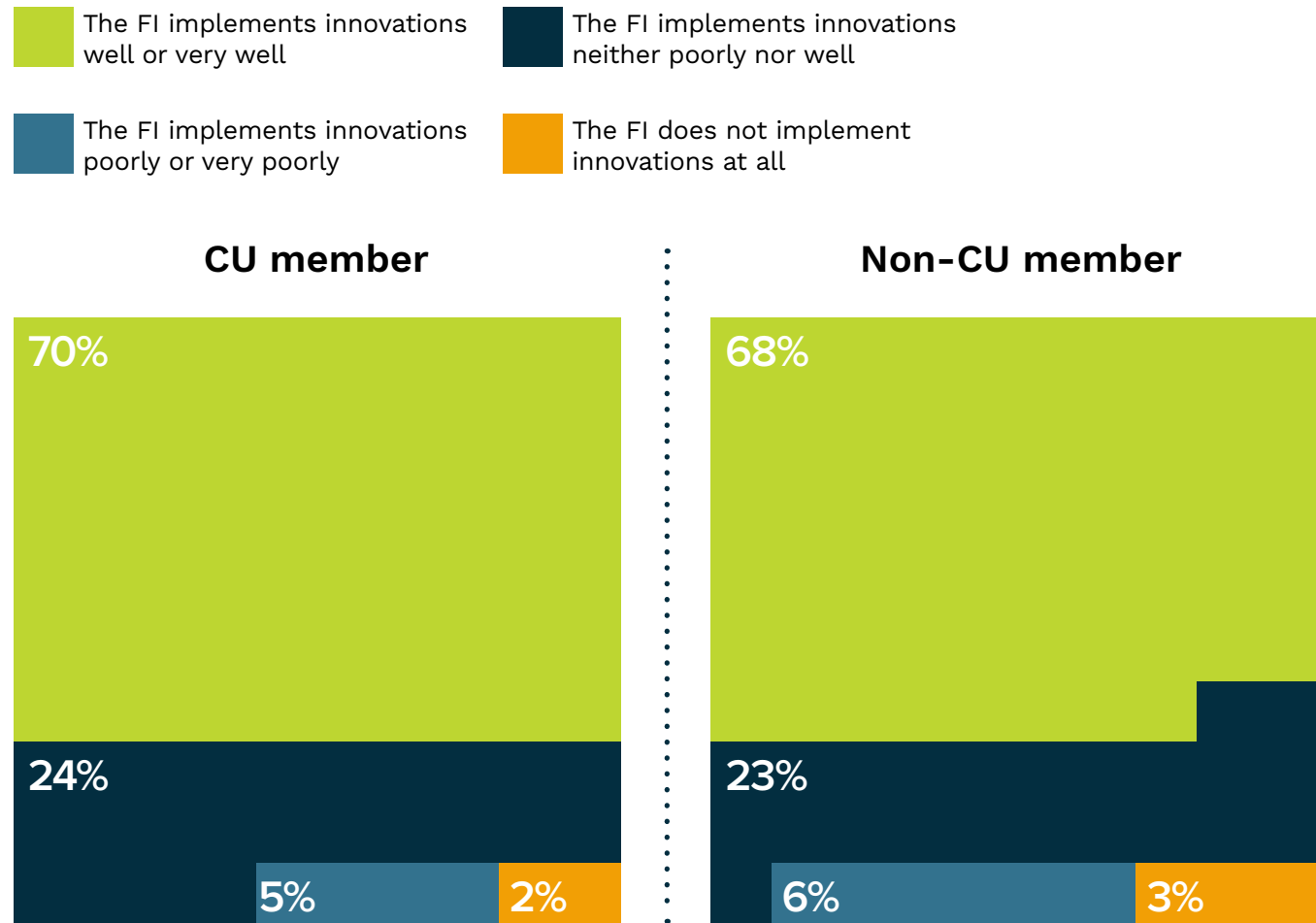


Source: PYMNTS Intelligence  
 Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 4,525: Complete responses, fielded Nov. 2, 2023 – Dec. 6, 2023

**FIGURE 5:**

**How well FIs implement innovations**

Share of consumers who cite select attitudes on how well their FI implements innovation, by current FI status



Member expectations that CUs deliver on innovation are high — and not only because of the efforts of traditional FIs. Seventy percent of CU members say their CU innovates well or very well, and they expect new products and improvements regularly. CU members expect their CU to innovate 4.4 products and 4.2 features in the next three years, more than the three products and three innovative features expected among non-CU members. Despite these high standards, CU members admit that CUs may not be the first to launch products in the market: Just 7.7% of CU members say their CU is an early launcher, as in, it launches new products and services before others. Instead, 34% say their CU is a quick follower that launches innovative products when evidence supports doing so. Such member sentiments suggest that less innovative CUs must raise the bar on innovation to retain and grow membership.

Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 4,525: Complete responses, fielded Nov. 2, 2023 – Dec. 6, 2023

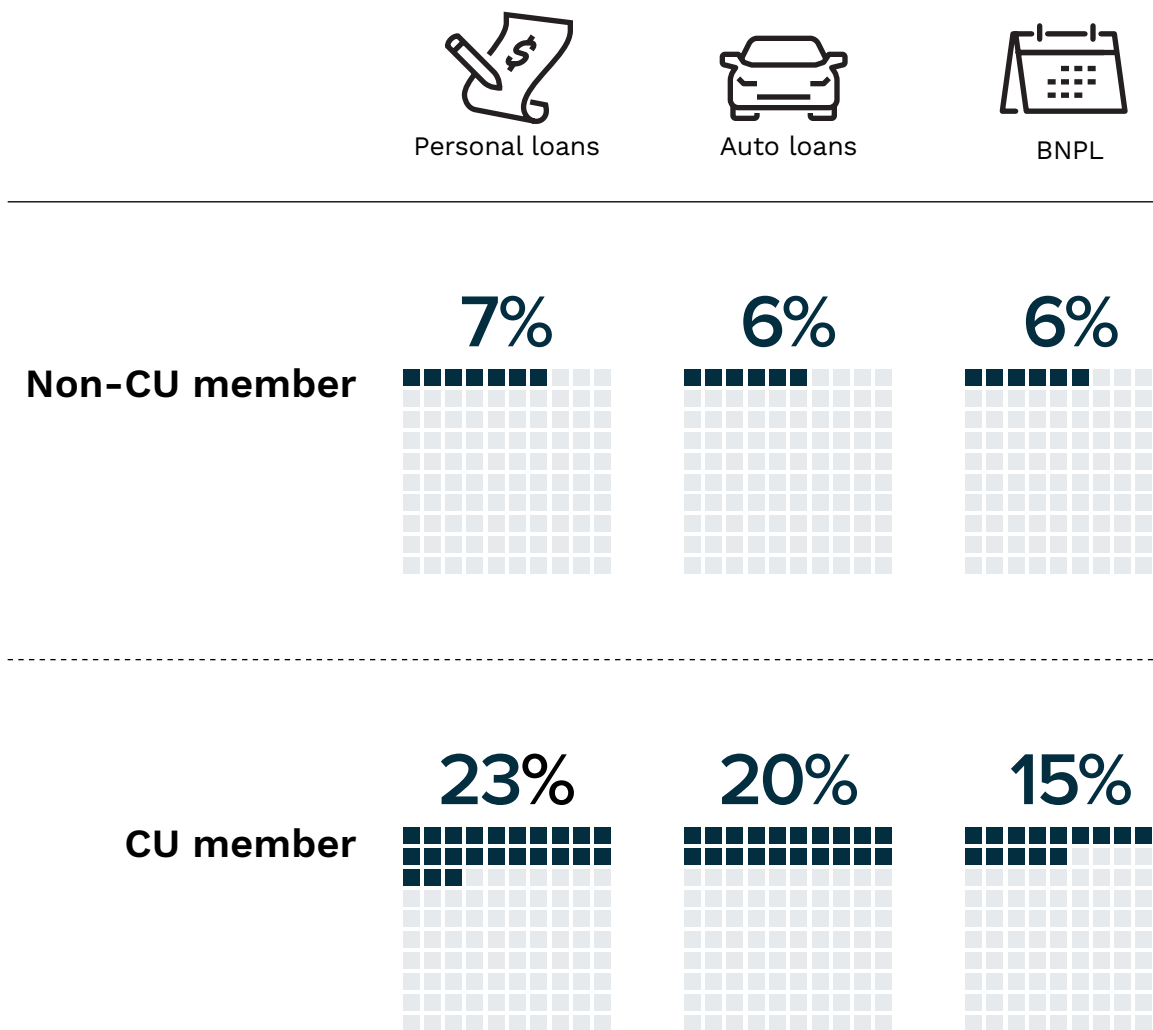
# Offering more personalized lending products such as personal loans and split-payment plans like BNPL could improve member retention and acquisition.

Credit unions are known for lower interest rates on loans than traditional banks, and some have a reputation for being more flexible in terms of lending criteria. If these assumptions are accurate, it may be no surprise that CU members are between three and four times more likely than non-CU members to have used personal loans, auto loans and split-payment plans in the past 12 months. While 23% of CU members had personal loans and 20% had an auto loan in the past 12 months, among non-CU members, roughly one-third of those shares (7.3% and 6.4%, respectively) did the same. CU members are also more likely to have used BNPL in the past year than non-CU members, at 15% versus 5.9%. Overall, these stats suggest that CU members are more likely than other consumers to engage with FIs offering more personalized lending products along with the lower rates and fees they need.

**FIGURE 6:**

**Products and services consumers used in the last 12 months**

Share of consumers who used select products and services in the last 12 months, by current FI status



Source: PYMNTS Intelligence

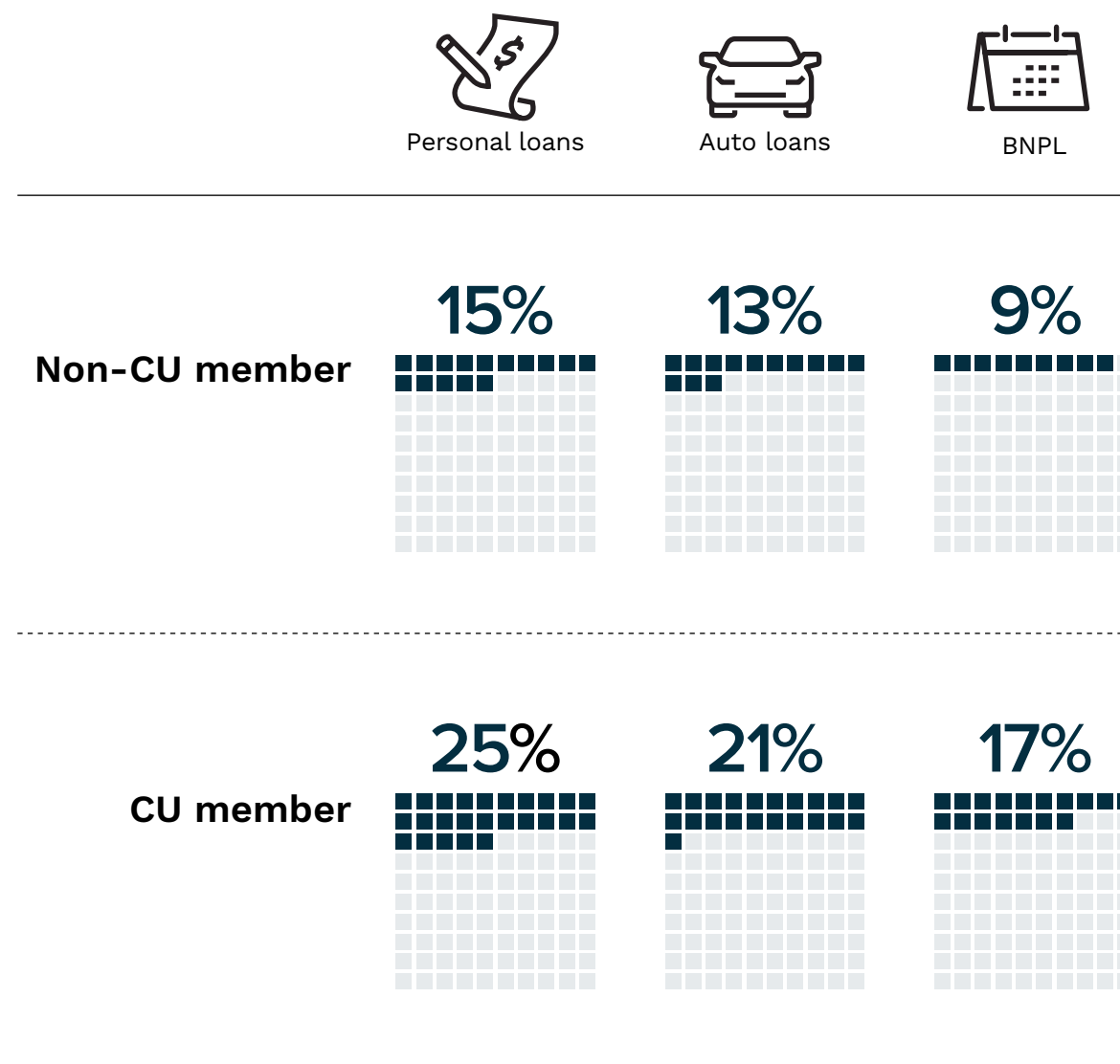
Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 4,525: Complete responses, fielded Nov. 2, 2023 – Dec. 6, 2023

CU members prioritize personal loans and split-payment offerings when choosing an FI, which also holds for their innovation preferences in lending products. For instance, 25% of CU members want their CU to innovate on personal loans, and 21% want innovations on auto loans in the next three years; for non-CU members, the corresponding shares are just 15% and 13%, respectively. CU members are also hungry for BNPL innovations, as 17% of CU members want their CU to innovate BNPL in the next three years, nearly double the corresponding 9.3% of non-CU members. The fact that CU members are nearly twice as likely as non-CU members to want their CU to innovate on BNPL implies that CUs that offer BNPL along with other personalized lending products can reduce member churn and engage new members looking for such options.

**FIGURE 7:**

**Products and services consumers want in the next three years**

Share of consumers citing credit product innovations that they want their FI to focus on in the next three years, by current FI status



Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 3,484: Respondents who value innovation in their primary FI, fielded Nov. 2, 2023 – Dec. 6, 2023

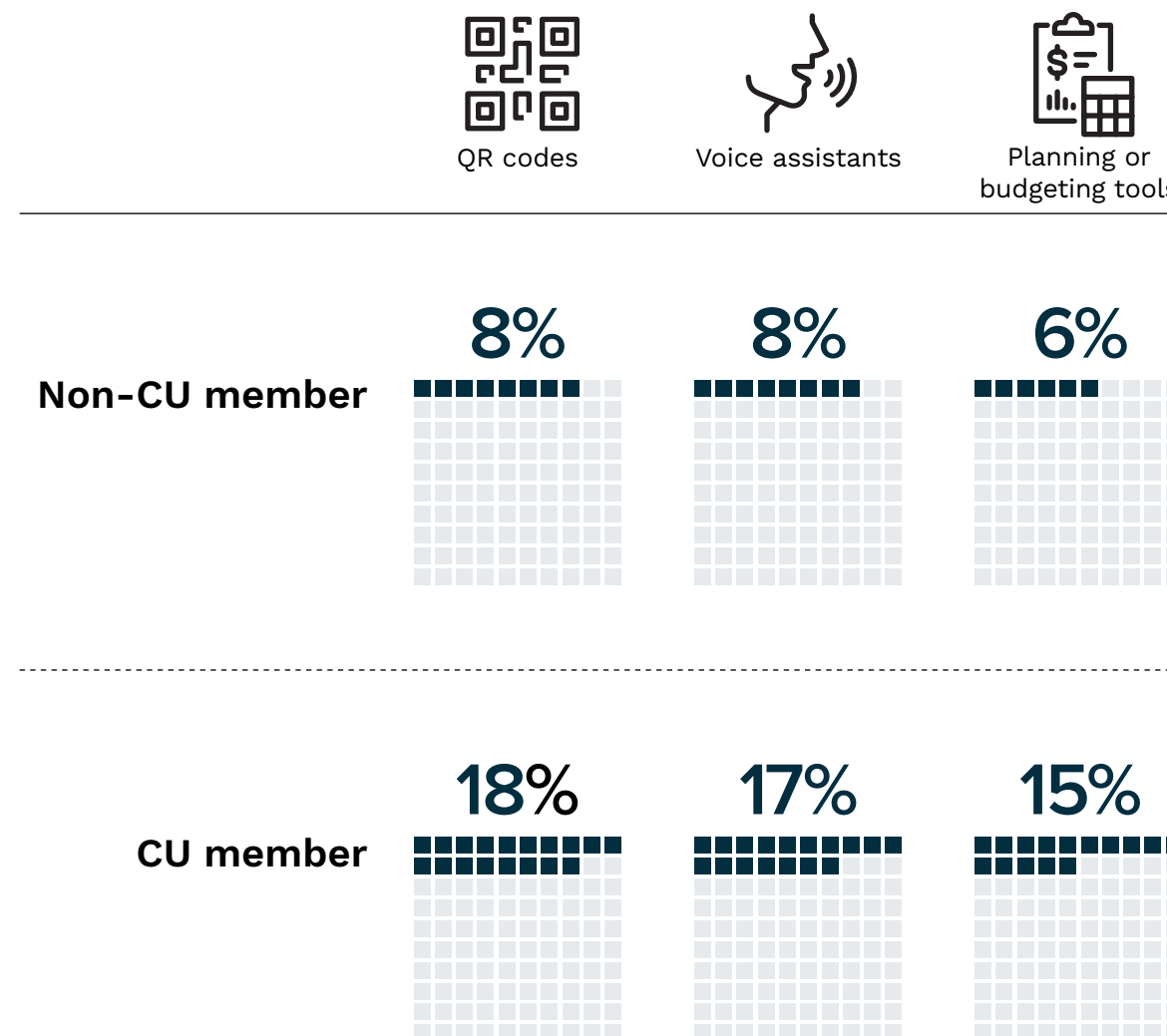
# CU members want innovation in features that improve cash flow management and make transactions easier and faster.

As community-oriented financial services providers, CUs are known for providing financial education along with planning and budgeting tools. In what is likely a related development, CU members are between two and three times more likely to have used a wide variety of cash flow management features in the last year than non-CU members. For instance, 15% of CU members used budgeting tools in the past year, as did 6.2% of non-CU members. For convenient access to account information, 18% of CU members used QR codes in the past year, and 17% of CU members used voice assistants. In comparison, just 8.2% of non-CU members have used QR codes, while 7.9% have used voice assistants. These findings suggest that CU members value cash flow management tools that help them budget and make transactions easier and faster.

**FIGURE 8:**

**Features and capabilities consumers currently use**

Share of consumers who used select features and capabilities in the last 12 months, by current FI status



Source: PYMNTS Intelligence

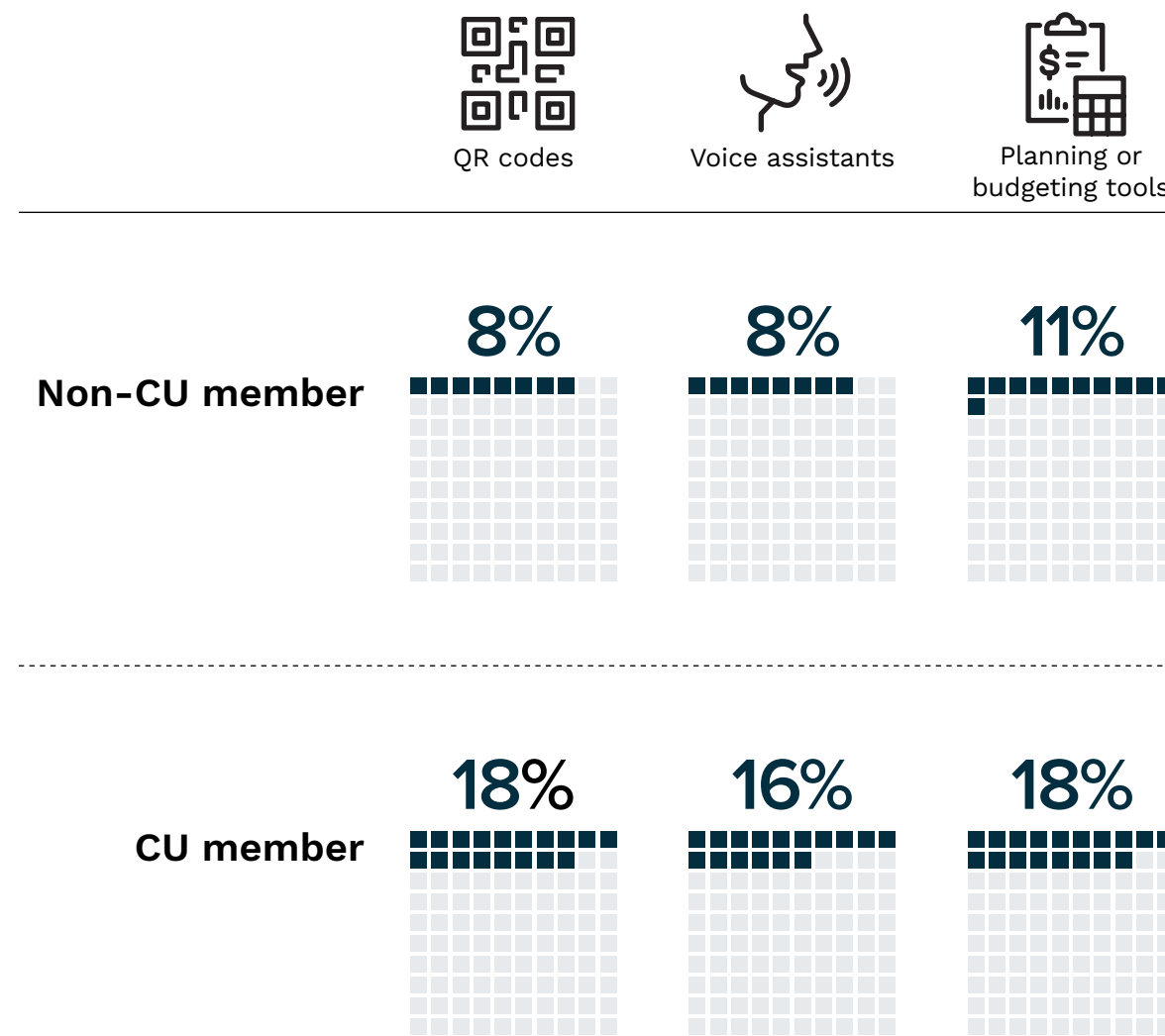
Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 4,525: Complete responses, fielded Nov. 2, 2023 – Dec. 6, 2023

Not only do CU members use budgeting tools, QR codes and voice assistants more than non-CU members, but they are also more interested in innovations to these cash flow management features. While 18% of CU members want their FI to innovate budgeting tools in the next three years, just 11% of non-CU members want their FI to do the same. Similarly, nearly twice the share of CU members wants their CU to innovate QR codes and voice assistants in the next three years compared to non-CU members. By offering advanced features that help members manage their cash flow and financial transactions and continue to innovate, CUs can meet members where they are — and raise their odds of keeping them engaged.

**FIGURE 9:**

**Features and capabilities consumers want in the next three years**

Share of consumers citing credit product innovations that they want their FI to focus on in the next three years, by current FI status



Source: PYMNTS Intelligence

Growing Credit Union Membership via Lending and Omnichannel Banking Innovation, March 2024  
 N = 3,484: Respondents who value innovation in their primary FI, fielded Nov. 2, 2023 – Dec. 6, 2023

# DATA FOCUS

**CUs lean toward offering traditional lending products rather than split-payment options.**

## Despite member interest in BNPL, nearly half of CUs have no plans to offer it.

CUs are innovating in lending products, but very few have moved away from traditional personal and auto loan options. Nearly all CUs say they currently offer auto and personal loans, yet very few offer BNPL, signaling a conservative stance to offering alternative split-payment plans, even if more and more members show interest. Currently, 99% of CUs surveyed offer auto loans, and 99% of CUs said they offer personal loans. Yet, just 1.5% of CUs say they currently offer BNPL.

Moreover, all indications are that offering BNPL is not an immediate priority for many. While 31% of CUs plan to introduce BNPL in the next three years, 18% of CUs plan to introduce BNPL in the next six years. Nearly half of CUs have no plans to offer BNPL at all, which may put them at a competitive disadvantage if BNPL adoption continues to grow in popularity over the next three to six years.

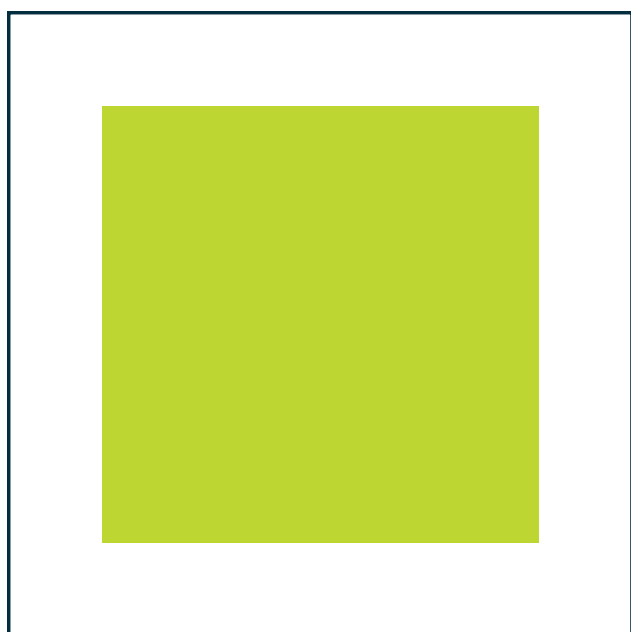
**FIGURE 10:**

**CU plans to offer BNPL**

Share of CUs planning to offer BNPL in the future

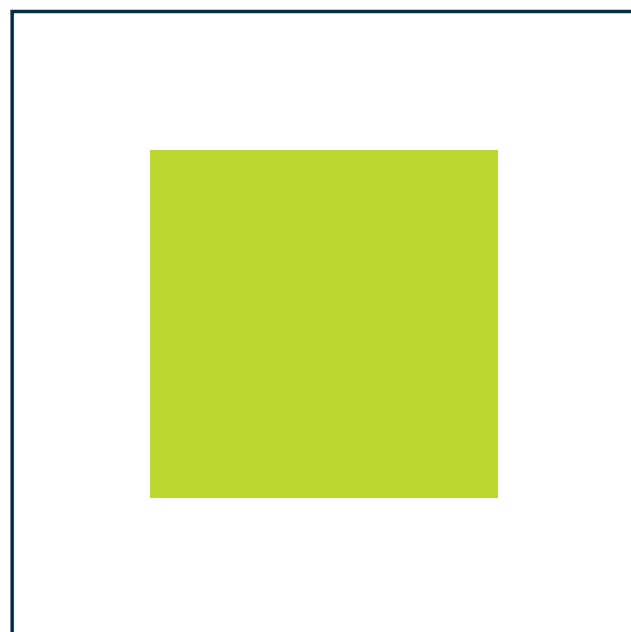
**49%**

Have no plans to offer BNPL in the next three to six years



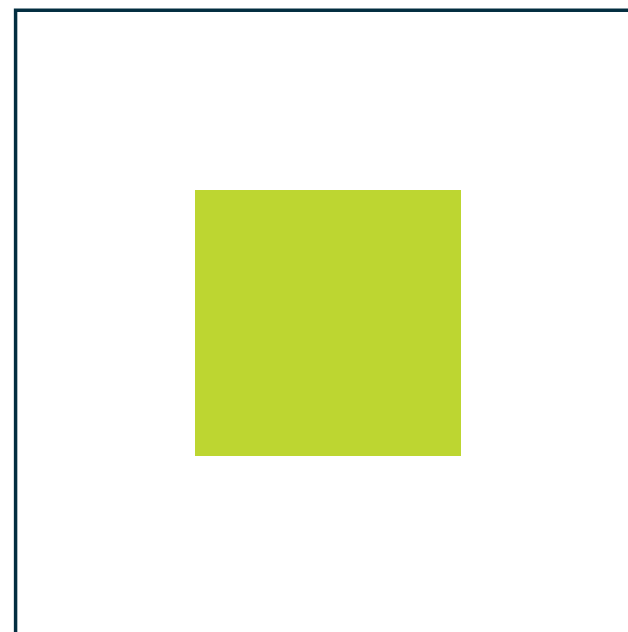
**31%**

Plan to introduce BNPL in the next three years



**18%**

Plan to introduce BNPL in the next six years



While **31%** of CUs plan to introduce BNPL in the next three years, **18%** plan to introduce BNPL in the next six years.

Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index, January 2024

N = 201: Complete responses for CU executives, fielded Oct. 4, 2023 – Nov. 16, 2023

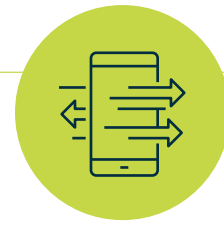


# ACTIONABLE INSIGHTS



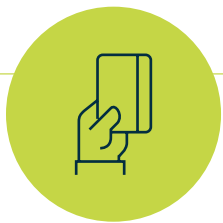
## 01

Even as a significant share of consumers have moved their banking business from a traditional FI in the past year, CUs are also losing members, driven primarily by CU member interest in having more local branches and better online and mobile banking apps. The reality that more CU members report these issues than non-CU members highlights areas where CUs might be falling behind compared to traditional banks, suggesting that CUs could reduce member churn and even attract new members by addressing these needs.



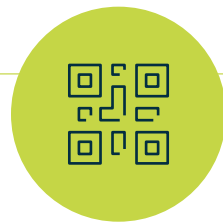
## 02

In the face of ongoing innovation in the financial services arena, it is unsurprising that member expectations of CUs to deliver innovative products and services are high. Yet CU members admit that their CUs may not be the first to launch products in the market. Even though CUs may follow when competing FIs take the lead, CUs that want to retain and grow their membership would benefit from more proactively increasing their efforts and investment in the innovations that digital-first consumers expect from their financial services providers.



### 03

CU members prioritize personal loans and split-payment offerings when choosing an FI, and this priority is visible in their expectations of new lending product innovation. For instance, CU members are nearly twice as likely as non-CU members to want their CU to innovate on BNPL. CUs that oblige will be particularly well-positioned to serve these members.



### 04

CU members use budgeting tools, QR codes and voice assistants more than non-CU members, and they are also more interested in innovations in cash flow management features and those that streamline online transactions. Because CU members have such high standards and expectations, it is reasonable to think they may look to switch to FIs innovating in these areas, even other CUs. Thus, ongoing innovation can serve as a key member retention initiative for CUs, both reducing member churn and attracting new members as they compete against traditional FIs and other CUs.



# GROWING CREDIT UNION MEMBERSHIP

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## METHODOLOGY

**G**rowing Credit Union Membership via Lending and Omnichannel Banking Innovation, a PYMNTS Intelligence and PSCU/Co-op Solutions collaboration, examines how innovation in seamless omnichannel banking and personalized lending can help CUs retain current members while attracting new ones. The report is based on a census-balanced survey of 4,525 U.S. consumers that investigated which products and features consumers want and expect from CUs; it was conducted between Nov. 2, 2023, and Dec. 6, 2023. In our sample, 51% of respondents identified as female, the average age was 48 years old, 33% were college-educated and 45% declared incomes of more than \$100,000 per year.

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# ABOUT

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