



Money orders convenient, profitable

Outsourcing frees up staff time for members

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► Money orders have been around since the Civil War, but that doesn't lessen the importance they play in the marketplace today.

Money orders continue to demonstrate their usefulness as a method of payment for consumers. They're convenient to purchase, inexpensive, and readily accepted nationwide. Some members pre-

fer to maintain savings accounts and use money orders to pay bills. This way they don't need to reconcile checking accounts and can maximize their interest income.

Money orders are an important service members need and expect from credit unions. In 1998, industry experts estimated 1.18 billion money orders were sold (Table 1). With an average value of \$90 per money order, money orders are a \$106 billion

industry. By 2010, consumers will purchase more than 1.6 billion money orders worth \$166 billion, according to *The Nilson*

Report.

Credit unions charge members an average 92¢ per money order, according to *Credit Union Execu-*

TABLE I
PROJECTED MONEY ORDER GROWTH

	VOLUME (\$ BILLIONS)	TRANSACTIONS (BILLIONS)	AVERAGE AMOUNT
1998	\$106.12	1.18	\$90
2005	135.81	1.45	94
2010	\$166.70	1.62	\$103

SOURCE: *The Nilson Report*, Oxnard, Calif.

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tive Journal's 1999 Credit Union Fees Survey Report. By offering money orders, credit unions not only provide a service members want and need, they also

Money orders generate fee income and encourage higher member balances.

generate much-needed income. But even though members expect credit unions to offer money orders, only 42.7% of credit unions currently do so, according to CUNA's Credit Union Services Profile.

Most credit unions recognize that money orders increase the flow of members into branches and give member service representatives an additional opportunity to promote products and services. However, some credit unions believe money orders actually drain profits and offer little return on investment. This could certainly be true with an in-house money order program.

Credit unions are looking for alternatives to improve performance and to offer new products and services. Outsourcing back-office functions for a money order program is a

great way to free up staff to spend more time cross-selling other products and services. With an in-house money order program, staff spends valuable member service time sorting, reconciling, issuing stop-payments and refunds, making copies, re-ordering, and dealing with states' escheatment laws. And, don't forget about the storage of cleared money orders that must be kept for seven years.

A national money order program can handle all back-office functions and member phone calls. With a national program comes brand-name recognition and member acceptance.

Programs also have systems in place to protect money orders against fraudulent use.

CUNA & Affiliates has offered a money order program in partnership with Travelers Express for more than 25 years. There currently are more than 2,600 credit unions using the program, selling more than 8.8 million items per year. The partnership also has developed a special program for low-income credit unions.

Times have changed since the Civil War. But benefits money orders provide—fee income and higher member balances—stand the test of time. ■