



Case Study: Mazuma Credit Union Finds Its Fraud-Protection Partner

A Switch to PSCU Payment Processing Delivers a Better Experience for Members

Overview

Mazuma Credit Union is a member-owned, not-for-profit financial cooperative serving the Kansas City area since 1948. Headquartered in Overland Park, Kansas and having nearly 200 full-time employees, Mazuma holds loans and leases worth over \$496 million, and has assets of about \$650 million. Its 63,000-plus members have over \$527 million in shares with the credit union. Services include everything from checking and savings accounts to financial advice to credit cards, car loans, mortgages, and home equity loans. Mazumans (as they refer to themselves) are committed to social responsibility, and work to help in the areas of community development, education, and the arts.

The Challenge

Card fraud is a severe problem for all concerned. Legitimate cardholders—while typically limited in financial liability—can face months (or years) of headaches and hassle trying to straighten out the mess with creditors. In addition to having merchandise essentially stolen, business owners may be liable for damages on several fronts. Yet more often than not, it's the card-issuing financial institution that is left holding the biggest proverbial bag.

Mazuma Credit Union strikes a different sort of marketing pose in terms of its brand image, with a certain fun-loving cheekiness (for instance, the board of directors is referred to as “Da Board.”)

Case Study: Mazuma Credit Union Finds Its Fraud-Protection Partner

Yet like any other credit union, Mazuma takes the threat of card fraud very seriously. Having relied on a previous payments processor to provide fraud-protection, the credit union began to question the efficiency of the service—especially in terms of inconvenience caused for members trying to use their Mazuma-issued cards.

A specific pain point for Mazuma was the number of false-positive blocks being placed on accounts. This became a major topic of conversation as the credit union considered a new fraud-protection service provider. Mazuma learned that the industry standard (at that time) was 17 blocked cards to every actual case of fraud. With their then provider, Mazuma saw 22 card blocks with only one actually being fraud. Understandably, frustrated members were losing confidence in their Mazuma cards.

The Solution

Mazuma did not come immediately to PSCU as its payments processor and a number of companies were considered before the credit union settled on two finalists. Ultimately, PSCU was chosen due to its history of helping credit unions reduce their fraud losses. Mazuma “went live” with PSCU credit and debit processing on November 9, 2016. Today, Mazuma subscribes to a number of PSCU services and solutions, including Momentum - training, Advisors Plus - consulting, Member Insight - reporting and analytics, and ATM-driving. Additionally, PSCU handles card-related calls for Mazuma 24/7, although the service is primarily accessed after hours.

Lauren Eblen, Mazuma Director of Awesomeness, explained, “PSCU was the right choice for Mazuma, not only because of the strong fraud monitoring, innovative services, and future-focused mindset, but because PSCU understands what it means to be a CUSO. For them, ‘Member-Owner’ is not just a phrase used during the sales process. Instead, it’s embodied and demonstrated in all strategic decisions made by the PSCU team.”

During the contract process, a strong focus was placed on fraud monitoring and capabilities. Prior to signing, calls were set up to discuss fraud monitoring and methodology. Parties worked to create a clear understanding of what PSCU offered and how much control Mazuma would have in the day-to-day risk-management process. Additional discussions were held on the ability of Mazuma to create fraud rules. The credit union identified key areas of previous fraud loss and provided transaction history for PSCU to learn the card behavior of Mazuma members.

PSCU put in place all fraud rules created by the previous processor and those created by Mazuma, as well as the standard PSCU rules. The integration was seamless, and PSCU provided frequent updates to Mazuma on how the rules were performing. “We were very impressed by the data analytics that were used to determine potential and current member impact,” Eblen said.

Case Study: Mazuma Credit Union Finds Its Fraud-Protection Partner

By having frequent discussions around performance, Mazuma was able to have the right mix of rules in place to lower fraud. Eblen recalled that PSCU asked careful questions to better understand the Mazuma risk tolerance and used these notes when developing future rules. Finally, the Mazuma cards team received training to ensure consistency in handling dispute intakes and was given tools to help facilitate conversations around disputes with members.

On the “go-live” day, 99.5% of all cards worked with no identified issues. Eblen credits the strong partnership with PSCU’s sales and implementation team for the success, saying it would not have been possible if PSCU and Mazuma had not established such a strong relationship.

The Results

Almost immediately, Mazuma began to see a decline in fraud claims. In 2016, Mazuma had 9,073 disputes submitted by members. Throughout 2017, Mazuma only had 6,707 disputes submitted by members. As 2018 progresses, the number is continuing to trend downward.

Though most financial institutions do not share their total card-related fraud losses, Eblen confirmed that Mazuma’s actual fraud losses have significantly decreased since making the switch to PSCU. In 2015, Mazuma experienced \$509K in losses, approximately .20% of net spend. In 2016, fraud loss continued to rise to \$624K, representing .23% of net spend—

a 22.6% increase over previous-year losses. In 2017, now fully live with PSCU, the numbers were drastically reduced; Mazuma experienced only \$230K in actual fraud losses, or about .07% of net spend, and a 63% decrease over previous-year losses.

Mazuma and PSCU were able to accomplish this significant decrease by working together, each one playing a role in the success. Since converting to PSCU, there has also been the sought-after decrease in the number of falsely blocked cards. Today, one out of every three blocked cards is, indeed, fraud.

As Mazuma looks to the future, it will depend on PSCU to increase the tools and methodologies used to combat fraud. “Creating a positive member experience must remain top of mind for both institutions,” Eblen said. She hopes that as the use of data analytics grows, PSCU will be able to write rules at the cardholder-specific level based on usage patterns and cardholder need. “By continuing to work together and keeping open lines of communication, PSCU and Mazuma can continue to reduce fraud losses,” Eblen declared.

Mazuma’s leadership continues to be pleased with PSCU payment processing and corresponding fraud protection the credit union now receives, Eblen sees PSCU as more of a partnership than a service. “By having PSCU understand Mazuma’s values, risk tolerance, and member behaviors, the right rules can be put into place to help mitigate fraud while providing a high-quality member card usage experience,” she said.