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## Why 6 credit unions are partnering to access better payment solutions

👤 Rick Morgan 📅 August 9, 2019 📌 [Carousel](#), [Innovation Strategy](#), [Payments](#), [Premium](#)

As credit unions look to improve their technology on smaller budgets, one solution is to band together and pool assets.

On Thursday, six credit unions did exactly that to improve their online payment capabilities through an investment in the digital payments company [Payrailz](#). The new credit union service organization (CUSO), called CU Payz, wants access to better technology in a push to keep members engaged and increase the number of members using credit unions as their primary financial institution.



“We sign up a whole bunch of members, but we have churn with the younger members because we don’t look like Venmo,” said John Carew, chief strategy officer of Georgia’s Own Credit Union, one of the founding members. “If an individual credit union were to pursue a large fintech like Payrailz, we would have very limited voice. But if we approach Payrailz with dozens of credit unions, a lot of transactions and future revenue streams, then we have something to bring to the table.”

Coastal Credit Union, Farmers Insurance Federal Credit Union, Meritrust Credit Union, Teachers Credit Union, TwinStar Credit Union and Georgia’s Own are the six founding credit unions. CU Payz is open to any credit union, and the CUSO plans to invest \$15 million in Payrailz. Carew said 20 credit unions were in the pipeline to join as of last week, which already is too many to have everyone invest, so the CUSO will have to decide who gets to invest and who will just be members. Investors get equity in Payrailz and have more say in future products, but other members still access the new technology at a better price.

Carew said credit unions like Georgia’s Own struggle to put all their payment features in one easy-to-use place, something they hope to address by working with Payrailz. The credit unions plan to put bill payments, P2P payment, loan payments and more all in one interface for members, he noted.

According to Carew, Georgia’s Own has about 185,000 members, of which 125,000 use online banking. Only 33,000 are active online bill pay users, but he aims to get that number over 100,000 through this partnership. By improving online payment features, the credit unions aim to increase overall transactions and keep members from using [Venmo](#) or big banks with automatic bill pay and [Zelle](#).

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The credit unions and Payrailz announced CU Payz this week at the end of the MDC FinTech Expo in Chicago. MDC, or MEMBERS Development Company, is another CUSO, and it’s focused on research and development initiatives. Combined, the founding members of CU Payz have more than 1 million members and \$12.8 billion in assets, and the credit unions will continue to market CU Payz by going to other credit union conferences.

According to the National Association of Credit Union Service Organizations, CUSOs “enable credit unions to bind together to tackle big emerging challenges.” They must have at least one credit union owner, but non-credit unions can be owners as well. They can form for reasons surrounding costs, risk mitigation or acquiring expertise.

Tony DeSanctis, senior director at [Cornerstone Advisors](#), said the push to create a CUSO for payments is only natural for credit unions given all the new technology in that space. Whenever credit unions invest together, however, there’s the risk of platform failure and loss of investment, although the risk of investing alone would be even greater.

“The other thing to consider would be the risk of the technology not being delivered as promised, which causes the credit union to potentially fall behind the curve and having to go elsewhere to find a solution,” DeSanctis said in an email.

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