

NET Federal Credit Union

Background

NET Federal Credit Union (NET FCU), an SEG-based institution with 22,000 members, serves residents of Lackawanna County, PA. With offices located in Olyphant and Scranton, NET FCU had assets totaling \$151 million at the end of 2009.

Prior to 2007, the credit union had never offered any type of overdraft program. However, CEO Larry Bordi realized that NET FCU members were facing Insufficient Funds (NSF) fees of around \$25 for every bad check written, plus an additional charge from the merchant who was returning the check. He was shocked to learn that sometimes his members were paying merchant returned item fees of as high as \$50 per item, regardless of the face amount of that item. This led Bordi to begin researching services that would provide less costly alternatives for members needing an occasional safety net.

After a great deal of due diligence, NET FCU selected John M. Floyd and Associates (JMFA) as a partner to implement an overdraft privilege program. In March 2007, the credit union introduced JMFA OVERDRAFT PRIVILEGE® to its membership. As with any new service, Bordi was uncertain about how members would react to an overdraft privilege program. However, once implemented, he was quickly convinced that it was the right decision for both the credit union and its members.

According to Bordi, members caught on quickly that the program was a valuable tool that helped them manage their accounts. "Now, they love it," he said.

A transparent overdraft program gives members peace of mind

When the credit union first implemented JMFA OVERDRAFT PRIVILEGE®, it provided up to \$500 (at the credit union's discretion) to each member participating in overdraft protection. Since then this discretionary limit per member has been increased to \$700 with a per item overdraft fee of \$25.

"Now our members know where they stand," explained Bordi. "They know upfront that they will incur a fee of \$25 per occurrence, but they also have the peace of mind of knowing that they can avoid the embarrassment of having to return to a merchant to make good on a check or of having a transaction denied by a merchant. They like the fact that their credit union cares and has their back," he said.

JMFA OVERDRAFT PRIVILEGE® is a win-win for NET FCU and its members

Thanks to the fact that JMFA OVERDRAFT PRIVILEGE® is a turnkey program, the credit union has been able to market it with statement stuffers and other materials provided directly by JMFA. "This has been a big help in getting the information about our overdraft solution to our members in a timely, consistent and clear manner," Bordi said.

Since the program was initiated, NET FCU has experienced substantial financial results. Actual fee income growth was 34 percent between 2007 and 2008. By the end of 2009, fee income represented 19.43 percent of total income sources. And while NET also implemented ATM services for its members in 2008 and 2009, Bordi believes that much of the fee income resulted from incorporating JMFA OVERDRAFT PRIVILEGE® into the credit union's menu of member services.

In addition, JMFA OVERDRAFT PRIVILEGE® provides the following services and processes to support NET FCU's efforts:

- a thorough review of the credit union's overdraft policies and procedures;
- extensive staff education on how to present the program to account holders;
- a simple, straightforward system to monitor overdraft accounts;
- a structured process for communicating with overdraft privilege users that ensures program transparency and keeps charge-offs to a minimum;
- installation of an automated collection system which integrates with the credit union's core processing system; and
- a non-discriminatory program that is guaranteed 100 percent compliant with all state and federal regulations.

"Implementation of JMFA's program has been a win for our members and a win for our credit union," said Bordi. "We have strengthened our financial stability, while helping our members save face with merchants when life throws them a curve."

Plus, looking back on the implementation process, Bordi appreciates working with a company that has JMFA's level of expertise and customer service focus. "Throughout the process, JMFA's implementation team was very accessible," he said. "While on-site for the installation, they thoroughly explained the program and its processes to our staff, which helped them to get up to speed quickly. This, in turn, gave them the confidence they needed to describe overdraft privilege and its benefits to our members."

Bordi continued, "Since then, our account representative, Steve Thomas, has been very responsive to address any questions we have had and has continued to keep us informed on changing regulations regarding overdraft programs."

As the economic forecast continues to be uncertain for consumers, and as credit unions continue to face challenges from new regulations, legislation and industry assessments that threaten revenue streams, a program like JMFA OVERDRAFT PRIVILEGE® gives institutions like NET FCU a valuable advantage. "We're delighted to have a program that is a win-win for our credit union and our members, especially in these challenging times," Bordi concluded.