

Strategies for Overcoming Economic Uncertainty

FINANCIAL SECURITY:
THE BASIS FOR DURABLE RELATIONSHIPS AND STABLE REVENUE

Three ways to improve your members' overdraft experience and achieve better results



76% OF ADULTS

say they have experienced a great deal or fair amount of disruption.

—Gallup, “COVID-19: Leading Through Disruption”

HOW CREDIT UNIONS CAN SUPPORT MEMBERS DURING COVID-19 CRISIS

- 1 Increase peace of mind
- 2 Build hope.
- 3 Reduce unnecessary stress.

—Gallup, “COVID-19: Leading Through Disruption”

THREE WAYS TO IMPROVE YOUR MEMBERS' OVERDRAFT EXPERIENCE AND ACHIEVE BETTER RESULTS

In both good times and bad times, consumers expect your credit union to safeguard their best interests. This is especially true when they are faced with the situation of exceeding their balance or when they inadvertently make an error in balancing their accounts, which may lead to an overdraft. When it comes to providing your members with the support they need to maintain their finances, are you directing your time and resources toward strategies that provide successful results—for them and your credit union?

In a Gallup study, respondents indicated that having the relief they need to get through the current crisis, as well as on-going guidance and financial solutions, and easy access to those resources whenever and however needed are what they want most from their financial institution. This is especially true for Millennials, parents with dependent children or those who have been laid off from their job.

Due to the on-going uncertainty, many consumers have put big-ticket items on hold and cut most non-essential spending. Sixteen percent have missed a bill or loan payment. As a result, decreased net-interest margins and elevated provisions for loan losses—and an overall reduction in transaction volumes—will continue to have a major impact on credit union profits.

Successfully providing reliable, convenient and safe financial services to your members is more challenging now as you juggle disruptions to in-person connections, coordinate socially distanced work environments and adjust business continuity plans amid growing uncertainty. But how you manage your service delivery strategy in order to respond to your members' financial needs now can be pivotal to building ongoing, loyal relationships, as well as a providing a sustainable source of revenue until the situation improves.

Here are three ways you can positively impact your members' experiences and more as we work through the pandemic and for the long-term.

TRANSPARENCY

Trust & Security



SERVICE

Strong Relationships



WRITTEN COMPLIANCE GUARANTEE

Protection



1. Transparency creates trust and long-term security

Regulators have made significant changes to overdraft rules to increase transparency and protect consumers from unclear disclosures and discriminatory practices. However, overdraft programs with variable limits, based on data points that are unknown by consumers often lead to confusion.

A fully transparent service—with established limits explained upfront and reviewed periodically—provides members with a consistent and reliable financial service to better deal with an occasional shortfall. There is no guesswork involved as to whether they have overdraft coverage and, more importantly, there aren't any surprise fees.

Relationships are soured when unexpected or unfair fees are assessed. The best way to maintain healthy, beneficial member connections is to offer a consumer-focused strategy that keeps your overdraft program option, fees and procedures visible through regular dissemination of prepared, compliance-tested messaging.

2. Higher levels of service lead to stronger relationships and more

Providing a level of service which builds trust and leads to long-term relationships involves much more than determining where an account holder plots on a data matrix. Overdraft programs based solely on analytics and data lack personalized service and value. Parameters based on undisclosed account information may limit access to a safety net without considering other essential aspects of a person's overall ability to repay. Overlooking this can result in a breach of trust and threaten member satisfaction and retention.

Offering in-depth employee education and structured training provides your staff with on-going opportunities to gain a full understanding of how the program works and how to explain it easily. By helping them to gain confidence regarding the value of your program and giving them the tools they need to more effectively identify individual member needs and present



COMMITMENT TO BEST PRACTICES AND PERSONALIZED SERVICE IS KEY TO PROGRAM SUCCESS

No amount of automation or AI-driven technology will bring back your members if they lose trust in your credit union. Make sure you offer an overdraft service that truly provides the reliability of a safety net your members can depend on when they have occasional short-term needs. This strategy will also offer protection from regulatory and legal risks, and provide sustainable service and revenue.

ABOUT JMFA

[JMFA](#) is one of the most trusted names in the industry. Whether it's recovering lost revenue, uncovering new savings with vendor contract negotiations, creating more value, serving account holders better or delivering a 100% compliant overdraft service—JMFA can help you deliver measurable results with proven solutions. To learn more, please [contact your local representative](#) or call us at (800) 809-2307.

information on the options you offer, you will empower your employees to build much stronger member relationships and experience more job satisfaction.

Plus, if your members see more value in the service, it will yield a reliable source of non-interest income. Due to historically lower interest rates, decreased loan to deposit ratios, reduced interchange income, and an unpredictable economy, generating revenue will continue to be essential.

3. A written compliance guarantee and access to expertise and resources protects members and your credit union

If an overdraft provider doesn't offer a written compliance guarantee, along with access to ongoing regulatory expertise and advice on compliance issues, they likely won't be standing by your side if there are ever questions about your practices.

When compliance is a top priority, it means the provider has the expertise and resources to keep track of the latest regulatory expectations and identify potential areas of concern before they hit your radar. What's more, they will put those resources to work to help you incorporate the necessary process and procedural changes to address any issues that might be problematic.

Staying abreast of the latest governance and interpretations on everything from deposits and lending, to reviewing briefs and reporting changes is challenging. Year over year there continues to be a flood of new regulations along with greater complexities which add an insurmountable amount of pressure and increased responsibilities. The reality is, most compliance officers would welcome some help when it comes to having compliance certainty in a specific area, to complement their own knowledge and free up their time to focus on other areas.

References: Gallup, "COVID19: Leading Through Disruption, March 17-23, 2020.