

# COURTESY OVERDRAFT PRIVILEGE

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**SMARTSTEP**  
solutions

# INTRODUCTION

Whether this is your first time to consider Courtesy Overdraft Privilege or whether you are planning to update a program you implemented years ago, you could not have picked a better time or a better partner. Courtesy Overdraft Privilege programs have been around for years but today they are more consumer friendly than ever before, which may be why consumer usage continues to increase.

Recent studies show that approximately 12 million consumers use Payday Loans every year, primarily to cover everyday expenses. The result is over \$4.2 billion in annual fees paid by the borrowers. If your credit union does not offer Courtesy Overdraft Privilege, then your members may already be relying on alternative short-term financing instead of their friendly credit union.

When implemented and managed correctly, an overdraft program is beneficial for your members and your credit union. SmartStep Solutions has designed a comprehensive overdraft program with a strong social conscience for the Member and the comfort of a compliance guarantee for the Credit Union.

*“Like many credit union CEOs, I was looking for additional services to offer our members that would also generate income to help the bottom line. Another credit union CEO referred me to SmartStep Solutions. After meeting with them, I knew their product would meet both of my objectives.*

**Lufkin, TX**

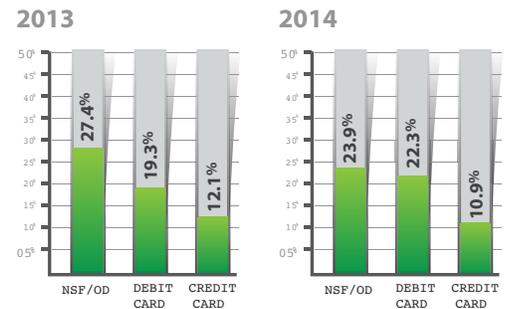


# CONSERVATIVE YET EFFECTIVE

Courtesy Overdraft Privilege is a non contractual, discretionary service provided by the credit union designed to help members who occasionally face a cash shortage. With Courtesy Overdraft Privilege, a conservative overdraft limit is available to all members who maintain their account in good standing.

Courtesy Overdraft Privilege is automatically available to cover insufficient checks, automated debit and recurring debit card transactions. Members can choose to opt-in for overdraft coverage on their ATM and debit card purchases.

Top 3 sources of Non-Interest Revenue



# COMPREHENSIVE SOLUTION

Today's successful overdraft program requires much more than turning on an overdraft limit. Our consultative approach includes analyzing multiple areas of the Credit Union to create a customized program designed to optimize the results for each SmartStep Solutions client.

## OPERATIONS

Implemented correctly, a Courtesy Overdraft Privilege can significantly improve your operational processes, making them more efficient. Our experienced Project Managers will work closely with you to build a unique program with customized internal procedures and policies for your back office processing, new accounts, collections and accounting. We will also work directly with your core processor to activate your program and ensure it is fair and compliant for your members.

## ACCOUNTING

Tracking and reporting income and losses related to Courtesy Overdraft Privilege is not only critical for management, but expected by examiners. SmartStep Solutions will work with the credit union to evaluate and recommend changes to your GL account structure to simplify program monitoring. We also provide assistance for completing 5300 reporting for Courtesy Overdraft Privilege.

## RISK MANAGEMENT

Risk management of Courtesy Overdraft Privilege requires a delicate balance between a conservative but effective overdraft limit and consistent program monitoring. SmartStep Solutions will recommend the most effective overdraft limit for your members without exposing the member or the Credit Union to excessive risk. We will also provide tools and strategies to mitigate your risk in the future.

## MEMBER DISCLOSURES

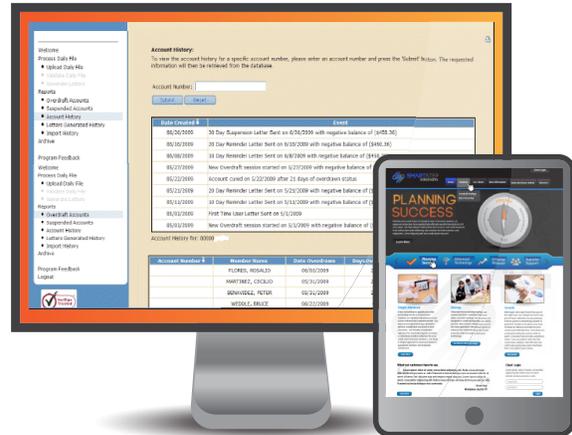
Our program requires full disclosure and transparency to your members regarding their overdraft choices. To support this, our program includes customized, compliant disclosures for your members. The disclosure begins with all share draft accountholders receiving a customized **Member Awareness Package**, which includes a brochure, executive letter and an opt-in disclosure. In addition, we provide disclosures for your website, email blasts, newsletters, online banking and more, all designed to educate your members.

## EMPLOYEE AWARENESS TRAINING

The best way to educate your members about your Courtesy Overdraft Privilege is to educate your employees first. SmartStep Solutions provides web based training for Courtesy Overdraft Privilege to all employees, including step by step procedures for new accounts and tellers. We also provide an Awareness Training guide and Member FAQ scripting. Additional training, as needed, is provided at no additional cost.

## SMARTTECH SOFTWARE

SmartTech Software is a proprietary, browser based software solution specifically designed to manage Courtesy Overdraft Privilege. Our proven software easily integrates with any core processing system to provide overdraft enhancements not offered by your core provider. SmartTech is housed in a highly secure, SSAE16 SOCI Type II data center with managed daily backups. With just an internet connection you will have secure access to critical management tools including customized collection letters, limit suspension reports, detailed overdraft history for each member and other management reports designed for monitoring your overdraft program.



## MEMBER AWARENESS CAMPAIGN

Our experience has proven that even with written disclosures, members still need the personal touch from you to understand their choices. The campaign goal is to inform and offer your members Courtesy Overdraft Privilege for their ATM and Debit card transactions. This typically results in more members choosing to opt-in. SmartStep Solutions provides the credit union a Member Awareness Campaign package which includes lapel buttons, lobby posters, drive-thru cards, employee scripts and several campaign options.

# OUR PROVEN SUCCESS

More than 150 credit unions have trusted SmartStep Solutions as their overdraft provider. With a proven track record of increasing NSF/OD income an average of 132%, SmartStep Solutions is focused on member satisfaction and credit union success.

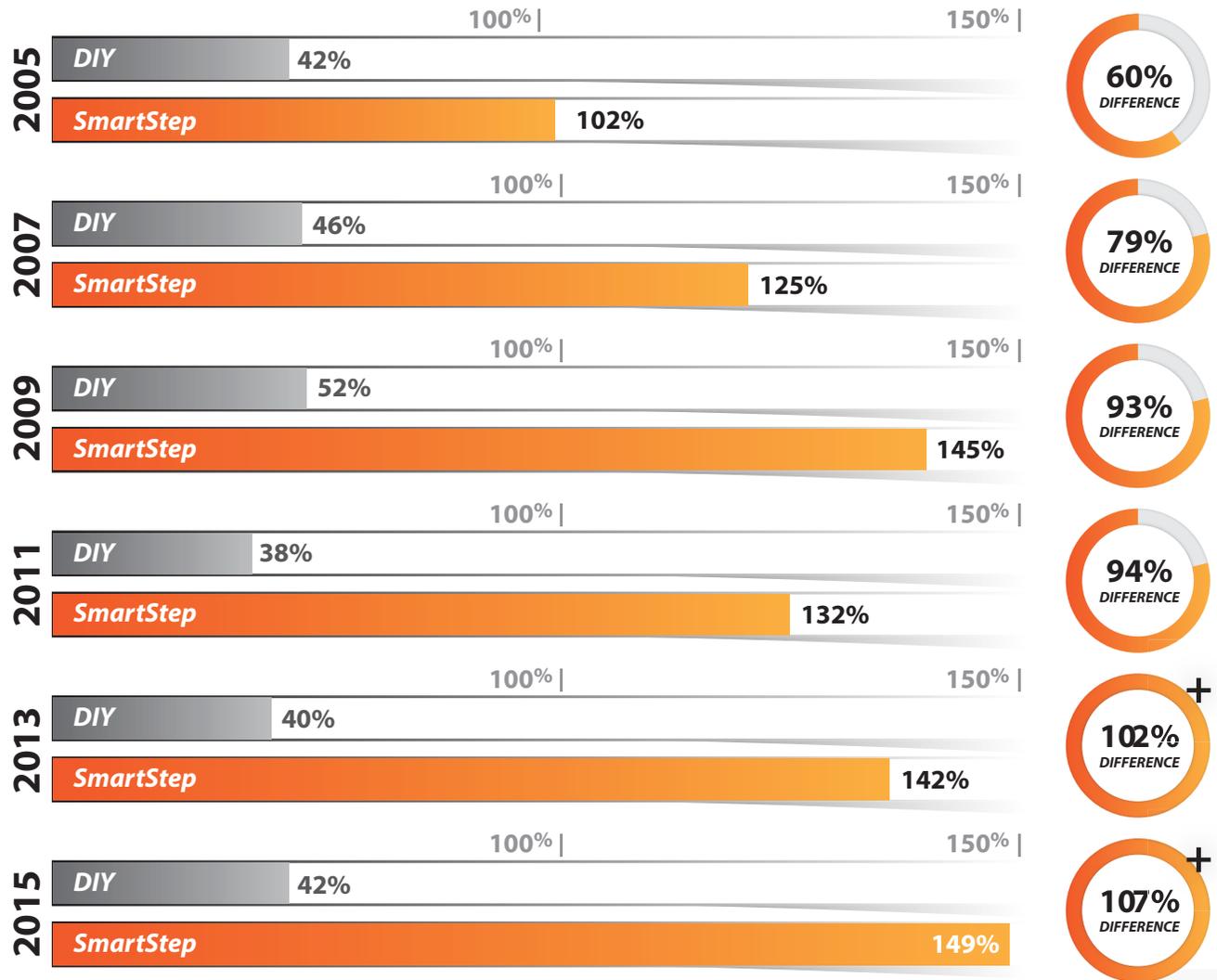
### **Our comprehensive solution includes:**

- Program live within twelve weeks
- Customized disclosures, written policies and procedures
- DP System review and support for overdraft setup
- Diligent compliance testing prior to activation
- Customized Member Awareness Campaign
- SmartTech Software for management reports and collection letters
- Training with step-by-step guides for each employee
- Dedicated and experienced project managers
- Risk management through consultative, conservative approach
- One on One support
- NO UPFRONT COST FOR THE CREDIT UNION!
- COMPLIANCE GUARANTEE!

# WHY CHOOSE SMARTSTEP SOLUTIONS?

Since 2005, SmartStep Solutions' clients have experienced an average increase in NSF/OD revenue of 132%, compared to "DIY" credit unions' average increase of 43%.

## SMARTSTEP CLIENT PERFORMANCE



*The implementation was simple and easy – the initial training from our SmartStep representative was extremely thorough, and all staff members were fully educated about the details of this program. As any CEO knows, launching a new product can be chaotic, but the SmartStep team made it a breeze.*

**Hermitage, PA**

# DIY?

Everyone has seen the “DIY” shows on TV that make a project look easy and cheaper than using a professional. In reality, it is never easier and inexperience can result in costly mistakes. If you are considering implementing a program on your own or with the “help” of your Data Processor, then you should ask yourself these questions first:

- Who will be in charge of ensuring our program is compliant?
- Who will decide the most effective way to setup our program?
- Who will update our disclosures to meet the regulatory requirements?
- Who will develop the member marketing for our new program?
- Who will create training deliverables and train our staff?
- Who will ensure we maximize our program’s success and mitigate the risk?

With all the demands of your time and energy, the answer is clear. Partnering with SmartStep Solutions is the answer to all of the questions. Our proven track record, along with our COMPLIANCE GUARANTEE, will ensure you have a successful overdraft program in place within 12 weeks with minimal use of your resources.

*Our credit union had an overdraft program in place prior to working with SmartStep Solutions. However, not only was SmartStep Solutions able to help us increase our NSF revenue by 43%, they also made the daily management of our program quick and simple. Their staff is very helpful and the compliance support has been very beneficial.*

**Wellsville, NY**

## OUR CREDIT UNION HAS HAD A PROGRAM FOR YEARS!

Studies show that NSF and Overdraft Fee income is a major driver of non-interest revenue for credit unions, second only to debit card interchange fees. Our experience shows that programs left unmanaged typically lose an average of 57% of their income within the first 7 years. Our consultative process is uniquely designed for existing programs. Our intensive audit of your program includes:

- Analyzing your overdraft limit
- Reviewing your disclosures and policies
- Assessing employee knowledge
- Program performance
- Member awareness and participation

If your program has been neglected, sitting on a shelf for years, you could be losing essential non-interest income. SmartStep Solutions will revitalize and enhance your program within 12 weeks!



# COMPLIANCE GUARANTEE

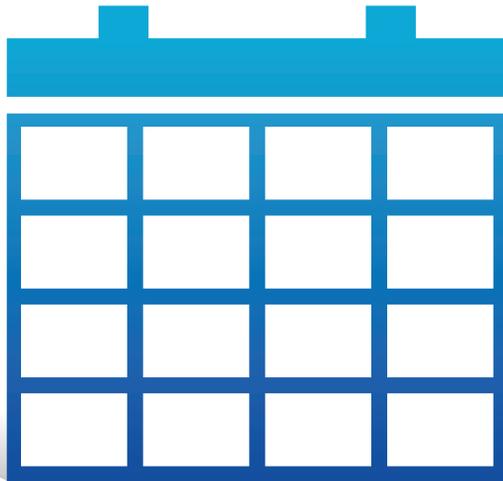
When overdraft programs were first created, there were no regulatory rules or guidance to manage the programs. However, over the past 10 years, Best Practice Recommendations, Regulatory Changes and CFPB have been established to ensure programs operate in the best interest of the consumers and Financial Institutions.

Compliance changes are inevitable but our COMPLIANCE GUARANTEE gives you the peace of mind to know your program will meet all regulatory requirements and best practice recommendations at all times. Keep in mind, that today a program must not only adhere to strict regulations, it must also pay close attention to unfair and deceptive practices under UDAP. Our vigilant watch over every aspect of overdraft programs allows our clients to focus on growing their credit union. When regulatory changes occur, we alert our clients immediately and provide specific action steps, including updated disclosures, internal policies and employee training.

*When we were considering a Courtesy Pay program, our state examiner referred us to SmartStep Solutions. Once we discovered everything they offered, we were pleased to see that they manage and maintain all of the compliance requirements of the program. That takes the burden off of the credit union staff to make sure current rules and regulations regarding Courtesy Pay are current. If anything changes, SmartStep notifies us and updates our brochures, policies, letters, disclosures and whatever else we may need – that’s a wonderful value to our credit union.*

**Maumee, OH**

## COMPLIANCE TIMELINE



*\*All of the regulatory changes shown in this timeline have mandated changes for policies, procedures, member disclosures and employee training. Instead of facing these changes alone, our clients rely on our expertise to interpret any regulatory changes and deliver all the tools necessary to easily update their program.*



**FEB. '05**

**Interagency Guidance on Overdraft Protection Programs**



**JUL. '06**

**Truth in Savings Amendments for Overdraft Program Advertisements**



**JAN. '10**

**Reg E Amendment requiring opt-in for Debit Cards and CFPB established under Dodd-Frank Act**



**JAN. '12**

**First Director of CFPB is appointed**



**JUL. '15**

**CFPB focuses on unfair or deceptive practices by announcing its 10th Consent Order against a Financial Institution**



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