

Who is the Target Market?

Possibly one or more of the following:

1. Members/potential members who have been denied checking accounts because of Chexsystems or Telecheck records that is not for fraud
2. Members/potential members who have never had a checking account or have had problems managing a checking account (but may not have a record) and prefer some of the safeguards built into the program
3. Members/potential members who are using check cashers because they may not have a transaction account
4. Youth 16 – 20 opening their first checking account

How to Assess Potential Size of Market?

The following are some ways to determine market potential:

1. Number or % of current members who have been denied a checking account because of a negative record (if feasible)
2. % of current members that only cash checks with CU because they may not have a transaction account
3. Number of check cashers within 3-5 mile radius of CU branch

Is Another Checking Product Necessary?

Not necessarily. A few of the credit union models featured in this toolkit extend their traditional checking programs to individuals with limited ChexSystems records, providing these individuals clean up their negative records and/or complete a financial education program. People willing to go through these steps are generally intent on changing their financial management habits and pose minimal risk to credit unions. People willing to go through these steps, however, are small in number.

Other programs offer members with limited ChexSystems records a second chance transaction account without clearing up all negative records. These are typically set up under a different checking code so they can be closely monitored for fraud, kiting and NSF activities. These programs frequently include a monthly fee to cover the costs of monthly monitoring. The accounts are quickly closed if the individuals exceed some level of NSF activity. Users are moved into better value checking products when they demonstrate successful management of the account.

What is the Risk in Offering a 2nd Chance Product to this Market (Checking Account Abusers)?

As noted earlier, the study by the Center for Financial Services Innovation found only 8% of checking account closures were for fraud. The remaining 92% were for account mismanagement. A credit union can institute underwriting criteria to minimize its risk for a 2nd chance product and should closely monitor these accounts for fraud, kiting, or NSF activity. The QualiFile scoring methodology is another way to assess individual risk. (A link to Qualifile is included in Reference section.)

More Reasons for Offering a 2nd Chance Checking Program

- 1) Attract new members currently using check cashers. A report from Aite Group, LLC⁴ estimates that over 25% of users of check cashing stores have or have had a bank account, but are without a checking account because of account mismanagement or a desire on their part to avoid overdraft fees. The report further states that banks could increase their market share in check cashing by more than 60% among customers of check cashing stores.

⁴ Aite Group, LLC, “Can Banks Win the Hearts and Wallets of Check Cashing Users?” 2009.

- 2) Convert new members to loyal customers and build relationships with them. Checking account members have needs for other products such as bill payment, debit and credit cards and savings programs.
- 3) Perform outreach to unserved/under-served markets. The study by the Center for Financial Services Innovation found that those living in black and Hispanic census tracts were less likely to be proactive in applying for a checking account than those living in white tracts. Partnering with community groups that have established trusting relationships with these populations can help credit unions reach these markets.
- 4) Build non-interest income. A fee-based 2nd Chance program can bring additional revenue to the credit union, justified by the extra monitoring that is necessary.

3. Product Design and Profiles

As noted earlier, a checking product will not be new to most credit unions. What may be new is the expansion of the checking market to include those with negative ChexSystems records. Section 4 addresses pricing options and considerations. This section covers some of the design details that should be considered when extending checking services to riskier markets. It also includes profiles of successful 2nd Chance Checking models.

Underwriting Criteria:

- ☞ Member is in good standing with the credit union
- ☞ Chexsystems or Telecheck record is not for fraud
- ☞ Unpaid record cannot exceed \$ _____
- ☞ # of records cannot exceed _____
- ☞ # of depositories cannot exceed _____
- ☞ Record history must be older than _____
- ☞ Unpaid accounts must be paid in full first before opening account
- ☞ Member will have _____ months to pay unpaid accounts
- ☞ Member does not have to pay unpaid accounts if less than \$ _____
- ☞ Member must maintain a restricted savings balance of \$ _____ in regular shares while using this product
- ☞ Direct deposit required
- ☞ Minimum balance to open account is \$ _____
- ☞ Financial education module or component is required
 - Description of financial education requirement: _____
- ☞ No courtesy pay or overdraft protection will be allowed
- ☞ Will ATM or debit card be issued for these accounts? _____
- ☞ Maximum holds on all checks will be required
- ☞ Other: _____

Existing/New Product:

- ☞ Accounts will be offered under CU regular checking product
 - A special identifier code or tracking mechanism will be used to track and monitor these accounts in the following way: _____
- ☞ Accounts will be offered under a new checking product called: _____
 - A checking suffix code will be used for these accounts: _____
 - After _____ months of successful management, member can transfer to regular checking product
 - Will transfer occur at member's request or automatically by credit union?

Monitoring Accounts:

Factors that will be monitored monthly and can result in account closure:

- ☞ # of NSF's in ___ period cannot exceed _____
- ☞ Must pay off unpaid record balances within _____ months
- ☞ Other _____



Credit Union Model 1 2nd Chance Checking Program

Horizons North Credit Union

11455 Pearl St.
Northglenn, CO 80233

Assets: \$60 Million

Members: 8,400

CU Website: www.HNCU.org

Contact: Yvonne Rogers-Blakeman
(720) 872-8606
yvonner@HNCU.org

Start Date: May 2008

Qualifications:

- Must be 18 years of age or older
- Members with a ChexSystems record (other than fraud) that don't qualify for the CU's regular checking account are eligible for a 2nd Chance Checking Account.
- ChexSystems report date must be older than 3 months.
- Any current or previous member who has caused Horizons North Credit Union a loss or has had their services terminated for cause are not eligible for this account.
- Member must complete an In-Balance self study checking module and take a test with a 70% or better accuracy rate. (In-Balance is the checking portion of the Balance financial education and counseling program. The module and test can be completed within 15 to 20 minutes. Members can complete the module and test on-site and results are provided back to the CU immediately.)
- All unpaid closures and/or retail items over \$200 must be paid in full before the account can be opened.

Product Features:

- \$100 initial deposit required; SEG employees can open with \$20 deposit if on direct deposit.
- ATM card only; after 6 months of clean history, member may apply for a debit card
- All deposited checks will be held excluding payroll checks (unless approved by a supervisor)
- No overdraft privilege
- No overdraft protection for first 6 months; member may apply for overdraft protection after 6 months of clean history
- The member is charged \$10/mo.
- The member cannot have more than 4 overdrafts (ODs) within a six-month period or the account is closed.

- If the member has no more than 3 ODs within six months, he/she can request a transfer to the CU's free checking option.

Results through February 2009:

- Currently 5 members are in the program; 2 have successfully completed it and are managing regular checking accounts successfully; 2 accounts were closed for excessive ODs.
- No losses to date.

Purpose of Program:

The CU realized a number of members didn't qualify for its regular checking product because of ChexSystems records. Management wanted to help these members qualify for a transaction account, but also felt it was important for them to learn check management skills. This was accomplished by tying the 2nd Chance Checking program with its In-Balance checking account self study education module that covers how to balance and handle a checking account. The accounts are monitored monthly for NSF/OD activity.

Benefits of Program:

The program gives members a second chance to prove they can manage a transaction account. It limits the member's exposure to NSF charges to 4 in a 6-month period. The account is promptly closed when this threshold is reached, limiting any possible losses to the credit union. The monthly fee of \$10 is sufficient to cover the extra expenses of monitoring the accounts.

Marketing Strategies:

A soft launch was used for the first year and only members who were unsuccessful in opening a regular checking account were referred to the 2nd Chance program. The CU plans to market the program more visibly in May 2009, after one year of experience. It has not decided on its marketing plan yet for the 2nd phase.



Credit Union Model 2 2nd Chance Checking Program

United Consumers Credit Union

2326 S. Savage
Independence, MO 64055

Assets: \$99 Million

Members: 15,000

CU Website: www.uccumo.com

Contact: Ed Foster, VP of Support Services
(816) 521-4110
edf@uccumo.com

Start Date: July 2006

Eligibility:

- Members with a ChexSystems record (other than fraud) that don't qualify for the CU's regular checking account are eligible for a 2nd Chance Checking Account.
- Cannot have caused UCCU a loss.

Product Features:

- Direct deposit is required if available through employer.
- No ATM or debit card
- Maximum holds on all checks (other than payroll checks or other guaranteed fund checks)
- No ODP or courtesy pay
- \$10 per month service fee
- After 12 months in good standing, member may request that account be reviewed and changed to a regular checking account

Results as of February 2009:

- 150 2nd Chance Accounts with balances of \$102,000 (Average of \$680)
- 30 to 40 have converted to regular checking
- Generating revenue of \$18,000 per year
- No real losses (only NSF fees that were reversed)

Purpose of Program:

To help individuals achieve financial independence who were previously denied checking accounts because of a detrimental checking or credit record.

Benefits of Program:

- Help members by giving them a second chance in establishing a successful banking experience
- Build a long-term relationship
- Potential member/checking account growth
- Save members money

Marketing Strategies:

The credit union markets its 2nd Chance product on its website under checking options in the following manner:

Second Chance Checking*

Our Second Chance Checking Account can help you establish a successful banking relationship regardless of past credit problems. Instead of paying payday lenders or check-cashing companies an average of 400% interest (the industry average); you pay just \$10 per month for unlimited check writing. After 12 months of successfully managing your Second Chance Checking Account, you can request that your status be reviewed and switched over to a regular checking account. That can save you even more money, and open the door to a variety of other credit union services and benefits.

*Individuals with a record of fraud on the Chex System report and those who have caused a loss at UCCU are not eligible. Direct Deposit of your paycheck is required if offered by your employer. Maximum holds as allowed by law will be placed on all checks (other than verifiable payroll checks or other guaranteed fund checks). Debit/ATM Card and Courtesy Pay do not apply. Other terms and conditions will be disclosed at the time you open the account.



Credit Union Model 3

Bank on San Francisco Checking Program

Patelco Credit Union
156 Second St.
San Francisco, CA 94105

Assets: \$4.2 Billion

Members: 298,000 members

CU Website: www.patelco.org

Contact: Anita Macias Lani Apolonio
(415) 281-2542 (415) 442-7174
amacias@patelco.org lapolonio@patelco.org

Start Date: May 2008

Eligibility:

- Members with a ChexSystems record (other than fraud or identity theft) with an unpaid balance less than \$100, which must be paid first.
- Members with a ChexSystems record with an unpaid balance greater than \$100 must wait 6 months before opening account and must clear up all balances.

Product Features:

- Eligible members are offered the CU's regular free checking account.
- No monthly fees or minimum balance requirements
- ATM and/or debit card available
- Overdraft protection available
- No dividends paid to accounts

Results through October 2008:

- 77 accounts opened
- Average monthly account balances: \$1,976
- 2 accounts closed
- No losses

Purpose of Program:

Patelco decided it wanted to participate in the Bank on San Francisco program to help the 50,000 unbanked San Franciscans develop a relationship with a financial institution. Initially

it started the program with its three San Francisco branches. It is now participating in similar programs in other cities and in the Bank on California program.

Benefits of Program:

While Patelco's new accounts through the program are modest, the Bank on San Francisco program opened 25,000 new checking accounts in an 18-month period. The program standardizes the features and requirements for a 2nd chance checking product for the unbanked. The program is now focused on keeping consumers away from payday lenders and check cashers. Patelco is also participating in those efforts by cashing tax credit checks for non-members for free. It recently started a payday alternative loan for members with a \$500 limit, 18% APR, no fees, and 12 months to repay the loan.



Credit Union Model 4

Load n'Go Card

CoVantage Credit Union

723 Sixth Ave.
Antigo, WI 54409

Assets: \$707 Million

Members: 56,000 members

CU Website: www.covantagecu.org

Contact: Paul Grinde, EVP
(715) 623-1336
pgrinde@covantagecu.org

Eligibility:

- Open to any CoVantage member or eligible member, who has not caused the credit union a loss or is delinquent on a loan
- Originally designed for members not eligible for regular checking account but many others use it, as well

Product Features:

- Pre-paid reloadable debit card
- Can be used for purchases anywhere VISA is accepted; amounts are automatically deducted from the card balance
- Can be used at ATMs and at CU for cash withdrawals from card balance
- Checks deposited to a Load n'Go account are limited to local payroll checks and non-foreign federal and state government issued checks
- \$2 per month maintenance fee is the only fee associated with the card
- No ODP; if no funds available, transaction is denied
- Limited stand-in amounts when VISA network is down

Results to Date:

- 450 users/cards the first year; 400 not eligible for checking account
- Current # of users/cards: 834
- Average monthly balance is \$108
- Only loss to date is when we did not follow our own procedures
- Income from program: \$2 per month from each card holder

Purpose of Program:

Members were purchasing prepaid gift cards because they didn't qualify for checking accounts. The credit union decided to come up with a prepaid debit card that could be used to make purchases and obtain cash, but with safeguards in place to keep people from overdrawing accounts.

Benefits of Program:

- Accepted and works like a debit card
- Safer than carrying cash
- Cardholder determines how much to put on card
- No hidden fees or NSF expenses for the member
- No account to balance
- Parents like the account for students
- Allows the credit union to serve people it would otherwise turn away
- Cost of implementation was low by using a checking product that was already a part of the CU's core system, but not issuing checks to members and installing safeguards to minimize losses



Other Credit Union Examples

Santa Cruz Community CU, Santa Cruz, CA

- Members offered regular checking product if ChexSystems record shows only one negative record and is six months or older and has been paid in full
- If members manage the account prudently for one year, they are eligible for other products, such as a LOC.

generations FCU, San Antonio, TX

- \$8 per month service fee
- Members can choose to pay outstanding amounts to retail or financial institutions or take financial literacy program
- After 6 months with no NSF's, can move into regular checking

People's Trust CU, Houston, TX

- "Community Checking Account" for people with no experience in managing a checking account
 - Encourage the use of direct deposit and savings
- "Opportunity Checking" for those with ChexSystems record
 - Unpaid amounts must be less than \$1,000 and fewer than 3 depositories
 - \$14 per month service fee
 - After 6 months with good record, can move into regular checking program

Velocity CU, Austin, TX

"Access Checking"

- \$15 per month service fee
- Holds put on checks
- No ODP
- Can have debit card
- After one year with good record, can move into free checking
- 50% of those who don't qualify for regular checking, choose Access Checking; 50% choose to remain on cash basis

Cardinal Community CU, Newark, OH

- \$8.95 monthly service fee
- ODP limited to \$250; direct deposit is required
- No checks issued, but debit card is issued after first direct deposit
- After 12 months, can convert to regular checking account



4. Product Pricing

In the previous section several different credit union models and examples were offered. Pricing varied considerably from no fees to a monthly fee of \$15. The pricing variations generally reflect the level of risk the credit union is willing to take, and with greater risk, the more monitoring that is required. The following pricing structures are offered as suggestions to a 2nd Chance Checking program, based on risk exposure.

Low Risk – No to Low Fees

- Use existing checking product
- Expand program to those with limited ChexSystems record(s) with low unpaid balances
- Require balances be paid in full
- May also require completion of some financial education component

Moderate Risk – Fees from \$5 to \$10 per Month

- New checking product
- Limit ChexSystems records to those older than six months
- Accept only unpaid balances less than \$200
- Offer option of completion of some financial education component or payment of any balances in full
- No ODP or courtesy pay
- Limit NSF's to three or less in a six-month period; no more than two in one-month period
- Use maximum holds on checks except for payroll and government checks
- Convert to regular checking in six months, if account managed properly

High Risk – Fees greater than \$10 per Month

- New checking product
- Few limitations to ChexSystems record except if closed for fraud or identity theft
- Accept unpaid balances up to \$800
- No financial education component required
- Limit NSF's to eight or less in 12-month period; no more than three in one-month period
- Use maximum holds on checks except for payroll and government checks
- Convert to regular checking in 12 months, if account managed properly

As the risk of account abuse or mismanagement rises, credit unions should be ready to pull the plug quickly to minimize any losses. Close monitoring is essential. Periodically, the credit union is advised to check that sufficient income is generated from the product to cover loss and monitoring expenses. If not, some tweaking to monthly fees or underwriting criteria may be necessary. United Consumers Credit Union (Model 2) reports annual income of \$18,000 from its 2nd chance program and no losses.

5. Business Plans, Policies and Procedures

With a product design and pricing structure in place you can begin to develop a business plan, policies and procedures for a 2nd Chance Checking product. Sound policies and descriptive procedures for staff that describe who is eligible for the product and how monitoring will occur are essential. This section contains a sample business plan, policy guidelines, procedures and sample forms offered by some of the credit unions offering a 2nd chance program.

Business Plan

A business plan describes the purpose, objectives, features, and any underwriting criteria of a new product or service. It generally includes projections for income and expenses for some time period and can include a threshold point that would call for a review of the product. The business plan is often used to obtain board approval for moving forward with a product or service offering.

The following is a sample business plan.

Sample Business Plan *2nd Chance Checking Product*

Purpose: To offer a checking account to those who do not qualify for the credit union's regular checking account.

Target Market:

- Those who have never had a checking account
- Those who have had a checking account closed for abuse, unless closed for fraud or identity theft
 - Unpaid balances cannot exceed \$300; any amounts over that must be paid in full before opening account
 - Record history must be older than six months

Objectives:

- To strengthen the financial management skills of those who have had problems managing a checking account in the past
- To increase the CU's fee income
- To increase penetration of checking accounts
- To reach the unbanked
- To attract new members

Features:

- Direct Deposit required
- No ATM or debit card, except for prepaid debit card

- Maximum holds applied on all checks except for payroll or government checks
- No overdraft protection or courtesy pay.
- Monthly fee of \$10.00
- May qualify for regular checking after 12 months with no account abuse (i.e., no more than 2 NSF's in 12-month period)

Underwriting Criteria or Procedures to Limit Risk:

- Account will be closed if automatic deposits are stopped
- Account will be opened with special account code for monitoring purposes
- ChexSystems record must be older than six months and any unpaid balances exceeding \$300 must be paid before opening the account

Monitoring Procedures for NSF/Fraud Activity:

- Overdraft report will be checked daily for these special account codes
- Account will be closed if NSF's exceed 2 in 12-month period
- Any unpaid NSF fees over 45 days old will result in account closure

Marketing the Product:

- MSR's will offer the product to any member who doesn't qualify for our regular checking
- 2nd Chance Checking will be marketed on our website and in our newsletter

First Year Income & Expense Projections:

- Estimated income of \$15,000 in first year, assuming we can average 20 new accounts each month, or 240 for the first year
- This estimation is based on the number of accounts that are turned down each month because of ChexSystems records
- Existing staff will be able to manage the oversight of these accounts based on first year estimations; therefore, no additional resources will be necessary

Measurements of Success:

- Reach new account goal of 240 accounts
- Successful management of this product by member for 12 months so that they are able to move into regular checking program
- Fee income goal of \$15,000 for first year
- No losses

Any Loss/Volume/Expense Threshold that Triggers a Review:

- Estimated new accounts for first year is 240; if new accounts exceed 340, management will review adequacy of staffing levels
- No losses are expected; any losses that are incurred will be reviewed by management to determine if procedures were followed or if underwriting criteria needs to be reviewed

Policies

A policy that pertains to 2nd Chance Checking services should be in writing and have board approval. A sample policy is provided here.

Sample Policy ***2nd Chance Checking Policy***

Purpose: To offer a checking account to those who do not qualify for the credit union's regular checking account.

Eligibility:

- Those who have never had a checking account
- Those who have had a checking account closed for abuse, unless closed for fraud or identity theft
 - Unpaid balances cannot exceed \$300; any amounts over that must be paid in full before opening account
 - Record history must be older than six months

Product Features:

- Direct Deposit required
- No ATM or debit card, except for prepaid debit card
- Maximum holds applied on all checks except for payroll or government checks
- No overdraft protection or courtesy pay.
- Monthly fee of \$10.00
- May qualify for regular checking after 12 months with no account abuse (i.e., no more than 2 NSF's in 12-month period)

Underwriting Criteria:

- Account will be closed if automatic deposits are stopped
- Account will be opened with special account code for monitoring purposes
- ChexSystems record must be older than six months and any unpaid balances exceeding \$300 must be paid before opening the account

Monitoring Procedures:

- Overdraft report will be checked daily for these special account codes
- Account will be closed if NSF's exceed 2 in 12-month period
- Any unpaid NSF fees over 45 days old will result in account closure

Board Policy Review:

- Policy will be reviewed on an annual basis
- Earlier review may be determined by management if losses require change in eligibility or underwriting criteria

Procedures:

Expecting staff to properly and efficiently implement operational procedures requires the procedures be in writing and that employees are expertly trained. This is particularly true for new and riskier products. The following is a sample checklist that can be used or expanded upon to help with procedural development.

Sample Checklist

- ☞ Chex Systems (or like product) inquiry completed
- ☞ Determine member eligibility for 2nd Chance Checking
 - ☞ Has never had a checking account
 - ☞ Has ChexSystems record that is not for fraud or identity theft; is older than 6 months old; unpaid balances <\$300
 - ☞ If greater than \$300, member has paid balances in full that exceed \$300
- ☞ Review 2nd Chance Checking disclosure – explain fee structure and how it will be assessed
- ☞ Member has signed and completed 2nd Chance Checking Account Agreement
- ☞ Account set up under type code _____
- ☞ Review education materials relevant to balancing a checkbook and how to correctly write a check
- ☞ Review check holds, NSF limitations, and when account will be closed
- ☞ Instruct member when he/she may request an account review and a change to regular checking

A sample 2nd Chance Checking Account Agreement is provided on next page.

Sample 2nd Chance Checking Account Agreement

Member Name

Account Number

The undersigned hereby give authorization to XYZ Credit Union to open a Second Chance Checking Account and agree to the terms and conditions of the account as set forth below:

- 1) The account will be handled in a responsible manner with no more than 2 NSF's in a 12-month period. If not, it will be closed immediately.
- 2) No ATM/Debit card will be allowed (except for prepaid debit card).
- 3) Maximum holds will be placed on all checks (other than verifiable payroll checks or other guaranteed fund checks).
- 4) Courtesy pay will not be offered.
- 5) \$10 per month service charge will be assessed.
- 6) Direct deposit is recommended, if available from employer.
- 7) If the account has been kept in good standing for twelve months, the member may request that it be reviewed and changed to a regular checking account.

Member Signature Date

Member Signature Date

Credit Union Authorization Date



6. Marketing the Product

Marketing the credit union's 2nd Chance Checking program may call for alternative strategies from the credit union's normal marketing strategies for some of these reasons:

- The credit union itself may have denied members access to a checking account because of negative records and now wants to offer these same members a 2nd chance, which may require rebuilding trust and loyalty
- Determining which members were denied access to a checking account may prove difficult
- Those using check cashers because they have no transaction account will probably not be aware of the fact the credit union is willing to offer a 2nd chance opportunity and target marketing to them will be a challenge
- Marketing a CU product to people who have abused or mismanaged checking accounts may cause other members to question whether the CU is serving a "subprime" market which may cause negative implications
- ChexSystems records may cause embarrassment to potential candidates who fear the stigma of being considered poor financial managers

Marketing Strategies

To overcome these challenges, the following are some suggested strategies to create awareness of the credit union's 2nd Chance Checking product.

- If the credit union is able to identify members who were previously denied access to a checking account because of negative records, letters or fliers could be sent to these members stating the criteria under which new accounts will be opened and inviting members to come in and re-apply.
- Tellers could be coached regarding methods to approach members who use the CU as a check casher to determine if the members have a checking account elsewhere or may be interested in opening a checking account with the CU.
- Purchasing a 3rd party list from ChexSystems within your FOM or zip code using your 2nd chance criteria may be a possibility.
- Provide an educational forum for a 2nd chance checking program -- for example: "The ABCs to Fix Your Checking History;" then introduce the program at the end.
- Participate in programs such as "Bank on _____" in your state, like the Bank on San Francisco program (See Patelco CU model in Section 3), which provides mass media exposure to reach the under-banked.
- Partner with community organizations with relationship links to consumers that may be more apt to be under-banked.

Marketing & Media Plan

The credit union should have a marketing and media plan laid out for its launch of a 2nd Chance Checking program. The following is a sample marketing and media plan:

- The name for the program will be "2nd Chance Checking" using a tagline, "A fresh start to financial management."

- The initial launch will be targeted to those credit union members aged 18 and over without a checking account; in particular, to those who applied for a checking account but were denied because of ChexSystems records within the past 12 months.
- The launch will be part of a three month checking campaign entitled, “Get With Checking.”
- Checking fliers will be mailed to the target group highlighting both our Regular Checking and our 2nd Chance Checking products.
- Our website and newsletter will further highlight the checking campaign, and will feature appeals to those who may need a “fresh start.”
- Staff will be trained on how to cross sell the 2nd Chance product to those who don’t qualify for Regular Checking.
- Banners and fliers will be posted in the credit union announcing our “Get With Checking” campaign.
- A series of educational forums will be used during the three month period on various aspects of “Checking Account Management.” These will be offered as evening workshops and as lunch and learns within our SEGs. A monetary incentive and free checks will be offered as part of the forums.
- Humorous second chance situations will be used as videos on our website.

Marketing Materials

The credit union should identify what marketing materials it will use as part of its marketing plan, and what should be emphasized in the plan. A sample alternative checking account program flier from Community Plus FCU is included on the next two pages.

NEW x 2
CHECKING ACCOUNT PROGRAM

New x 2 offers members that have an unpaid balance through ChexSystems an opportunity to open a checking account when in the past you have been denied.

Attending the Checking Account Management (CAM) course will reinforce good checking account management and a fresh start to good financial management with low fees.

Community Plus Federal Credit Union is in the business of "People Helping People" and the New x 2 Checking Account Program does just that.



COMMUNITY PLUS
FEDERAL CREDIT UNION

526 E. Champaign Ave.
P.O. Box 255
Rantoul, IL 61866
(217) 893-8201

1005 Bloomington Rd.
Champaign, IL 61820
(217) 693-3440

E-mail: members@cplus.org

COMMUNITY PLUS
FEDERAL CREDIT UNION

NEW x 2
CHECKING ACCOUNT

ALTERNATIVE CHECKING
ACCOUNT PROGRAM



526 E. Champaign Ave.

Rantoul, IL 61866

(217) 893-8201

1005 Bloomington Rd.

Champaign, IL

(217) 693-3440

www.cPLUSfcu.org

NEW X 2 CHECKING ACCOUNT PROGRAM



New x 2 offers you a second chance at a checking account if you have been denied before.

New x 2 Checking Account Program is offered if you have been denied before due to an unpaid balance with ChexSystems. Community Plus Federal Credit Union is offering this alternative checking account to give you a fresh start in your personal financial management.

Opening deposit for the New x 2 Checking Account is \$50 and to offset the costs associated with the New x 2 Checking Account Program, there is a \$5 monthly maintenance fee. Pre-paid Visa Debit cards are available and your first 50 checks are free.

WHAT DOES IT TAKE TO GET STARTED?

Prior to opening the New x 2 Checking Account you are required to attend the Checking Account Management Course (CAM). The CAM course reviews the fundamentals of checking account management which may be new to some and review for others. Once you complete the 2-3 hour CAM course, you will be enrolled in the New x 2 Checking Account Program.



WHAT IS THE CHECKING ACCOUNT MANAGEMENT (CAM) COURSE?

The CAM course is offered on specified Saturdays from 9-Noon. There are also refresher courses, which are a condensed one-on-one version of the CAM Course, if an NSF occurs within the first 30-days of your account being opened.

WHEN WILL I BE ELIGIBLE FOR A REGULAR CHECKING ACCOUNT?

A satisfactory record of no NSF activity for 6 months and paying your unpaid balance with ChexSystems will allow you to upgrade to our regular checking account.

WHAT ARE YOUR HOURS?

Our lobby is open Monday through Friday, 9 AM to 5 PM. We open at 9:30 AM on Wednesdays to 5 PM and Saturdays 7:30 AM to Noon. To sign-up you must come in during lobby hours. Our drive-up is open 7:30 AM to 5:30 PM Monday through Wednesday, 7:30 AM to 6 PM Thursday and Friday, and Saturday 7:30 AM to Noon.

**COMMUNITY PLUS
FEDERAL CREDIT UNION**

526 E. Champaign Ave.
P. O. Box 255
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7. Education and Training

Have staff members been involved in the planning and design phases? Do they understand the reasons for implementing a 2nd Chance Checking program? If not, a staff education plan should be developed. Staff members who have been in the habit of turning away members with ChexSystems records and those who manage NSF activity may not understand the change in operations and philosophy. They may view the change as risky and only adding to their duties and responsibilities. A staff education plan should address at least some of the following:

1. The reasons for implementing a 2nd Chance Checking program
2. Who will be the benefactors of the program
3. How employees' efforts will contribute to its success
4. Specific techniques employees can use to introduce members to the 2nd Chance product without making the members feel embarrassed about ChexSystems records
5. How the credit union philosophy fits in with a 2nd Chance product

Staff Training Plan

Once staff members understand the reasons for implementing a 2nd Chance Checking product, they will be more receptive to a training plan. A training plan should include at least some of the following:

- 1) Written procedures that cover:
 - Who qualifies for the 2nd Chance Checking product
 - How the monthly fee is assessed
 - What factors are monitored on a monthly basis and what factors may result in account closure
 - Limitations to account, such as no ODP or courtesy pay, etc.
 - Any financial education opportunities or requirements
 - Requirements on member's part in order to move into a regular checking account
- 2) Check lists that employees can use to ensure all operating procedures are followed.
- 3) Sales hints or techniques to help employees sell the benefits of the product.
- 4) Role play techniques that involve reversing positions between member and staff
- 5) "Checking Account Management" training for employees so they understand how to manage a checking account and can help educate members



8. Implementation

Once product design, pricing and board approval have been completed the credit union is ready to begin planning implementation. The following checklist is offered as an aid to credit unions to ensure implementation steps and procedures are not overlooked. These steps can be further broken down with duties and oversight assigned to various personnel, along with completion dates.

Implementation Steps

- 👉 Develop written policies for 2nd Chance Checking product.
- 👉 Develop written procedures for employees that address eligibility, account opening processes, and monitoring of accounts.
- 👉 Develop employee checklists to ensure procedures are followed.
- 👉 Generate and implement a training plan for staff.
- 👉 Develop material content for educational forums.
- 👉 Generate a plan for educational forums to include: sites, hours, materials needed, advertisement of forums, staff requirements, etc.
- 👉 Establish a marketing and media plan.
- 👉 Develop marketing materials and news/information releases to members and the media.
- 👉 Establish measurement criteria that will be monitored and set up a monthly monitoring program.
- 👉 Report results to board and staff on an on-going basis.



9. Measuring Success

What measurement criteria will you use to determine if your 2nd Chance Checking product is successful? There are at least five different measurement tools that can be used.

Income Goals:

Depending on your pricing strategy (i.e., to make a profit or break-even), income goals may or may not be a measurement of your program's success. At the least however, you should track income from the program to ensure it is sufficient to cover any check losses. Most credit unions will want to cover some or all of their operating expenses associated with the 2nd Chance program as well, particularly any special monitoring the program requires. If the operation is losing money, the credit union can make the decision how long it will continue to provide the service as a loss leader or what changes to make to the program to increase revenue or to cut costs.

Volume & Growth Goals:

Some potential statistics or demographics to track include:

- Number of members using the product
- Number of new members who joined the CU to take advantage of its 2nd Chance program
- Number of 2nd Chance users who successfully converted to the CU's regular checking program

Loss Goals:

When your credit union made the decision to offer a 2nd Chance program, it more than likely set some caps or thresholds for losses. Have you been able to stay under the threshold or do you need to make some changes in procedures to reduce losses?

Savings to Members:

How much have your members saved using your 2nd Chance checking product versus being unbanked and having to use a traditional check casher? This savings is one of the biggest benefits/impacts your program is providing to your members using the service. Flaunt the amount you are saving consumers. Tell your members, tell your board and staff, tell your community, and tell your policy makers.

Graduating Members into Other Services:

Moving your members into other services should be the ultimate and longer-term goal of any 2nd Chance checking operation. Some suggested products to help these members move into more traditional financial products and services are offered here. Credit unions should consider taking inventory of their products and services and determine where gaps exist when it comes to helping members move up the ladder to productive wealth-building.

- **Regular checking account** that members can move into after demonstrating ability to manage 2nd Chance Checking after some period of time that includes access to a debit card, ATM card, bill payment, etc.
- **Holiday or savings club account** to help members save for the holidays or other special purposes. Members should be able to add to the account with each check deposit.
- **Fresh start/2nd Chance Credit Card** for members who have had prior challenges in managing a credit card. A small credit card limit secured by a savings balance can help members learn to manage credit in a productive manner.
- **Payday alternative loan** for members with short-term cash emergencies who may not qualify through traditional under-writing criteria.



10. References & Acronyms

References:

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CFSI link regarding prepaid cards: <http://www.cfsinnovation.com/topic-view-label.php?identifier=topic-prepaid-cards>

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Acronyms:

NSFs – Non-sufficient funds

ODs – Overdrafts