

2nd Chance Checking for Credit Unions

A REAL Solutions® Implementation Guide



2nd Chance Checking: A REAL Solutions[®] Implementation Guide is a 2009 publication of the National Credit Union Foundation's REAL Solutions[®] program.

About the National Credit Union Foundation (NCUF)

The [National Credit Union Foundation \(NCUF\)](#) raises charitable funds, runs innovative programs, and makes impactful grants for America's credit union movement. NCUF's mission is to "promote and improve consumers' financial independence through credit unions." Among the NCUF programs achieving this mission:

REAL Solutions[®] — Helping millions of consumers gain access to affordable financial services, achieve financial literacy, grow savings, build assets, and buy homes.

Development Education — Leading training on cooperative principles in the modern consumer marketplace to overcome what credit unions identify as the greatest threat to their future: "the eroding of credit union philosophy."

Social Impact Management — Meeting a "triple bottom line" that benefits credit unions, members, and communities.

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REAL Solutions[®] is the signature program of the National Credit Union Foundation. REAL — "Relevant, Effective, Asset-building, Loyalty-producing"— Solutions[®] works to help credit unions offer a wide range of products and services that have proven successful in serving working families with low wealth and modest means. Using product/business models created and tested by credit unions, REAL Solutions[®] disseminates information to credit unions through special meetings, an [online impact center at realsolutions.coop](#), and state and national conferences. As NCUF's signature program over the past three years, REAL Solutions[®] has been adopted in 37 states and is saving members tens of millions of dollars. It has now become a documented business strategy for credit unions to grow their memberships by serving the underserved.

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National Credit Union Foundation's REAL Solutions® program and has provided services in the following states: California, Colorado, Kansas, Missouri, Montana, New Mexico, Texas, and Wyoming.

About Credit Union Association of New Mexico

The Credit Union Association of New Mexico (CUANM) is a trade organization that helps credit unions throughout the state address member needs through services, products, education and advocacy. CUANM creates partnerships with nationwide and local companies so that credit unions of all sizes can offer products and services their members use every day at no or low fees. And CUANM provides classes, seminars, experienced consultants and other resources to help credit unions keep up-to-date with the latest regulations, legislation, compliance and legal issues. CUANM also works to promote financial literacy at all ages, from early childhood to adult, through programs offered through local credit unions and educational institutions throughout the state. Finally, CUANM provide advocacy services, working with state and national representatives, including the State Legislature and our representatives and senators in Washington, D.C., to protect the rights of credit union members.

In April 2007, CUANM adopted REAL Solutions® to focus on serving the needs of youth, new Americans and households of low-wealth with educational programs as well as transaction, savings and credit products and services. As of May 2009, 25 New Mexico credit unions, or 50% of CUANM affiliated credit unions, participate in the REAL Solutions® program.

About Texas Credit Union League

The Texas Credit Union League (TCUL) is the official state trade association serving credit unions in Texas. Organized in 1934, TCUL provides nearly 600 of the state's credit unions with valuable resources, products, services and programs to meet present and future challenges. The League provides education and training, advocate activities, regulatory/compliance assistance, technical assistance, research and new product development, marketing ideas, and public relations resources.

As a way to further Texas credit unions' efforts to serve low-wealth and modest means households, TCUL adopted REAL Solutions® in April 2008, supported by a generous grant from the Texas Credit Union Foundation (TCUF). Texas now boasts 45 REAL Solutions® credit unions that help consumers gain the solid financial footing they need to become and remain self-supporting, contributing members of the state's economy.

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In early May 2009, several New Mexico and Texas credit unions gathered in Albuquerque, New Mexico for a two-day REAL Solutions Workshop. One full afternoon was devoted to developing two implementation guides: Check Cashing for Credit Unions and 2nd Chance Checking for Credit Unions. This particular guide, "2nd Chance Checking for Credit Unions" is the byproduct of participant contributions plus the generous sharing of models and information from credit unions offering similar programs.

I would like to express my gratitude to the following workshop participants for their contributions to this implementation guide:

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Introduction

Most banks and many credit unions use ChexSystems or TeleCheck as a decision maker for opening a checking account for an individual. ChexSystems gathers information from participating financial institutions and subsequently offers information regarding a consumer's previous account closures, account inquiries, and unpaid NSF checks. A negative record can remain in file for five years. A negative record can generally mean the individual will have great difficulty opening a checking account with another institution, thus joining the 40 million households that are underbanked.

A study by the Center for Financial Services Innovation¹ reports about 8% of accounts opened by financial institutions are closed each year for cause. Of those closed for cause, only 5% to 7% are terminated for suspected fraud. The remaining accounts are closed for such behaviors as excessive NSF activity, drawing of uncollectible funds, or exceeding the number of days allowed in overdraft status. The study reported that 75% of those accounts closed for cause tried reapplying for a checking account an average of 3.7 times over a four year period. Further, using ChexSystem's QualiFile scoring methodology, the study found that 27% of accounts closed for derogatory behavior had debit scores that made them only moderate risks as checking customers.

The absence of a checking account with a financial institution often means these consumers must use high cost check cashers to access their funds. By offering a 2nd chance or fresh start checking account to members; credit unions have the opportunity to help individuals save money by moving them out of check cashing stores and into credit union lobbies, where they can become valuable, sustainable members. After all, a checking account is often used as a measure of a person's primary financial institution. A 2nd chance account can help a credit union grow membership and increase services used per member.

This 2nd Chance Checking Toolkit is intended to help credit unions develop a fresh start checking program that represents a good value for the consumer, yet a sustainable product for the credit union. Successful models are featured as examples. In addition, the toolkit includes the various implementation steps and issues that must be considered before launching a new product.

Toolkit Objectives

1. Learn more about who can benefit from a 2nd Chance Checking program
2. Provide examples of 2nd Chance Checking Models
3. Build commitment/support for the program
4. Provide sample business plan, policies and procedures
5. Provide sample marketing plan and materials
6. Provide sample implementation steps
7. Identify measurement criteria

¹ Center for Financial Services Innovation, "A Case Study of Checking Account Inquiries and Closures in Chicago," 2006.

Implementation Considerations

With the exception of very small credit unions, most credit unions include one or more checking products in their transaction-based portfolios. This toolkit then, assumes a credit union has the technical capabilities and compliance tools to add another checking option to its product listing. While one of the models featured includes a pre-paid debit card to minimize risk, the technical details of setting up such a product are beyond the scope of this toolkit.²

Instead, this toolkit is intended to help credit unions recognize the opportunity that exists in growing market share by moving members/potential members out of expensive check cashing stores into credit union lobbies by offering a 2nd chance checking product. It is intended to help credit unions minimize fraud and loss risks associated with the product and it includes several successful credit union models.

Why Offer a 2nd Chance Checking Program?

1. A study by the Center for Financial Services Innovation³ reports only 8% of checking accounts opened each year are closed for fraud. If closely monitored, 2nd chance accounts could offer credit unions low risk, fee income revenue, and the opportunity to grow membership.
2. Checking accounts are used as a measure of a person's primary financial institution (PFI). They are the glue to retaining members. 2nd Chance Accounts enable credit unions to build loyalty and "stickiness" with their members who would otherwise be without transaction accounts.
3. Without a transaction account, members may turn to check cashers to cash payroll or government checks. Check cashers charge from 2% to 6% of the face value of a check. A 2nd Chance Account provides members with the opportunity to save from \$458 to \$1,373 a year in check cashing fees.
4. Without a transaction account, members who cash a paycheck or government check generally carry lots of cash on hand. This presents a security risk for the individual and encourages people to spend all their money instead of making some effort to save a portion of it for a rainy day. Credit unions can offer individuals deposit and savings options to better manage their money.
5. A credit union doesn't need to take a short-term-gain perspective with its checking program. It will want a sustainable product, but sustainability can be achieved in a number of ways. A 2nd Chance Account may be a means to attract the underserved population in the community, thus growing membership. If these individuals can be moved up to more traditional products, then the 2nd chance checking product can be viewed as a new business development tactic.

² The following link can provide readers with more information about prepaid cards: <http://www.cfsinnovation.com/topic-view-label.php?identifier=topic-prepaid-cards>

³ Center for Financial Services Innovation, "A Case Study of Checking Account Inquiries and Closures in Chicago," 2006.

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.
- 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.

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

- 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.

- 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.

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.

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.

- 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

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.

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 NSFs exceed 2 in 12-month period
- Any unpaid NSF fees over 45 days old will result in account closure

Marketing the Product:

- MSRs 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

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

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
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NEW x 2
CHECKING ACCOUNT

**ALTERNATIVE CHECKING
ACCOUNT PROGRAM**



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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.

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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

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.

References & Acronyms

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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