

Looking Beyond the Status Quo for Improved Results

THE LOCAL CREDIT UNION

Maintaining a strong financial foundation can be difficult for consumers when they face unexpected financial situations or have difficulty keeping track of their checking account. Likewise, community financial institutions that take on large competitors and online resources — while juggling multiple responsibilities with limited personnel resources — can struggle to remain top-of-mind in the market. In spite of these challenges, savvy institutions like The Local Credit Union have found a way to level the playing field.

Founded in 1949, to serve workers at the Ford Axle Plant in Sterling Heights, Michigan, The Local Credit Union now serves union members whose local branches are headquartered in Wayne, Oakland and Macomb counties. Creating a financial institution to help one another was — and still is — the institution's purpose.

NEW LEADERSHIP SEES OPPORTUNITY FOR IMPROVEMENT

When Joe Hallman joined The Local Credit Union as President & CEO, his top priorities included increasing non-interest income with products that fulfilled the institution's mission. Based on previous experience, he realized that the existing strategy of relying on staff to manually review the daily overdraft report and determine whether to pay or return items was not meeting that objective. Fortunately, he knew just where to go to remedy the situation.

Before joining The Local Credit Union, Hallman had worked in a community bank and another credit union that maintained established overdraft programs. The bank had implemented JMFA OVERDRAFT PRIVILEGE®, which had been a successful experience for the institution and its customers. With this in mind, Hallman called JMFA to start a conversation.

"I considered JMFA the expert overdraft program provider," Hallman said. "There were a lot of other initiatives underway at the time and I didn't want to take the risk of managing a program on our own. I knew JMFA would provide all the resources and advice we needed to start off

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OVERCOMING RISK CONCERNS WITH TRUSTED COMPLIANCE EXPERTISE

Hallman was especially concerned about avoiding any unnecessary risk in an uncertain regulatory environment. He realized how additional support from compliance professionals would help the credit union staff stay on top of increasing regulatory expectations by counseling them on what to look for every day.

When the credit union was initially setting up its program, leadership and staff had many discussions about member eligibility, based on account activity and other criteria. But they knew from a regulatory standpoint that they couldn't make decisions based on that type of information. "JMFA's consultants guided us through the process when we got too conservative," Hallman explained. "They helped us to stay focused on the fact that this is a service we want all eligible members to use. Their advice was reassuring and made settling on the right decisions easier."

He continued, "With so many other risks involved in running a financial institution, it's reassuring to know that JMFA is there to mitigate any overdraft program compliance concerns. That's definitely something you don't get when you are maintaining the program on your own."

LITTLE DETAILS MAKE BIG THINGS HAPPEN

Hallman feels strongly that JMFA's ongoing follow-up is essential to ensuring the program will be successful. "If we would have implemented a program on our own, I am certain that initially we would have felt a positive impact in our non-interest income to asset ratio," he explained.

"However, once you get complacent and just expect things to happen, results can start to diminish. As our program matures, I know I will get services from JMFA — such as meetings with program experts, quarterly reports and ongoing advice — that will keep the program front and center in everyone's mind."

According to Hallman, thanks to JMFA's support The Local Credit Union has experienced positive results in many important aspects of its program, including:

- The automation inherent to Privilege Manager CRM® software has allowed the staff to streamline their approach when it comes to paying overdrafts. "This aspect of the software removes the

necessity for someone to subjectively look at overdrawn accounts every day, allowing the decision to happen naturally," he said.

- Monthly reports help to keep track of program results by providing minute detail on program usage, the number of accounts that are enrolled, the number of members who are using the program, etc.
- JMFA's comprehensive training helps to solidify important aspects of the program that staff members may lack from their previous understanding of how a compliant program works. Role-play opportunities help employees learn how to present it effectively to members.

"It was interesting to see people walking out of a training session after having that 'aha' moment," Hallman explained. "I could see on their faces that it had 'clicked' for them." He also appreciates having JMFA's trainers hold the sessions at the credit union, so there are no staffing gaps during the work day.

- Effective communications resources have kept the program in front of the membership. When the credit union started the program, Hallman had some concerns about the recommended communications plan and approach. But he quickly realized the value of effective communications for maintaining a successful program. By relying on JMFA's expertise and strategy, he has seen positive results in the program's overall performance.

"If members don't know about the program, they won't use it," he said. "But if you regularly communicate the information, at some point they will look at it, so the wording is very meaningful."



THE PROOF IS IN THE REVENUE AND IMPROVED MEMBER SERVICE

A year after JMFA OVERDRAFT PRIVILEGE® was implemented, The Local Credit Union saw improvement in non-interest income of 500 percent

over base. Year-to-date income exceeded JMFA's initial projection by \$100,000. For Hallman, this means the ability to provide new services that will benefit members and keep the credit union competitive.

"We are constantly looking at the possibility of adding services to make it easier for members to conduct their financial business," he said. "Everybody is looking for ways to access financial services — like remote deposit capture, online loan applications and bill pay through mobile apps. The increased non-interest income we are earning will help us to provide these services to our members."

AN INSTINCTIVE FEELING TURNS INTO A WIN-WIN

Hallman had a feeling that Local Credit Union members would appreciate the value of having an overdraft safety net. Based on evaluating the program reports, he has seen that become a reality. "Word of mouth has helped to sell the product," he said. "It has become an important service for the credit union and our members."

After maintaining an overdraft program in both a credit union and a bank, Hallman sees very similar situations. "A credit union and a community bank both have reputations to maintain in their service area," he said. "An overdraft program is a valuable service that can benefit many people, but it isn't for everyone. The secret is to make sure account holders understand the program and to stay focused on helping them avoid getting into any financial hardship."

He continued, "Having JMFA to rely on when making initial program decisions and ongoing improvements has been extremely helpful for us. The consultants have a great deal of experience dealing with diverse institutional situations, which has helped our staff address many different issues."

This ongoing consultant support — along with the ability to add new programs and enhance member services — has made the cost of implementing JMFA OVERDRAFT PRIVILEGE® worthwhile for Hallman. "Institutions that are hesitant to work with an expert like JMFA because of the cost need to get past that concern," he continued. "The potential revenue stream that allows you to enhance existing services and offer new programs is well worth it."

Hallman is confident that JMFA will help The Local Credit Union grow sustainable revenue as long as he uses their services. "I know that if I choose to let them go at the end of our contract, I will be contacting them two years later because I lost revenue," he concluded.

About John M. Floyd & Associates

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 members better or delivering a 100% compliant overdraft service—JMFA can help you deliver measurable results with proven solutions.