



Strunk & Associates, L.P.

www.strunklp.com

Frequently Asked Questions

This document addresses frequently asked questions regarding the Strunk and Associates' Free Checking Account and Overdraft PrivilegeSM Service Program:

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- ▶ What is the difference between overdraft "protection" and the Strunk and Associates' Overdraft PrivilegeSM Service Program?
- ▶ Why would I want the Overdraft Privilege Program in my credit union?
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Who is Strunk & Associates, L.P. ?



Established in 1976 by Chairman Bill Strunk, Strunk and Associates, L.P. is a financial institution advisory service recognized nationally for its innovative design, development, and implementation of sustainable profit improvement solutions for the financial institution community.

A key element of Strunk and Associates' success has been its highly regarded Free Checking and Overdraft Privilege Service Program. Developed and implemented by a staff of nationally recognized experts and specialists assigned to the firm's Financial Institution Advisory Service, this comprehensive and detailed program is based on the most effective strategy for short-term and long-term profit improvement - increasing non-interest income without raising prices and without cutting staff.

In the past decade, nearly **1,000** financial institutions have deployed the firm's proprietary Free Checking Account and Overdraft Privilege Service Program. All have experienced dramatic improvement in member service, loyalty and goodwill, while strengthening the bottom line.



What is the difference between overdraft “protection” and the Strunk and Associates’ Overdraft PrivilegeSM Service Program?



The most common forms of overdraft “protection” services involve loan products such as a pre-approved credit line, or sweep accounts that transfer funds from the member’s savings or money market accounts. Applications, credit approvals, contractual arrangements, and excess deposits are normally required for such services.

Generally, the number of checking members that actually do or can participate in these types of overdraft services make up a small percentage of the total checking account member base.

The Strunk and Associates’ *Discretionary* Overdraft Protection Program is a deposit product. It is offered as a non-contractual courtesy to nearly your entire checking members.

There are no additional papers for your member to sign and no action is required on the part of the member. The Overdraft Privilege service costs nothing unless a member overdraws their account by writing a check, making an ATM withdrawal, enacting a debit card purchase, or issuing any other payment or withdrawal request (ACH, POS) for more than the funds on deposit in their account.

At that time, payment of the overdraft will be considered and is subject to limits and conditions.



Why would I want the Overdraft Privilege Service Program in my credit union?



The Overdraft Privilege Program is a value-added service provided by your credit union. And because there is no need to sign up for Overdraft Privilege, the program’s substantial benefits and convenience are extended to a far greater percentage of the credit unions checking account member base. With this increased exposure, our average client has been able to double their NSF fee income -- a very significant figure.

On average, the majority of credit union members either do not qualify for, or choose not to apply for a line of credit. Included in this number are many members who do not have savings accounts or other excess deposits at the credit union to qualify them for sweep transfers.

Under the Overdraft Privilege Service Program, these same members will now 1) experience a significant improvement in member service and convenience, 2) avoid the embarrassment of picking up returned checks, and 3) have the knowledge that their credit union will consider coverage of their checks when they need it the most!



Why is it better to pay for a member's overdraft versus sending it back to the retailer?



The competitive nature of the credit union business today suggests that member-centric service is imperative to both acquire and, more importantly, retain members.

Returning members' checks, many of which are for smaller amounts, is poor member service. Conversely, paying a member's check into the overdraft provides a very emotional value-added service, saves your members money, and significantly contributes to stabilizing good member relations. **This encourages strong credit union brand preference and brand loyalty.**



How does the Overdraft Privilege Service Program save my members money?



Credit unions charge an overdraft/NSF fee whether they issue payment for, or return an insufficient funds check. The amount may vary, but let's use \$20⁰⁰ as an average fee. If the check is returned to the retailer, they will charge your member \$25⁰⁰ to \$30⁰⁰.

The retailer may send a previously returned check back to the credit union under second presentment. This puts the credit union in the position of charging yet another \$20⁰⁰ if sufficient funds are still not present in the member's account. Thus, the total charges incurred by your member may be as high as \$45⁰⁰ to \$70⁰⁰ or more, and the check has still not been paid. Any wonder why overdraft/NSF charges can create such a negative effect on member relations?

In the above scenario, under the Strunk and Associates' Overdraft PrivilegeSM Service Program, the member would only pay a \$20⁰⁰ NSF fee for payment of his/her overdraft. **Potential savings to your member can be as much as \$50⁰⁰ or more per occurrence!**



What kind of member writes NSF's?



It is hard to categorize who, at any moment, is subject to writing NSF's. It is recognized that approximately 95% of the population lives paycheck-to-paycheck, regardless of income.

Today, low/no interest rates on savings/checking accounts have prompted many credit union members to purposely limit savings and checking account balances in order to accommodate their investment in other, higher return financial vehicles. It is understandable, therefore, that on occasion, these credit union members may write NSF checks due to common account management mistakes such as late deposits, forgotten transactions like ATM/Debit card withdrawals, returned deposits, and reliance on deposits that are treated as not yet available due to credit union policy.



Is the Overdraft Privilege Service Program for every member?



Our program is designed and managed in a manner that allows the credit union to offer 90% to 95% of their checking members the benefits, service and convenience of Overdraft Privilege. Overdraft Privilege limits will be assigned to

your checking accounts according to account type (i.e. fee v. free). Payment of all NSF checks will be considered for payment by your processing system subject to the limits established.

Of course, the right to not approve any overdrafts is always reserved for the credit union.

A very important part of our program is the collection system. It allows you to offer this service to your entire member base while managing and accounting for risk. This limits charge-offs and allows the credit union to manage overdraft income as a separate and significant line of business.



Are there any compliance issues with the Overdraft Privilege Service Program?



The Overdraft Privilege Service Program will touch many areas of your financial institution, while satisfying media and consumer advocate issues. For example,

- ▶ **Reg Z** **TILA / Disclosures**
- ▶ **Reg O** **Loans to Key Executis**
- ▶ **Reg E** **Electronic Banking**
- ▶ **Reg B** **Discriminatory Practices**
- ▶ **Reg DD** **Truth in Advertising**

Regulations are not static. Any reputable organization knows they can and will change. Assurances or guarantees of "100%" compliance should be viewed very critically. However, Strunk and Associates has *in place*, verifiable operational procedures and engagements with regulatory and legal experts *specifically* dedicated to regulatory compliance in these areas. Therefore, you can be assured the Strunk and Associates has an ongoing and real investment in, and commitment to, compliance and matters involving legal due diligence.



Why use Strunk and Associates?



Simply put, Strunk and Associates has an unparalleled record of success in the area of Overdraft Privilege programs for financial institutions. We are the original developer of this product and our clients benefit from our full-time

staff of engagement managers and our experience in making the Overdraft Privilege Service Program highly successful with nearly 1,000 financial institutions throughout the United States and the Caribbean over the past decade. The implementation of our comprehensive program has always had the same consistent results:

- ▶ **Improved member service**
- ▶ **Loyal and satisfied members**
- ▶ **Strengthening your bottom line**



Strunk & Associates, L.P.

14614 Falling Creek Drive, Suite 110
Houston, Texas 77068-2943
Tel: 281.440.1440 or 800.728.3116
Fax: 281.440.1499

202 Northwest Platte Valley Drive
Riverside, Missouri 64150
Tel: 816.746.5559 or 877.485.8808
Fax: 816.746.5595