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Web-Based Overdraft Programs

Running your program over the Internet can boost staff access and help keep the lid on costs.

By Michael Wummer

A credit union's strategic advantage has always been the strength of its member relationships. Many credit unions are using courtesy overdraft programs to extend a valuable service to their members, while enjoying enhanced efficiencies in making fair and prudent pay/return decisions on daily [overdrafts](#).

Previously the focus of such programs may have been on uncertain regulations and/or member acceptance. However, those concerns have been largely mitigated by the release of final guidance on overdraft protection programs and the growing consumer appreciation for the service. In addition, with new advances in Web-based technology, credit unions now have the resources and capabilities to offer such services without increasing operational and maintenance costs.

Automating Courtesy Pay

With the passage of final courtesy pay program guidance by the Office of Thrift Supervision, the Federal Reserve Board, Federal Deposit Insurance Corporation, National Credit Union Administration and Office of the Comptroller of the Currency, credit unions need to carefully heed the requirement for proper tracking, reporting and risk management capabilities. These requirements are best managed via robust software that is focused on member relationship management and can conveniently provide program information in a variety of different reports.

For credit unions that may view overdraft management software as cost-prohibitive, new outsourced alternatives are available, such as fully Web-based programs. These decrease the expenditures inherent in establishing an in-house solution. For example, the cost of a server and a printer needed to run an in-house overdraft program can cost a credit union up to \$6,500, not including maintenance costs after initial installment. Web-based overdraft management programs offer credit unions the same functionality as in-house solutions, but without the added installation time, or the expense of an internal IT department and additional hardware and servers.

"With the use of a Web-based overdraft management program, our credit union has the ability to spend less time and money on an in-house program," says Mark Fetter, SVP/planning and project management for [Hoosier Hills Credit Union](#), Bedford, Ind. "We also are able to focus our IT efforts on our core systems. In addition, our Web-based overdraft program is equipped with a collection component which enables our personnel to make more contacts with our members, investing less time, yet enjoying more positive collection results."

Web-Based vs. In-House

A Web-based program is designed to run via the World Wide Web without the use of client-maintained software. Like an in-house program maintained by a credit union, Web-based software enables the end-user to have access to the full functionality of the service. However, because the service is provided via the Web, information is instantly accessible enterprise-wide. The program is literally available to any authorized personnel with a computer and an Internet connection. This broadens usage while reducing the cost of individual software "seat licenses."

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In addition, because information is stored at an off-site data center, the credit union does not have to maintain hardware, nor initiate back-ups, upgrades or disaster recovery plans. Further, troubleshooting can be performed quickly by the service provider regardless of geographic location.

The Push Toward Web-Based Programs

While in-house programs can be appealing, a credit union must ask: Is it best to spend resources maintaining an in-house server and IT staff or to spend those resources on enhanced member services and satisfaction?

This is not to say that in-house program offerings should be completely eliminated, but Web-based alternatives *can* provide an "edge" in addressing mounting marketplace competition by enabling a cost-effective alternative to a service members expect from their credit unions.

Recognizable software giants to smaller-sized financial institutions are pushing to provide more and more Web-based technology to remain visible *and viable* within the industry. A Web-based courtesy pay program is an example of a cost-effective service that CUs can choose to offer members.

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