

Automate your overdraft program & reduce risk



Never before have financial institutions been under the type of scrutiny they are today. Regulations and guidance imposed by the OCC, FDIC and the CFPB have forced institutions to not only monitor their overdraft protection programs more closely, but to also justify their very existence. Still, it is possible to balance the rewards of providing this short-term liquidity service with the financial and compliance risks it can pose, but it requires a new level of expert analysis and automation.

Gone are the days of the “one-size-fits-all” overdraft programs where all accountholders of a particular account type received the same overdraft limit. Institutions today must rely on

more advanced algorithms and accountholder data to guide them in setting the correct overdraft limit, on the correct day, for the correct person. Without this level of sophistication, financial institutions put themselves not only at risk with regard to income and service, but at a loss when explaining to regulators why they paid certain items for an accountholder when the accountholder clearly did not have the ability to repay the overdraft.

Automatically Set Dynamic Limits

Modern overdraft management software can provide automated scoring capabilities that actively manage risk and keep your overdraft program compliant. Far from the “one-size-fits all” approach to setting overdraft limits, automated and dynamic scoring enables your institution to create a risk profile on a daily basis for each individual accountholder and assign an overdraft limit based on that accountholder’s ability to repay. Dynamic limits can be calculated automatically based on a multitude of accountholder data points, including specific deposit and overdraft activity, as well as related balances and more.

The ability to set dynamic limits, lets your institution provide accountholders with a personalized overdraft pay service based on repayment capacity. Institutions maximize service by paying/authorizing more items for those accountholders who can afford it and want to use it, while pulling back on overdraft limits for those accountholders whose ability to repay has diminished. The financial institution is able to approve more overdrafts to maximize service; incur less risk with fewer charge-offs; and save time making fewer pay/return decisions. A win-win for everyone.

Satisfy Regulator Guidelines

Regulators expect financial institutions to monitor changes in customer usage to identify risks and to detect “potential changes to repayment capacity with respect to the overdraft product.” Automated risk scoring allows your institution to monitor “the individual credit worthiness of accountholders” and customize the service to meet their ability to repay.

In addition, regulators have also stated that management “should exercise appropriate oversight through receipt and review of regular reports.” Your overdraft program should provide automated reports that track and monitor excessive overdrafts, for instance, so you

can immediately make appropriate plan adjustments as well as communicate to accountholders their program status.

Do It in the Cloud

The type of automated overdraft software that is easiest to maintain is one that is cloud-based. This type of software delivery also provides security, ease-of-use and potential cost savings by eliminating software seat licenses, upgrade expenses, etc.

Benefits of a cloud-based overdraft software include:

- Nightly updates and upgrades that occur automatically with NO impact on your financial institution's IT staff.
- Security back-ups, software upgrades, secure file transfers and server maintenance that no longer are your financial institution's burden.
- Complete compliance with multifactor authentication to meet regulatory requirements.

Automating your overdraft system helps your financial institution reap the monetary rewards of providing this much-appreciated customer service, while minimizing charge-offs and regulatory scrutiny. Your accountholders appreciate your ability to meet their short-term liquidity needs and your institution is able to make sure their limits match their ability to repay.

To learn more about our overdraft privilege solutions, please contact BSG Financial Group at (866) 274-8900 or go to <http://www.BSGFinancial.com>.

